FORM 10-Q

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SEC Filing

VALSPAR CORP - VAL

Filing Date: March 10, 2010
Filing Period: January 29, 2010

DESCRIPTION
Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended January 29, 2010

or

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

For the transition period from _____ to _____

Commission File Number: 1-3011

THE VALSPAR CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**36-2443580**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

901 3rd Avenue South
Minneapolis, MN 55402
(Address of principal executive offices, including zip code)

612/851-7000
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
☐ Yes ☐ No

Indicate by check mark 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.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	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

As of March 1, 2010, The Valspar Corporation had 99,266,696 shares of common stock outstanding, excluding 19,175,928 shares held in treasury. We had no other classes of stock outstanding.

THE VALSPAR CORPORATION

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for the Quarter Ended January 29, 2010

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (DOLLARS IN THOUSANDS)

ASSETS	January 29, 2010 (Unaudited)	January 30, 2009 (Unaudited)	October 30, 2009 (Note)
CURRENT ASSETS:			
Cash and cash equivalents	$ 129,636	$ 81,072	$ 187,719
Accounts and notes receivable less allowance (1/29/10-$21,236; 1/30/09-$19,361; 10/30/09-$21,768)	449,485	453,943	518,188
Inventories	247,373	265,561	238,449
Deferred income taxes	34,401	31,817	34,479
Prepaid expenses and other	79,169	85,658	83,631
TOTAL CURRENT ASSETS	940,064	918,051	1,062,466
GOODWILL	1,337,555	1,320,946	1,337,997
INTANGIBLES, NET	628,283	632,017	629,923
OTHER ASSETS	4,251	4,217	4,192
LONG-TERM DEFERRED INCOME TAXES	5,425	2,801	5,358
GROSS PROPERTY, PLANT AND EQUIPMENT	1,084,931	1,025,569	1,085,147
Less accumulated depreciation	(625,503)	(553,836)	(614,059)
NET PROPERTY, PLANT AND EQUIPMENT	459,428	471,733	471,088
TOTAL ASSETS	$ 3,375,006	$ 3,349,765	$ 3,511,024

NOTE: The Balance Sheet at October 30, 2009 has been derived from the audited consolidated financial statements at that date.
See Notes to Condensed Consolidated Financial Statements

THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS - CONTINUED
(DOLLARS IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	January 29, 2010 (Unaudited)	January 30, 2009 (Unaudited)	October 30, 2009 (Note)
CURRENT LIABILITIES:			
Notes payable and commercial paper	$ 6,278	$ 231,218	$ 7,278
Current portion of long-term debt	—	5	—
Trade accounts payable	285,983	266,722	349,999
Income taxes	10,641	43	4,762
Other accrued liabilities	274,816	243,991	349,440
TOTAL CURRENT LIABILITIES	577,718	741,979	711,479
LONG-TERM DEBT, NET OF CURRENT PORTION	873,278	767,080	873,095
DEFERRED INCOME TAXES	239,766	228,826	235,975
OTHER LONG-TERM LIABILITIES	170,686	159,607	185,968
TOTAL LIABILITIES	1,861,448	1,897,492	2,006,517
HUARUN REDEEMABLE STOCK	—	36,895	—
STOCKHOLDERS' EQUITY:			
Common Stock (Par Value - $0.50; Authorized – 250,000,000 shares; Shares issued, including shares in treasury – 118,442,624)	59,220	59,220	59,220
Additional paid-in capital	362,788	333,218	353,086
Retained earnings	1,287,773	1,175,860	1,269,738
Accumulated other comprehensive income (loss)	66,243	53,212	67,997
Less cost of Common Stock in treasury (1/29/10-19,139,479 shares; 1/30/09-18,322,477 shares; 10/30/09-18,960,410 shares)	(262,466)	(206,132)	(245,534)
TOTAL STOCKHOLDERS' EQUITY	1,513,558	1,415,378	1,504,507
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,375,006	$ 3,349,765	$ 3,511,024

NOTE: The Balance Sheet at October 30, 2009 has been derived from the audited consolidated financial statements at that date.
See Notes to Condensed Consolidated Financial Statements

THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	THREE MONTHS ENDED	
	January 29, 2010	January 30, 2009
Net sales	$ 672,363	$ 639,497
Cost of sales	455,372	450,153
Gross profit	216,991	189,344
Research and development	23,665	23,069
Selling, general and administrative	133,437	132,032
Income from operations	59,889	34,243
Interest expense	14,385	11,926
Other (income)/expense – net	(204)	554
Income before income taxes	45,708	21,763
Income taxes	11,771	7,595
Net income	$ 33,937	$ 14,168
Huarun redeemable stock accrual (1)	—	(3,318)
Net income available to common stockholders	$ 33,937	$ 10,850
Net income per common share – basic	$ 0.34	$ 0.11
Net income per common share – diluted	$ 0.34	$ 0.11
Average number of common shares outstanding		
- basic	99,133,315	99,782,705
- diluted	101,115,945	100,188,774
Dividends paid per common share	$ 0.16	$ 0.15

(1) Huarun redeemable stock accrual reduced basic and diluted net income per common share $0.03 in the first quarter of 2009 as further described in Note 3.

See Notes to Condensed Consolidated Financial Statements

THE VALSPAR CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(DOLLARS IN THOUSANDS)

	THREE MONTHS ENDED	
	January 29, 2010	January 30, 2009
OPERATING ACTIVITIES:		
Net income	$ 33,937	$ 14,168
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:		
Depreciation	19,987	18,007
Amortization	1,834	2,023
Stock-based compensation	1,802	1,267
(Gain)/loss on asset divestiture	(95)	111
Changes in certain assets and liabilities, net of effects of acquired businesses:		
(Increase)/decrease in accounts and notes receivable	66,720	93,467
(Increase)/decrease in inventories and other current assets	(4,313)	3,983
Increase/(decrease) in trade accounts payable and other accrued liabilities	(129,742)	(160,875)
Increase/(decrease) in income taxes payable	2,069	(28,792)
Increase/(decrease) in other deferred liabilities	(2,974)	(2,654)
Other	(4,807)	(908)
Net Cash (Used In)/Provided By Operating Activities	(15,582)	(60,203)
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(8,486)	(10,811)
Cash proceeds on disposal of assets	18	54
Net Cash (Used In)/Provided By Investing Activities	(8,468)	(10,757)
FINANCING ACTIVITIES:		
Net change in borrowings	(14)	79,404
Proceeds from sale of treasury stock	9,407	645
Payments on deferred liability – excess cash – Huarun	—	(4,818)
Excess tax benefit from stock-based compensation	651	—
Treasury stock purchases	(27,591)	—
Dividends paid	(15,902)	(15,001)
Net Cash (Used In)/Provided By Financing Activities	(33,449)	60,230
Increase/(Decrease) in Cash and Cash Equivalents	(57,499)	(10,730)
Effect of exchange rate changes on Cash and Cash Equivalents	(584)	1,729
Cash and Cash Equivalents at Beginning of Period	187,719	90,073
Cash and Cash Equivalents at End of Period	$ 129,636	$ 81,072

See Notes to Condensed Consolidated Financial Statements

THE VALSPAR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JANUARY 29, 2010

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of The Valspar Corporation have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter ended January 29, 2010 are not necessarily indicative of the results that may be expected for the year ending October 29, 2010. We have evaluated subsequent events and have determined no events have occurred that require disclosure.

Certain amounts in the 2009 financial statements have been reclassified to conform to the 2010 presentation. Such reclassifications had no effect on net income or stockholders' equity as previously reported.

The Condensed Consolidated Balance Sheet at October 30, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements.

For further information refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended October 30, 2009.

NOTE 2: ACCOUNTS PAYABLE

Trade accounts payable includes $22.6 million at January 29, 2010, $26.7 million at October 30, 2009 and $11.5 million at January 30, 2009, of issued checks that had not cleared our bank accounts.

NOTE 3: ACQUISITIONS

In July 2006, we acquired approximately 80% of the share capital of Huarun Paints Holdings Company Limited (Huarun) from Champion Regal and certain other stockholders. Certain of the shares not purchased by us in July 2006 were subject to various put and call rights. The put and call rights were classified outside of stockholders' equity in Huarun Redeemable Stock. During the fourth quarter of 2008, certain minority stockholders exercised their right to sell shares to us. During the fourth quarter of 2009, we acquired the remaining Huarun Redeemable Stock, reducing the balance to zero. Acquisition accounting was applied upon the acquisition of the shares in 2009 and 2008. The balance in Huarun Redeemable Stock was zero at January 29, 2010, zero at October 30, 2009 and $36.9 million at January 30, 2009.

The Huarun Redeemable Stock was accrued to redemption value and the amount of accretion is shown as an adjustment below net income to arrive at the net income available to common stockholders. We accrued $3.3 million for the three-month period ended January 30, 2009, which reduced basic and diluted net income per common share $0.03 in the first quarter of 2009.

NOTE 4: INVENTORIES

The major classes of inventories consist of the following:

(Dollars in thousands)	January 29, 2010	January 30, 2009
Manufactured products	$ 144,874	$ 156,215
Raw materials, supplies and work-in-progress	102,499	109,346
Total Inventories	$ 247,373	$ 265,561

NOTE 5: COMPREHENSIVE INCOME (LOSS)

For the three-month periods ended January 29, 2010 and January 30, 2009, Comprehensive Income, a component of Stockholders' Equity, was as follows:

THE VALSPAR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JANUARY 29, 2010

	Three Months Ended	
(Dollars in thousands)	January 29, 2010	January 30, 2009
Net Income	$ 33,937	$ 14,168
Other Comprehensive Income, net of tax:		
Foreign currency translation gain (loss)	(1,910)	(36,889)
Net unrealized gain (loss) on financial instruments	156	65
Total Comprehensive Income (Loss)	$ 32,183	$ (22,656)

The period end balances of accumulated other comprehensive income (loss), net of tax, were comprised of the following:

(Dollars in thousands)	January 29, 2010	January 30, 2009	October 30, 2009
Foreign currency translation	$ 136,135	$ 92,970	$ 138,045
Pension and postretirement benefits, net	(77,679)	(42,356)	(77,679)
Net unrealized gain (loss) on financial instruments	7,787	2,598	7,631
Accumulated other comprehensive income (loss)	$ 66,243	$ 53,212	$ 67,997

NOTE 6: GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill as of January 29, 2010 decreased from the end of fiscal year 2009 by $0.4 million to $1,337.6 million. The decrease is primarily due to foreign currency translation.

Total intangible asset amortization expense for the three months ended January 29, 2010 was $1.8 million, compared to $2.0 million for the same period last year. Estimated amortization expense for each of the five succeeding fiscal years based on the intangible assets as of January 29, 2010 is expected to be approximately $7.5 million annually.

NOTE 7: SEGMENT INFORMATION

Based on the nature of our products, technology, manufacturing processes, customers and regulatory environment, we aggregate our operating segments into two reportable segments: Coatings and Paints. We are required to report segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources. We evaluate the performance of operating segments and allocate resources based on profit or loss from operations before interest expense and taxes (EBIT).

The Coatings segment aggregates our industrial and packaging product lines. Industrial products include a broad range of decorative and protective coatings for metal, wood and plastic. Packaging products include both interior and exterior coatings used in metal packaging containers, principally food containers and beverage cans. The products of this segment are sold throughout the world.

The Paints segment aggregates our architectural and automotive refinish product lines. Architectural products include interior and exterior decorative paints, stains, primers, varnishes, high performance floor paints and specialty decorative products, such as enamels, aerosols and faux varnishes for consumers in the do-it-yourself and professional markets in North America and China.

Our remaining activities are included in All Other. These activities include specialty polymers and colorants that are used internally and sold to other coatings manufacturers, as well as gelcoats and related products and furniture protection plans. Also included within All Other are our Corporate administrative expenses. The administrative expenses include interest and amortization expense, certain environmental-related expenses and other expenses not directly allocated to any other operating segment.

In the following table, sales between segments are recorded at selling prices that are below market prices, generally intended to recover internal costs. Segment EBIT includes income realized on inter-segment sales. Comparative first quarter results on this basis are as follows:

THE VALSPAR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JANUARY 29, 2010

	Three Months Ended	
(Dollars in thousands)	January 29, 2010	January 30, 2009
Net Sales:		
Coatings	$ 391,321	$ 374,652
Paints	233,413	212,700
All Other	66,615	67,100
Less Intersegment Sales	(18,986)	(14,955)
Total Net Sales	$ 672,363	$ 639,497
EBIT		
Coatings	$ 42,955	$ 24,898
Paints	27,832	15,951
All Other	(10,694)	(7,160)
Total EBIT	$ 60,093	$ 33,689
Interest	$ 14,385	$ 11,926
Income before Income Taxes	$ 45,708	$ 21,763

NOTE 8: FINANCIAL INSTRUMENTS

We use derivative financial instruments to manage well-defined interest rate and foreign currency exchange risks. We enter into derivative financial instruments and money market funds with high-credit quality counterparties and diversify our positions among such counterparties to reduce our exposure to credit losses.

In March 2008, the Financial Accounting Standards Board ("FASB") expanded the disclosure requirements for financial instruments. The expanded disclosures include qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value gains and losses on derivative instruments and their location in the financial statements and disclosures about credit-risk-related contingent features in derivative agreements. We do not have any credit-risk-related contingent features in our derivative contracts as of January 29, 2010. These additional disclosures are required for financial statements issued for fiscal periods beginning after November 15, 2008.

In September 2006, the FASB issued new fair value and disclosure requirements that defined fair value, established a framework in GAAP for measuring fair value and expanded disclosures about fair value measurements. The changes did not increase the required use of fair value measurement in our financial statements. The requirements are effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities, and are effective for nonfinancial assets and liabilities for years beginning after November 15, 2008. The adoption for nonfinancial assets and liabilities in the first quarter of 2010 did not impact our financial statements.

During the first quarter of 2009, we adopted the fair value disclosure requirements for our financial assets and liabilities. As of January 29, 2010, our financial assets subject to fair value measurement disclosures consist of money market funds and forward foreign currency exchange contracts (foreign currency contracts). The money market funds are included in our cash and cash equivalents balance with a fair value of $21.4 million. These assets have observable prices that are quoted on an active exchange, and are therefore classified as Level 1 inputs under the fair value hierarchy. The carrying value of the money market funds approximates fair value, as the maturities are less than three months. The foreign currency contracts have a fair value of $0.1 million. As of January 29, 2010, our financial liabilities subject to fair value measurement rules consist of interest rate swaps with a fair value totaling $1.3 million. As of January 30, 2009, our financial assets subject to fair value measurement disclosure consist of foreign currency contracts and treasury lock contracts totaling $0.9 million and $3.6 million, respectively. As of January 30, 2009, our financial liabilities subject to fair value measurement disclosure consist of interest rate swaps totaling $3.3 million. In both reporting periods, the foreign currency contracts, treasury lock contracts and interest rate swaps have observable prices that are not quoted on active exchanges, and are therefore classified as Level 2 inputs under the hierarchy.

At January 29, 2010, we had an aggregate $50 million of notional amount interest rate swap contracts, which have been designated as cash flow hedges, to pay fixed rates of interest and receive a floating interest rate based on LIBOR. All contracts mature during fiscal year 2011. The interest rate swap contracts are reflected at fair value in the condensed consolidated balance sheet. Unrealized gains and losses are recorded in accumulated other comprehensive income. Amounts to be received or paid under the contracts are recognized as interest expense over the life of the contracts. There was no ineffectiveness for these swaps recognized in interest expense for the quarter ended January 29, 2010. We had $100 million of notional amount interest rate swap contracts in place as of January 30, 2009. There was no ineffectiveness for these swaps recognized in interest expense for the quarter ended January 30, 2009.

At January 29, 2010, we had $8.6 million notional amount of foreign currency contracts maturing during fiscal year 2010. These foreign currency contracts have been designated as cash flow hedges with unrealized gains or losses recorded in accumulated other comprehensive income. Realized gains and losses will be recognized in Other Expense (Income) when they occur. At January 30, 2009, we had approximately $5.6 million notional amount of foreign currency contracts. There was no ineffectiveness for these hedges during the quarter ended January 29, 2010 or for the quarter ended January 30, 2009.

At January 29, 2010 we had no treasury lock contracts in place. At January 30, 2009, we had $150 million notional amount of treasury locks to hedge, or lock-in, interest rates on anticipated long-term debt to be issued. We designated the treasury locks as cash flow hedges with unrealized gains and losses recorded, net of tax, to accumulated other comprehensive income. In the third quarter of 2009, we terminated the $150 million of treasury lock contracts as a result of our bond issuance, yielding a pretax gain of $11.6 million. The unamortized gain is reflected, net of tax, in accumulated other comprehensive income in our consolidated balance sheet as of January 29, 2010 and is being reclassified ratably to our statements of income as a decrease to interest expense over the term of the related debt.

Derivative Balance Sheet Location as of January 29, 2010

(Dollars in thousands)	Balance Sheet Classification	Fair Value
Asset derivatives		
Derivatives designated as hedges:		
Foreign currency contracts	Prepaid expenses and other	$ 122
Total Asset derivatives		$ 122
Liability derivatives		
Derivatives designated as hedges:		
Interest rate swap contracts	Other long-term liabilities	$ 1,307
Total liability derivatives		$ 1,307

Derivative Gains (Losses) for the Quarter ended January 29, 2010

(Dollars in thousands)	Amount of Gain (Loss) Recognized in AOCI *	Statement of Income Classification	Gain (Loss) in Income **
Foreign currency contracts	$ 248	Other income / (expense), net	$ (144)
Interest rate swap contracts	(804)	Interest expense	(341)
Total derivatives designated as cash flow hedges	$ (556)		$ (485)

* Accumulated other comprehensive income (loss) (AOCI) is included on the Consolidated Balance Sheet in the Stockholders' Equity section and is reported net of tax

** Amounts reported are pretax

Additionally, as of the quarter ended January 29, 2010, the AOCI balance includes a net unrealized after-tax gain of $8.3 million that resulted from treasury locks that have been settled. The gain is recognized as a benefit to interest expense over the life of the related debt that was issued, which resulted in a pretax benefit of $0.4 million for the first quarter of 2010.

Derivative Balance Sheet Location as of January 30, 2009

(Dollars in thousands)	Balance Sheet Classification		Fair Value
Asset derivatives			
Derivatives designated as hedges:			
Treasury lock contracts	Prepaid expenses and other	$	3,568
Foreign currency contracts	Prepaid expenses and other		878
Total Asset derivatives		$	4,446
Liability derivatives			
Derivatives designated as hedges:			
Interest rate swap contracts	Other long-term liabilities	$	3,299
Total liability derivatives		$	3,299

Derivative Gains (Losses) for the Quarter ended January 30, 2009

(Dollars in thousands)		Amount of Gain (Loss) Recognized in AOCI *	Statement of Income Classification		Gain (Loss) in Income **
Foreign currency contracts	$	735	Other income / (expense), net	$	(50)
Treasury lock contracts		2,194	N/A		—
Interest rate swap contracts		(2,284)	Interest expense		(303)
Total derivatives designated as cash flow hedges	$	645		$	(353)

* Accumulated other comprehensive income (loss) (AOCI) is included on the Consolidated Balance Sheet in the Stockholders' Equity section and is reported net of tax

** Amounts reported are pretax

Additionally, as of the quarter ended January 30, 2009, the AOCI balance includes a net unrealized after-tax gain of $2.0 million that resulted from treasury locks that have been settled. The gain is recognized as a benefit to interest expense over the life of the related debt that was issued, which resulted in a pretax benefit of $0.1 million for the first quarter of 2009.

NOTE 9: DEBT SECURITIES

The tables below summarize the carrying value and fair market value of our outstanding debt. The fair market value of our publicly traded debt is based on observable market prices. The fair market value of our non-publicly traded debt was estimated using a discounted cash flow analysis based on our current borrowing costs for debt with similar maturities.

	January 29, 2010			
(Dollars in thousands)	Balance Sheet (carrying value)		Fair Market Value	
Publicly traded debt	$	800,000	$	873,664
Non-publicly traded debt		79,556		76,946
Total debt	$	879,556	$	950,610

	January 30, 2009			
(Dollars in thousands)	Balance Sheet (carrying value)		Fair Market Value	
Publicly traded debt	$	500,000	$	480,501
Non-publicly traded debt		498,303		494,575
Total debt	$	998,303	$	975,076

We did not elect the option to report our debt at fair value in our Consolidated Balance Sheets.

We have a credit facility with covenants that require us to maintain certain financial ratios. We were in compliance with these covenants as of January 29, 2010. Our debt covenants do not limit, nor are they reasonably likely to limit, our ability to obtain additional debt or equity financing.

THE VALSPAR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JANUARY 29, 2010

NOTE 10: GUARANTEES AND CONTRACTUAL OBLIGATIONS

We are required to disclose information about certain guarantees and contractual obligations in our periodic financial statements. We do not have any guarantees that require recognition at fair value.

We sell extended furniture protection plans and offer warranties for certain of our products. Revenue related to furniture protection plans is deferred and recognized over the contract life. Historical claims data is used to forecast claims payments over the contract period and revenue is recognized based on the forecasted claims payments. Actual claims costs are reflected in earnings in the period incurred. Anticipated losses on programs in progress are charged to earnings when identified. For product warranties, we estimate the costs that may be incurred under these warranties based on historical claims data and record a liability in the amount of such costs at the time revenue is recognized.

We periodically assess the adequacy of these recorded amounts and adjust as necessary. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are estimable. The extended furniture protection plans that we enter into have fixed prices. To the extent the actual costs to complete contracts are higher than the amounts estimated as of the date of the financial statements, gross margin would be negatively affected in future quarters when we revise our estimates. Our practice is to revise estimates as soon as such changes in estimates become known.

Changes in the recorded amounts, both short-term and long-term, during the period are as follows:

	Three Months Ended	
(Dollars in thousands)	January 29, 2010	January 30, 2009
Beginning balance, October	$ 70,503	$ 77,993
Additional net deferred revenue/accrual made during the period	3,224	285
Payments made during the period	(1,676)	(1,835)
Ending balance	$ 72,051	$ 76,443

NOTE 11: STOCK BASED COMPENSATION

Compensation expense associated with our stock-based compensation plans was $1.8 million ($1.2 million after tax) for the three-month period ended January 29, 2010, compared to $1.3 million ($0.8 million after tax) for the three-month period ended January 30, 2009.

NOTE 12: PENSION AND OTHER POSTRETIREMENT BENEFITS

We sponsor a number of defined benefit pension plans for certain hourly and salaried employees. The benefits for most of these plans are generally based on stated amounts for each year of service. We fund the plans in amounts consistent with the limits of allowable tax deductions.

The net periodic benefit cost of the pension benefits is as follows:

	Three Months Ended	
(Dollars in thousands)	January 29, 2010	January 30, 2009
Service cost	$ 834	$ 688
Interest cost	3,261	3,348
Expected return on plan assets	(4,097)	(3,875)
Amortization of prior service cost	114	154
Recognized actuarial (gain)/loss	1,235	512
Net periodic benefit cost	$ 1,347	$ 827

The net periodic benefit cost of the post-retirement medical benefits is as follows:

(Dollars in thousands)	Three Months Ended January 29, 2010	Three Months Ended January 30, 2009
Service cost	$ 53	$ 71
Interest cost	119	150
Amortization of prior service cost	(718)	(947)
Recognized actuarial (gain)/loss	657	804
Net periodic benefit cost	$ 111	$ 78

NOTE 13: INCOME TAXES

At October 30, 2009, we had a $33.4 million liability recorded for gross unrecognized tax benefits (excluding interest and penalties). Of this total, $29.9 million represents the amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate.

We recognize interest and penalties related to unrecognized tax benefits in income tax expense. As of October 30, 2009, we had accrued approximately $13.2 million of interest and penalties relating to unrecognized tax benefits.

During the first quarter of fiscal year 2010 we settled certain income tax audits, which reduced our liability for gross unrecognized tax benefits by $7.2 million (excluding interest and penalties). The net impact to tax expense for audit settlements (including interest, penalties, and other offsetting items) was a reduction of $4.8 million. There were no material adjustments to our recorded liability for unrecognized tax benefits during the first quarter of fiscal year 2009.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and numerous state and foreign jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2004. The Internal Revenue Service (IRS) has concluded its examination of our U.S. federal tax returns for the fiscal years ended 2004 and 2005. There were no material adjustments to our income tax expense or balance of unrecognized tax benefits as a result of the IRS examination. We are currently under audit in several state and foreign jurisdictions. We also expect various statutes of limitation to expire during the year. Due to the uncertain response of taxing authorities, a range of outcomes cannot be reasonably estimated at this time.

NOTE 14: RESTRUCTURING

During the third quarter of 2008, we initiated a comprehensive series of actions to lower our cost structure and further increase our operational efficiency. The restructuring activities are now substantially complete. We incurred total restructuring charges of $0.16, $0.18 and $0.02 per share after tax, in fiscal years 2008, 2009 and 2010, respectively. The restructuring activities for the quarter ended January 29, 2010 resulted in pre-tax charges of $4.0 million or $0.02 per share after tax. The restructuring activities for the quarter ended January 30, 2009 resulted in pre-tax charges of $9.1 million or $0.06 per share after tax.

The expenses included severance and employee benefits, asset impairments, professional services and site cleanup. We plan to pay the majority of the current restructuring liabilities by the end of fiscal year 2010.

The restructuring initiatives included plant closures, reductions to research and development and selling and administrative expenses, manufacturing consolidation and relocation, and the exit of non-strategic product lines in certain geographies. We reduced our manufacturing capacity and our overall global headcount to lower our costs in light of the challenging global economic conditions.

The following net restructuring and impairment charges by segment were recorded in the first quarter of 2010 and 2009:

THE VALSPAR CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JANUARY 29, 2010

Three-Month Period Ending January 29, 2010 (Dollars in thousands)	Liability Beginning Balance 10/30/2009	Expense	Activity	Liability Ending Balance 1/29/2010
Coatings				
Severance and employee benefits	$ 1,694	$ 51	$ (896)	$ 849
Asset impairments	—	2,487	(2,487)	—
Exit costs (consulting/site clean-up)	1,012	18	—	1,030
Total Coatings	2,706	2,556	(3,383)	1,879
Paints				
Severance and employee benefits	827	158	(903)	82
Asset impairments	—	249	(249)	—
Exit costs (consulting/site clean-up)	2,556	858	(853)	2,561
Total Paints	3,383	1,265	(2,005)	2,643
All Other				
Severance and employee benefits	55	—	(31)	24
Asset impairments	—	114	(114)	—
Exit costs (consulting/site clean-up)	—	66	(66)	—
Total All Other	55	180	(211)	24
Total	$ 6,144	$ 4,001	$ (5,599)	$ 4,546

Three-Month Period Ending January 30, 2009 (Dollars in thousands)	Liability Beginning Balance 10/31/2008	Expense	Activity	Liability Ending Balance 1/30/2009
Coatings				
Severance and employee benefits	$ 7,842	$ 6,361	$ (6,298)	$ 7,905
Asset impairments	—	250	(250)	—
Exit costs (consulting/site clean-up)	423	294	(519)	198
Contract term costs (leases)	—	342	(15)	327
Total Coatings	8,265	7,247	(7,082)	8,430
Paints				
Severance and employee benefits	—	298	(49)	249
Exit costs (consulting/site clean-up)	2,252	—	—	2,252
Total Paints	2,252	298	(49)	2,501

All Other				
Severance and employee benefits	806	320	(507)	619
Asset impairments	—	692	(692)	—
Exit costs (consulting/site clean-up)	64	557	(580)	41
Total All Other	870	1,569	(1,779)	660
Total	$ 11,387	$ 9,114	$ (8,910)	$ 11,591

The ending liability balance at January 29, 2010 and at January 30, 2009 is included in other accrued liabilities on our Consolidated Balance Sheet. The restructuring reserve balances presented are considered adequate to cover committed restructuring actions. The restructuring expenses recorded are included in the Consolidated Statement of Income. For the first quarter of 2010, $4.0 million was charged to Cost of Sales. For the first quarter of 2009, $4.9 million was charged to Cost of Sales and $4.2 million was charged to Selling, General and Administrative expense.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview: Our 2010 first quarter net income increased over the prior year due to a combination of improved raw material cost comparisons, benefits from previously completed restructuring actions, leverage from improved volume and a benefit from the settlement of certain tax audits. Sales for the quarter increased compared to the prior year primarily due to favorable foreign currency exchange rates and a modest improvement in volume. The sales improvement was driven by our foreign operations where we had increased sales in all regions. In the U.S. our sales were flat. Sales in our Coatings segment increased due to positive foreign currency translation. New business in our industrial product lines helped to mitigate continued weakness in U.S. industrial markets. Sales in our Paints segment increased for the first quarter of 2010 primarily due to higher volumes in our global architectural and global automotive refinish product lines. Gross profit as a percent of net sales in the first quarter of 2010 increased compared to last year as a result of favorable raw material cost comparisons, leverage from increased sales volume and productivity gains from previously completed restructuring actions. Operating expenses as a percent of net sales decreased in the quarter compared to the prior year primarily due to leverage from higher sales volume.

During the third quarter of 2008, we initiated a comprehensive series of actions to lower our cost structure and further increase our operational efficiency. The restructuring activities are now substantially complete. We incurred total restructuring charges of $0.16, $0.18 and $0.02 per share after tax, in fiscal years 2008, 2009 and 2010, respectively. The restructuring activities for the quarter ended January 29, 2010 resulted in pre-tax charges of $4.0 million or $0.02 per share after tax. The restructuring activities for the quarter ended January 30, 2009 resulted in pre-tax charges of $9.1 million or $0.06 per share after tax.

Earnings Per Share: Net income per share available to common stockholders was $0.34 and $0.11 for the first quarter of 2010 and 2009, respectively. Huarun Redeemable Stock had no effect on the first quarter of 2010 as we acquired the remaining shares in the fourth quarter of 2009. We accrued $3.3 million, or $0.03 per common share basic and diluted, in the first quarter of 2009 for the Huarun Redeemable Stock (see Note 3 in Notes to Condensed Consolidated Financial Statements for further details). The table below presents adjusted net income per common share – diluted, which excludes the non-cash accrual relating to Huarun Redeemable Stock. The table also presents restructuring charges included in net income in the respective periods.

	Three Months Ended	
	January 29, 2010	January 30, 2009
Net income per common share - diluted	$ 0.34	$ 0.11
Huarun redeemable stock accrual	—	0.03
Adjusted net income per common share - diluted	$ 0.34	$ 0.14
Restructuring Charges	$ 0.02	$ 0.06

"Adjusted net income per common share – diluted" is a non-GAAP financial measure. Management discloses this measure because we believe the measure may assist investors in comparing our results of operations in the respective periods without regard to the effect on results in the 2009 period of the non-cash accrual related to the Huarun Redeemable Stock. As the Huarun Redeemable Stock was redeemed, acquisition accounting was applied; refer to Note 3 in Notes to Condensed Consolidated Financial Statements for further details. In addition, the first quarter of 2010 and 2009 included after-tax restructuring charges of $0.02 and $0.06 per share, respectively.

Critical Accounting Policies: There were no material changes in our critical accounting policies during the three-month period ended January 29, 2010.

Operations:

Net Sales (Dollars in millions)	Three Months Ended		
	January 29, 2010	January 30, 2009	% Change
Coatings	$ 391.3	$ 374.7	4.4%
Paints	233.4	212.7	9.7%
All Other	47.7	52.1	(8.7)%
Consolidated Net Sales	$ 672.4	$ 639.5	5.1%

- **Consolidated Net Sales –** The core sales increase for 2010 was 1.2%, excluding a 3.9% positive effect of foreign currency. The increase in core sales was primarily due to an increase in volume.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

- **Coatings Segment Net Sales –** The core sales decline for 2010 was 0.8%, excluding a 5.2% positive effect of foreign currency. The decrease in core sales was primarily due to unfavorable product mix and price. Although market conditions appear to have stabilized in our industrial product lines, the global markets remain down compared to last year. New business in our industrial product lines has partially offset the continued weakness in the U.S. industrial markets.
- **Paints Segment Net Sales –** The core sales increase for 2010 was 7.8%, excluding a 1.9% positive effect of foreign currency. The increase in core sales was primarily due to volume growth in our global architectural and automotive refinish product lines driven by improved market demand. Our global architectural product line benefited from strengthening of the U.S. Do-It-Yourself channel, the continued investment in our brands and improved market conditions in Asia.
- **All Other Net Sales –** The All Other category includes resins, colorants, gelcoats and our furniture protection plan business. The core sales decrease for 2010 was 11.5%, excluding a 2.8% positive effect of foreign currency. The lower sales were due to weak demand in the U.S. coatings markets.

Due to the seasonal nature of portions of our business, sales for the first quarter are not necessarily indicative of sales for subsequent quarters or for the full year.

Gross Profit (Dollars in millions)	Three Months Ended	
	January 29, 2010	January 30, 2009
Consolidated Gross Profit	$ 217.0	$ 189.3
As a percent of Net Sales	32.3%	29.6%

- **Gross Profit –**The gross profit increase, as a percent of net sales, was driven primarily by improved raw material cost comparisons, leverage from increased sales volume and productivity gains from previously completed restructuring actions. Restructuring charges of $4.0 million or 0.6% of net sales and $4.9 million or 0.8% of net sales were included in the 2010 and 2009 periods, respectively.

Operating Expenses * (Dollars in millions)	Three Months Ended	
	January 29, 2010	January 30, 2009
Consolidated Operating Expenses	$ 157.1	$ 155.1
As a percent of Net Sales	23.4%	24.3%

* Includes research and development, selling, general and administrative costs. For breakout see Consolidated Statements of Income.

- **Consolidated Operating Expenses (dollars) –** Consolidated operating expenses increased 1.3% to $157.1 million compared to the prior year. The increase was driven primarily by unfavorable foreign currency. There were no restructuring charges included in operating expenses in the 2010 period. Restructuring charges of $4.2 million or 0.7% of net sales were included in the 2009 period.
- **Consolidated Operating Expenses (percent of net sales) –** As a percent of consolidated net sales, operating expenses decreased 0.9 percentage points compared to last year. The improvement was primarily due to leverage from higher sales.

EBIT * (Dollars in millions)	Three Months Ended	
	January 29, 2010	January 30, 2009
Coatings	$ 43.0	$ 24.9
As a percent of Net Sales	11.0%	6.6%
Paints	$ 27.8	$ 16.0
As a percent of Net Sales	11.9%	7.5%

All Other	$ (10.7)	$ (7.2)
As a percent of Net Sales	(22.5)%	(13.7)%
Consolidated EBIT	$ 60.1	$ 33.7
As a percent of Net Sales	8.9%	5.3%

* Defined as profit or loss from operations before interest expense and taxes.

- **Consolidated EBIT –** EBIT for the first quarter of 2010 increased $26.4 million or 78.4% from the prior year. Restructuring charges of $4.0 million or 0.6% of net sales and $9.1 million or 1.4% of net sales were included in the 2010 and 2009 periods, respectively. Foreign currency exchange fluctuation had an immaterial effect on EBIT.
- **Coatings Segment EBIT –** EBIT included restructuring charges of $2.5 million or 0.7% of net sales and $7.2 million or 1.9% of net sales in the 2010 and 2009 periods, respectively. The increase in EBIT as a percent of net sales was driven primarily by improved raw material cost comparisons, productivity gains from previously completed restructuring actions and lower 2010 restructuring charges compared to 2009.
- **Paints Segment EBIT –** EBIT included restructuring charges of $1.3 million or 0.5% of net sales and $0.3 million or 0.1% of net sales in the 2010 and 2009 periods, respectively. The increase in EBIT as a percent of net sales was driven primarily by improved raw material cost comparisons, leverage from increased sales volumes and productivity gains from previously completed restructuring actions.
- **All Other EBIT –** All Other EBIT includes corporate expenses. EBIT included restructuring charges of $0.2 million or 0.4% of net sales and $1.6 million or 3.0% of net sales in the 2010 and 2009 periods, respectively. The decrease in EBIT as a percent of net sales was driven primarily by the decline in revenue and timing of corporate expenses.

Due to the seasonal nature of portions of our business, EBIT for the first quarter is not necessarily indicative of EBIT for subsequent quarters or for the full year.

Interest Expense	Three Months Ended	
(Dollars in millions)	January 29, 2010	January 30, 2009
Consolidated Interest Expense	$ 14.4	$ 11.9

- **Interest Expense –** The first quarter increase is primarily due to higher average interest rates resulting from our third quarter 2009 bond issuance partially offset by lower average debt levels in 2010.

Effective Tax Rate	Three Months Ended	
	January 29, 2010	January 30, 2009
Effective Tax Rate	25.8%	34.9%

- **Effective Tax Rate –** The first quarter 2010 effective tax rate reflects the settlement of certain income tax audits that decreased income tax expense by $0.04 per share. We expect the effective tax rate for the full year to be 32.5% to 33%.

Net Income	Three Months Ended		
(Dollars in millions)	January 29, 2010	January 30, 2009	% Change
Consolidated Net Income	$ 33.9	$ 14.2	139.5%

Financial Condition: Net cash used in operations was $15.6 million for the first quarter of 2010, compared to net cash used in operations of $60.2 million for the first quarter of 2009. The use of cash for operations in 2010 was primarily related to decreases in trade accounts payable and other accrued liabilities, partially offset by net income and a reduction in accounts receivable. The decline of $129.7 million in trade accounts payable and other accrued liabilities is due to seasonality of purchases and timing of disbursements. The decrease of $66.7 million in accounts receivable is due to normal seasonality of sales.

During the first quarter of 2010, we used cash on hand and $9.4 million in proceeds from the sale of treasury stock to fund normal seasonal working capital needs, $27.6 million in share repurchases, $15.9 million in dividend payments and $8.5 million in capital expenditures.

Capital expenditures for property, plant and equipment were $8.5 million in 2010, compared with $10.8 million in 2009. We anticipate capital spending in 2010 to be approximately $80 million.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The ratio of total debt to capital was 36.8% at January 29, 2010, compared to 36.9% at October 30, 2009 and 41.4% at January 30, 2009. Short-term debt (notes payable plus current portion of long-term debt) was $6.3 million at January 29, 2010. This debt was comprised of foreign subsidiary borrowings. We ended our 2010 first quarter with $557.3 million of liquidity that includes $427.7 million of available committed credit facilities and $129.6 million of cash. We believe cash flow from operations, existing lines of credit, access to credit facilities and access to debt and capital markets will be sufficient to meet our current and projected financing needs.

We have a credit facility with covenants that require us to maintain certain financial ratios. We were in compliance with these covenants as of January 29, 2010. Our debt covenants do not limit, nor are they reasonably likely to limit, our ability to obtain additional debt or equity financing.

Our cash and cash equivalent balances consist of high quality short-term money market instruments and cash held by our international subsidiaries that are used to fund day-to-day operating needs. Those balances have also been used to finance acquisitions. Our investment policy on excess cash is to preserve principal.

We use derivative instruments with a number of counterparties principally to manage well-defined interest rate and foreign currency exchange risks. We evaluate the financial stability of each counterparty and spread the risk among several financial institutions to limit our exposure. We will continue to monitor counterparty risk on an ongoing basis.

Off-Balance Sheet Financing: We do not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Forward Looking Statements: Certain statements contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on behalf of the Company. These forward-looking statements are based on management's current expectations, estimates, assumptions and beliefs concerning future events, conditions and financial performance. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control and could cause actual results to differ materially from such statements. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as "expects," "anticipates," "believes," "will," "will likely result," "will continue," "plans to" and similar expressions. These uncertainties and other factors include, but are not limited to, changes in general economic conditions both domestic and international, including recessions and other external economic and political factors, which may adversely affect our business, the value of our investments, the financial stability of our customers and suppliers and our ability to obtain financing; dependence of internal earnings growth on economic conditions and growth in the domestic and international coatings industry; competitive factors including pricing pressure and product competition; risks related to any future acquisitions, including risks of adverse changes in the results of acquired businesses and the assumption of unforeseen liabilities; risks of disruptions in business resulting from the integration process and higher interest costs resulting from further borrowing for any such acquisitions; our reliance on the efforts of vendors, government agencies, utilities and other third parties to achieve adequate compliance and avoid disruption of our business; risks of disruptions in business resulting from our relationships with customers and suppliers; risks and uncertainties associated with operations and achievement of growth in developing markets, including China and Central and South America; unusual weather conditions adversely affecting sales; changes in raw materials pricing and availability; delays in passing along cost increases to customers; changes in governmental regulation, including more stringent environmental, health and safety regulations; changes in accounting policies and standards and taxation requirements such as new tax laws or revised tax law interpretations; the nature, cost and outcome of pending and future litigation and other legal proceedings; civil unrest and the outbreak of war and other significant national and international events; and other risks and uncertainties. The foregoing list is not exhaustive, and we disclaim any obligation to subsequently revise any forward-looking statements to reflect events or circumstances after the date of such statements.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our foreign sales and results of operations are subject to the impact of foreign currency fluctuations. We have not hedged our exposure to translation gains and losses; however, we have reduced our exposure by borrowing funds in local currencies. A 10% adverse change in foreign currency rates would not have a material effect on our results of operations or financial position.

We are also subject to interest rate risk. At January 29, 2010, approximately 3.4% of our total debt consisted of floating rate debt. From time to time, we may enter into interest rate swaps to hedge a portion of either our variable or fixed rate debt. Assuming the current level of borrowings, a 10% increase in interest rates from those in effect at the end of the first quarter would not have a material impact on our results of operations or financial position.

ITEM 4: CONTROLS AND PROCEDURES

Disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of January 29, 2010. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There were no changes in our internal control over financial reporting during the quarter ended January 29, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

During the period covered by this report, there were no legal proceedings instituted that are reportable, and there were no material developments in any of the legal proceedings that were previously reported on our Form 10-K for the year ended October 30, 2009.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Not applicable
(b) Not applicable
(c) We made the following repurchases of equity securities during the quarter ended January 29, 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
10/31/09 – 11/27/09	—	$ —	—	4,000,000
11/28/09 – 12/25/09	420,000	26.88	420,000	3,580,000
12/26/09 – 1/29/10	580,000	28.06	580,000	3,000,000

ITEM 5: OTHER INFORMATION

At the Annual Meeting of Stockholders on February 18, 2010, the stockholders took the following actions:

(i) The stockholders elected four directors in Class III for a three-year term. The stockholders present in person or by proxy cast the following numbers of votes in connection with the election of directors, resulting in the election of all nominees:

	Votes For	Votes Withheld	Non-Votes
Charles W. Gaillard	80,437,964	6,829,424	8,015,922
Gary E. Hendrickson	82,238,732	5,028,656	8,015,922
Mae C. Jemison	85,698,775	1,568,613	8,015,922
Gregory R. Palen	75,986,851	11,280,537	8,015,922

The directors whose term of office continued after the meeting are: John S. Bode, Jeffrey H. Curler, Ian R. Friendly, Janel S. Haugarth, William L. Mansfield and Stephen D. Newlin.

(ii) The stockholders approved an increase in the shares reserved under the Corporation's 2009 Omnibus Equity Plan.

Votes For	Votes Against	Abstentions	Non-Votes
58,837,865	28,120,383	309,840	8,015,922

(iii) The stockholders ratified the appointment of Ernst & Young LLP as the Corporation's independent registered public accounting firm for fiscal 2010.

Votes For	Votes Against	Abstentions
91,517,090	3,682,294	83,926

ITEM 6: EXHIBITS

Exhibits

10.1 Three-Year Credit Agreement with Wells Fargo Bank, National Association, as Administrative Agent and an issuing bank, Wachovia Bank, National Association, as an issuing bank, and certain other lenders

10.2 First Amendment to Credit Agreement, dated August 17, 2009, among the registrant, the lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent

31.1 Section 302 Certification of the Chief Executive Officer

31.2 Section 302 Certification of the Chief Financial Officer

32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

THE VALSPAR CORPORATION

Date: March 10, 2010

By /s/Rolf Engh
Rolf Engh
Secretary

Date: March 10, 2010

By /s/Lori A. Walker
Lori A. Walker
Senior Vice President and
Chief Financial Officer

Exhibit 10.1

Execution Version

THREE-YEAR

CREDIT AGREEMENT

dated as of

June 30, 2009

among

THE VALSPAR CORPORATION,

The Borrowing Subsidiaries
Party Hereto,

The Lenders Party Hereto

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent and an Issuing Bank,

WACHOVIA BANK, NATIONAL ASSOCIATION,
as an Issuing Bank,

BANK OF AMERICA, N.A.,
as Syndication Agent

DEUTSCHE BANK AG NEW YORK BRANCH, and
THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.,
as Documentation Agents

WACHOVIA CAPITAL MARKETS, LLC and BANC OF AMERICA SECURITIES LLC,
as Joint Lead Arrangers and Joint Bookrunners

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THREE-YEAR CREDIT AGREEMENT dated as of June 30, 2009, among **THE VALSPAR CORPORATION,** a Delaware corporation; the **BORROWING SUBSIDIARIES** from time to time party hereto; the **LENDERS** from time to time party hereto; **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as Administrative Agent and an Issuing Bank; **WACHOVIA BANK, NATIONAL ASSOCIATION**, as an Issuing Bank; and **BANK OF AMERICA, N.A.,** as Syndication Agent.

The Company has requested the Lenders to extend Revolving Commitments under which the Borrowers may obtain revolving loans and have letters of credit issued in an aggregate principal amount at any time outstanding not greater than US$465,000,000 or the equivalent thereof in certain other currencies, as such amount may be increased or decreased pursuant to the terms hereof. The proceeds of the Borrowings hereunder will be used to refinance existing Debt of the Company and the Subsidiaries and to pay related fees and expenses, as well as for working capital and general corporate purposes, including the financing of future acquisitions.

The Lenders are willing to establish the credit facilities referred to in the preceding paragraph upon the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Revolving Loan or Borrowing, refers to whether such Revolving Loan, or the Revolving Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means any transaction pursuant to which the Company or any of the Subsidiaries directly or indirectly, in its own name or by or through a nominee or an agent (a) acquires equity Securities (or warrants, options or other rights to acquire such Securities) of any Person other than the Company or a Person which is, prior to such acquisition, a Subsidiary of the Company, pursuant to a solicitation of tenders therefor, or in one or more negotiated block, market or other transactions not involving a tender offer, or a combination of any of the foregoing, or (b) makes any Person a Subsidiary of the Company, or causes any Person other than a Subsidiary to be merged into the Company or any of its Subsidiaries, in any case pursuant to a merger, purchase of assets or any reorganization providing for the delivery or issuance to the holders of such Person's then outstanding Securities, in exchange for such Securities, of cash or Securities of the Company or any of its Subsidiaries, or a combination thereof, or (c) purchases all or substantially all of the business or assets of any Person or line of business or business unit (or substantially all of the assets comprising a line of business or business unit) of any Person.

"Additional Commitment" has the meaning assigned to such term in Section 2.23(c).

"Additional Lender" has the meaning assigned to such term in Section 2.23(a).

"Adjusted LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate; provided that, with respect to any Eurocurrency Borrowing denominated in a Designated Foreign Currency for any

Interest Period, Adjusted LIBO Rate means an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the LIBO Rate for such Interest Period.

"Administrative Agent" means Wells Fargo, in its capacity as administrative agent for the Lenders hereunder appointed under **Section 7.1**, and its successors and permitted assigns in such capacity.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" of any Person means (i) any other Person which directly, or indirectly through one or more intermediaries, controls such Person, (ii) any other Person which directly, or indirectly through one or more intermediaries, is controlled by or is under common control with such Person, or (iii) any other Person of which such Person owns, directly or indirectly, 20% or more of the common stock or equivalent Equity Interests. As used herein, the term "control" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement Currency" has the meaning assigned to such term in Section 9.13(b).

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for an Interest Period of one month plus 1.5%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"Applicable Creditor" has the meaning assigned to such term in Section 9.13(b).

"Applicable Percentage" means at any time, with respect to any Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment at such time, or if the Revolving Commitments have terminated or expired, the percentage of the total Credit Exposures represented by such Lender's Credit Exposures at such time; provided that if at the time of determination there are no Credit Exposures, the "Applicable Percentage" shall be the percentage of the total Revolving Commitments most recently in effect represented by such Lender's Revolving Commitment most recently in effect.

"Applicable Rate" means, for any day, with respect to any Revolving Loan, or with respect to the facility fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption "Eurocurrency Spread", "ABR Spread" or "Facility Fee Rate", as the case may be, based upon the ratings by Moody's and S&P, respectively, applicable on such date to the Index Debt (or, if the Company does not have Index Debt, then based upon the Company's corporate credit ratings by Moody's and S&P):

Index Debt Ratings:	Eurocurrency Spread	ABR Spread	Facility Fee Rate
Category 1 A-/A3 or higher	2.25%	1.25%	.25%
Category 2 BBB+/Baa1	2.375%	1.375%	.375%

Index Debt Ratings:	Eurocurrency Spread	ABR Spread	Facility Fee Rate
Category 3 BBB/Baa2	2.50%	1.50%	.50%
Category 4 BBB-/Baa3	2.875%	1.875%	.625%
Category 5 lower than BBB-/Baa3	3.25%	2.25%	.75%

For purposes of the foregoing, (i) if either Moody's or S&P shall not have in effect a rating for the Index Debt or a corporate credit rating for the Company (other than by reason of the circumstances referred to in the third sentence of this paragraph), then such rating agency shall be deemed to have established a rating in Category 5; (ii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt or the Company's corporate credit ratings shall fall within different Categories, the Applicable Rate shall be based on the higher of the two ratings unless (A) the ratings are not in two adjacent Categories, in which case the Applicable Rate shall be determined by reference to the Category one level above the Category corresponding to the lower of the two ratings, or (B) one of the ratings is in Category 5, in which case the Applicable Rate shall be determined by reference to Category 5; and (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt or the Company's corporate credit ratings shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of Moody's or S&P shall change, or if either such rating agency shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined using the rating of such rating agency most recently in effect prior to such change or cessation.

"Arrangers" means Wachovia Capital Markets, LLC and Banc of America Securities LLC and their respective successors.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit B or any other form approved by the Administrative Agent and reasonably acceptable to the Company.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Revolving Commitments.

"Bankruptcy Event" means the occurrence of an Event of Default pursuant to Section 6.01(g) or Section 6.01(h).

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means the Company or any Borrowing Subsidiary.

"Borrowing" means Revolving Loans of the same Type and currency, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect.

"Borrowing Minimum" means (a) in the case of a Borrowing denominated in US Dollars, US$5,000,000 and (b) in the case of a Borrowing denominated in any Designated Foreign Currency, 5,000,000 units of such currency.

"Borrowing Multiple" means (a) in the case of a Borrowing denominated in US Dollars, US$1,000,000 and (b) in the case of a Borrowing denominated in any Designated Foreign Currency, 1,000,000 units of such currency.

"Borrowing Request" means a request by the Borrower for a Borrowing in accordance with Section 2.03.

"Borrowing Subsidiary" means, at any time, each of the Subsidiaries that (a) is named on the signature pages to this Agreement or (b) has been designated as a Borrowing Subsidiary by the Company pursuant to Section 2.19, other than any such Subsidiary that has ceased to be a Borrowing Subsidiary as provided in Section 2.19.

"Borrowing Subsidiary Agreement" means a Borrowing Subsidiary Agreement substantially in the form of Exhibit A-1.

"Borrowing Subsidiary Termination" means a Borrowing Subsidiary Termination substantially in the form of Exhibit A-2.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in San Francisco, California or New York City are authorized or required by law to remain closed; provided, that (a) when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in deposits in the applicable currency in the London interbank market and (b) when used in connection with a Revolving Loan denominated in Euro, the term "Business Day" shall also exclude any day on which the TARGET payment system is not open for the settlement of payments in Euro.

"Calculation Date" means each of the following: (a) each date of a Borrowing denominated in a Designated Foreign Currency, (b) each date of a continuation of a Revolving Loan denominated in a Designated Foreign Currency pursuant to Section 2.07, (c) the last Business Day of each calendar month and (d) each other date selected by the Administrative Agent.

"Capital Stock" means any capital stock of the Company or any Consolidated Subsidiary (to the extent issued to a Person other than the Company), whether common or preferred.

"Cash Collateral Account" has the meaning assigned to such term in Section 2.05(j).

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 et seq. and its implementing regulations and amendments.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System established pursuant to CERCLA.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or any Issuing Bank (or, for purposes of Section 2.14(b), by any lending office of such Lender or by such Lender's or such Issuing Bank's holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code. Any reference to any provision of the Code shall also be deemed to be a reference to any successor provision or provisions thereof.

"Company" means The Valspar Corporation, a Delaware corporation.

"Consolidated Debt" means at any date the Debt of the Company and its Consolidated Subsidiaries (including any Securitization Debt), determined on a consolidated basis as of such date.

"Consolidated EBITDA" for any period means the sum of (a) Consolidated Net Income for such period, plus (b) to the extent deducted in determining Consolidated Net Income and without duplication, the sum of (i) Consolidated Interest Expense for such period, (ii) taxes on income of the Company and its Consolidated Subsidiaries for such period, (iii) the sum of all depreciation expenses of the Company and its Consolidated Subsidiaries for such period, (iv) amortization expenses of the Company and its Consolidated Subsidiaries for such period, (v) depletion expenses of the Company and its Consolidated Subsidiaries for such period, and (vi) extraordinary, unusual or non-recurring non-cash losses, including goodwill impairment or amortization expense and non-cash losses from the sale, exchange, transfer or other disposition of property of the Company or its Consolidated Subsidiaries and the related tax effects in accordance with GAAP for such period minus (c) to the extent included in determining such Consolidated Net Income, the sum of, on a consolidated basis and without duplication, (i) the income of any Person (other than a wholly owned Subsidiary of the Company) in which any Person other than the Company or any of its Consolidated Subsidiaries has a joint interest or a partnership interest or other ownership interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of its Consolidated Subsidiaries by such Person during such period, (ii) gains from the sale, exchange, transfer or other disposition of property or assets of the Company and its Consolidated Subsidiaries (other than inventory sold in the ordinary course of business) during such period, and related tax effects in accordance with GAAP, (iii) any other extraordinary, unusual or non-recurring gains or other income not from the continuing operations of the Company and its Consolidated Subsidiaries during such period, and related tax effects in accordance with GAAP and (iv) the income of any Subsidiary of the Company to the extent that the declaration or payment of dividends or similar distributions by that subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that subsidiary. For the purpose of calculating Consolidated EBITDA for any period, if during such period the Company or any Subsidiary shall have made an Acquisition, Consolidated EBITDA for such period shall be calculated after giving pro forma effect thereto as if such acquisition occurred on the first day of such period.

"Consolidated Interest Expense" means, for any period, all interest, premium payments, debt discount, fees, charges and related expenses, whether expensed or capitalized, in respect of Debt of the Company or any of its Consolidated Subsidiaries outstanding during such period, plus the discount or yield in respect of Securitization Debt.

"Consolidated Net Income" means, for any period, the Net Income of the Company and its Consolidated Subsidiaries determined on a consolidated basis, excluding (i) extraordinary items and (ii) any equity interests of the Company or any Subsidiary in the unremitted earnings of any Person that is not a Subsidiary.

"Consolidated Operating Profits" means, for any period, the Operating Profits of the Company and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which, in accordance with GAAP, would be consolidated with those of the Company in its consolidated financial statements as of such date.

"Consolidated Total Assets" means, at any time, the Total Assets of the Company and its Consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company, are treated as a single employer under Section 414 of the Code.

"Credit Exposure" means, with respect to any Lender at any time, the sum of (i) the US Dollar Equivalent of the principal amounts of such Lender's Revolving Loans and (ii) the LC Exposure of such Lender at such time.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, but only if such obligations are, in accordance with GAAP, recorded on such Person's financial books as long-term debt, (iv) all obligations of such Person as lessee under capital leases, (v) all obligations of such Person to reimburse any bank or other Person in respect of amounts payable under a banker's acceptance, (vi) all Redeemable Preferred Stock of such Person, (vii) all obligations (absolute or contingent) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (viii) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, (ix) all Debt of others Guaranteed by such Person, (x) the net obligation of such Person with respect to Hedge Agreements (and for purposes of this Agreement, the net amount which such Person is obligated to pay under any such agreement upon termination of such agreement shall be deemed to constitute the principal amount of such net obligation) and (xi) all Securitization Debt and the gross proceeds from any similar transaction, regardless of whether such transaction is effected without recourse to such Person or in a manner that would not otherwise be reflected as a liability on a balance sheet of such Person in accordance with GAAP.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived in writing, become an Event of Default.

"Defaulting Lender" means any Lender, as reasonably determined by the Administrative Agent, that (i) has failed (which failure has not been cured) to fund any Revolving Loan or any participation interest in Letters of Credit required to be made hereunder in accordance with the terms hereof, (ii) has notified the Company, the Administrative Agent or the Issuing Banks in writing that it does not intend to comply or is unable to comply with any of its funding obligations under this Agreement or has made a public statement that it does not intend or is unable to comply with its funding obligations under this

Agreement or generally under other agreements in which it commits to extend credit, (iii) has failed, within three Business Days after receipt of a written request from the Administrative Agent to confirm that it will comply with the terms of this Agreement relating to its obligation to fund prospective Revolving Loans or participations in Letters of Credit, (iv) has failed to pay to the Administrative Agent, any Issuing Bank or any other Lender when due an amount owed by such Lender to the Administrative Agent, any Issuing Bank or any other Lender pursuant to the terms of this Agreement, unless such amount is subject to a good faith dispute or such failure has been cured, or (v) (a) has been or is the Subsidiary of a Person that has been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or (b) has become the subject of a proceeding under any other bankruptcy, insolvency or similar law now or hereafter in effect, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or is a Subsidiary of a Person that has become subject of a proceeding under any bankruptcy, insolvency or similar law now or hereafter in effect, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in such Lender or a parent company thereof by a governmental authority or an instrumentality thereof..

"Designated Foreign Currency" means Sterling, Yen, Euro and Swiss Francs.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City or San Francisco, California are authorized or required by law to close.

"Domestic Material Subsidiary" means any Material Subsidiary that is a Domestic Subsidiary.

"Domestic Subsidiary" means a Subsidiary incorporated or organized under the laws of the United States of America, any State or territory thereof or the District of Columbia.

"Downgraded Lender" means any Lender that has a non-credit enhanced senior unsecured debt rating below investment grade from either Moody's, S&P or any other nationally recognized statistical rating organization recognized as such by the Securities and Exchange Commission.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"EMU Legislation" means the legislative measures of the European Union for the introduction of, changeover to or operation of the Euro that apply generally in the European Union.

"Environmental Authority" means any Governmental Authority that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Authorizations" means all licenses, permits, orders, approvals, notices, registrations or other legal prerequisites for conducting the business of the Company or any Subsidiary required by any Environmental Requirement.

"Environmental Judgments and Orders" means all judgments, decrees or orders arising from or in any way associated with any Environmental Requirement, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"Environmental Liabilities" means any liabilities, whether accrued, contingent or otherwise, arising from or in any way associated with any Environmental Requirement, Environmental Judgments and Orders, Environmental Notices, Environmental Proceedings, or Environmental Releases.

"Environmental Notices" means notice from any Environmental Authority or by any other Person, of alleged material noncompliance with or material liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"Environmental Proceedings" means any judicial or administrative proceedings to which the Company or any Subsidiary is a party or to which their respective Properties are subject, arising from or in any way associated with any Environmental Requirement.

"Environmental Releases" means releases as defined in CERCLA or under any Environmental Requirement.

"Environmental Requirement" means any legal requirement relating to Hazardous Materials or health, safety or the environment, including but not limited to any such requirement under CERCLA or similar state legislation and all federal, state and local laws, ordinances, regulations, orders, writs, decrees, judgments, injunctions and common law.

"Equity Interests" means shares of Capital Stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a person.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"Euro" or "€" means the single currency of the European Union as constituted by the Treaty on European Union and as referred to in the EMU Legislation.

"Eurocurrency", when used in reference to any Revolving Loan or Borrowing, refers to whether such Revolving Loan, or the Revolving Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"Event of Default" has the meaning assigned to such term in Section 6.01.

"Excess Margin Stock" means that portion, if any, of the Margin Stock owned by the Company and the Subsidiaries that exceeds 25% of the aggregate value (as determined in accordance with Regulation U) of all assets subject to any limitation on sale, pledge, or any other restriction hereunder, including Section 5.08 and Section 5.11.

"Exchange Rate" means on any day, with respect to any Designated Foreign Currency, the rate at which such Designated Foreign Currency may be exchanged into US Dollars, as set forth at approximately 11:00 a.m., London time, on such day on Bloomberg "BFIX" for such Designated Foreign Currency. In the event that such rate does not appear on Bloomberg "BFIX", the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Company, or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative

Agent in the market where its exchange operations in respect of such Designated Foreign Currency are then being conducted, at or about 11:00 a.m., Local Time, on such date for the purchase of US Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Taxes" means, with respect to the Administrative Agent, any Issuing Bank, any Lender or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under which such recipient is organized or in which its principal office is located or in which its applicable lending office is located, (b) any branch profit taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction described in clause (a) above, (c) in the case of a Lender (other than a purchaser of a participation pursuant to Section 2.17(c) or an assignee pursuant to a request by the Company under Section 2.18(b)), any withholding tax imposed by the United States of America that is in effect and would apply to amounts payable to such Lender by the Company or a Borrower which is a Domestic Subsidiary from an office within such jurisdiction at the time such Lender becomes a party to this Agreement (or designates a new lending office), and (d) any withholding tax that is attributable to such Lender's failure to comply with Section 2.16(e), except, in the case of clause (c) above, to the extent that (i) such Lender (or its assignor, if any) shall have been entitled, at the time it became party to this Agreement or designated such new lending office, to receive additional amounts with respect to any withholding tax or (ii) such withholding tax shall have resulted from the making of any payment to a location other than the office designated by the Administrative Agent or such Lender for the receipt of payments of the applicable type.

"Existing Credit Agreements" means (a) the Five-Year Credit Agreement dated as of October 25, 2005 among the Company, the Borrowing Subsidiaries party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, J.P. Morgan Europe Limited, as London Agent, J.P. Morgan Australia Limited, as Australian Agent, and Barclays Bank PLC as Syndication Agent and (b) the 364-Day Credit Agreement dated as of November 27, 2007 among the Company, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Barclays Bank PLC as Syndication Agent and Bank of America, N.A., Wachovia Bank, N.A. and Wells Fargo Bank National Association as Co-Documentation Agents.

"Existing LC Reimbursement Agreements" means (a) the Reimbursement and Security Agreement, dated as of June 1, 1995 between the Company and Wachovia Bank, National Association in respect of the direct-pay letter of credit issued to secure payment of the Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (The Valspar Corporation Project) Series 1995 in the aggregate principal amount of $4,500,000 and (b) the Reimbursement and Security Agreement, dated as of August 1, 1995 between the Company and Wachovia Bank, National Association in respect of the direct-pay letter of credit issued to secure payment of the Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds (The Valspar Corporation Project) Series 1995 in the aggregate principal amount of $8,000,000, as each such agreement has been amended and restated as of the date hereof and may be further amended, modified, supplemented, or restated from time to time.

"Existing Letters of Credit" means those letters of credit set forth on Schedule 2.05 and continued under this Agreement as Letters of Credit issued pursuant to Section 2.05.

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day

that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fee Letter" means (i) the letter agreement from Wells Fargo and Wachovia Capital Markets, LLC to the Company and (ii) the letter agreement from Bank of America, N.A. and Banc of America Securities LLC to the Company, each dated June 5, 2009, relating to certain fees payable by the Company in respect of the transactions contemplated by this Agreement, as amended, modified, restated or supplemented from time to time.

"Fiscal Quarter" means any fiscal quarter of the Company.

"Fiscal Year" means any fiscal year of the Company.

"Foreign Lender" means, as to any Borrower, any Lender that is organized under the laws of a jurisdiction other than that in which such Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Foreign Subsidiary" means any Subsidiary that is not a Domestic Subsidiary.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Granting Lender" shall have the meaning assigned to such term in Section 9.04(h).

"Guarantee" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to secure, purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to provide collateral security, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Guarantee Agreement" means the Guarantee Agreement, substantially in the form of Exhibit F, between the Subsidiary Guarantors and the Administrative Agent for the benefit of the Lenders.

"Hazardous Materials" includes, without limitation, (a) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. ss. 6901 et seq. and its implementing regulations and amendments, or in any applicable state or local law or regulation, (b) any "hazardous substance", "pollutant" or "contaminant", as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any

applicable state or local law or regulation and (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"Hedge Agreement" means any commodity price protection agreement (excluding any agreement with a supplier, or affiliate of a supplier, of the items or materials which are the subject of the agreement), interest or foreign currency rate swap, cap, collar, option, hedge, forward rate or other similar agreement or arrangement designed to protect against fluctuations in interest rates, currency exchange rates or spot prices of commodities entered into in the ordinary course of business and not for speculative purposes.

"Hedge Party" means any Lender or any Affiliate of any Lender in its capacity as a counterparty to any Hedge Agreement with any Borrower or any Subsidiary, or any former Lender or any Affiliate of any former Lender in its capacity as a counterparty to any such Hedge Agreement entered into prior to the date such Person or its Affiliate ceased to be a Lender.

"Increasing Lender" has the meaning assigned to such term in Section 2.23(a).

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Indemnity, Subrogation and Contribution Agreement" shall mean the Indemnity, Subrogation and Contribution Agreement, substantially in the form of Exhibit G, among the Company, the Subsidiary Guarantors and the Administrative Agent.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Company that is not guaranteed by any other Person (other than a Subsidiary) or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum dated June 2009 distributed to the Lenders, together with the appendices thereto, as amended through the date hereof.

"Interest Election Request" means a request by the relevant Borrower to convert or continue a Borrowing in accordance with Section 2.07.

"Interest Payment Date" means (a) with respect to any ABR Loan, the last day of each March, June, September and December and (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration after the first day of such Interest Period.

"Interest Period" means with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the applicable Borrower may elect; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Bank" means (i) Wells Fargo, in its capacity as the issuer of Letters of Credit hereunder (other than Existing Letters of Credit), and its successors in such capacity as provided in Section 2.05(i) and (ii) Wachovia Bank, National Association, solely in respect of its issuance of the Existing Letters of Credit. Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliates with respect to Letters of Credit issued by such Affiliates.

"Judgment Currency" has the meaning assigned to such term in Section 9.13(b).

"LC Disbursement" means a payment made by any Issuing Bank in respect of a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the applicable Borrower at such time. The LC Exposure of any Lender at any time shall be such Lender's Percentage of the aggregate LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Assumption.

"Letter of Credit" means (i) any letter of credit issued pursuant to this Agreement by Wells Fargo on behalf of Lenders holding Revolving Commitments and (ii) the Existing Letters of Credit.

"Letter of Credit Documents" means, with respect to any Letter of Credit, collectively, such Letter of Credit and any application therefor, the Existing LC Reimbursement Agreements and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit.

"LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, the rate per annum determined by the Administrative Agent at approximately 11:00 a.m., London time, on the Quotation Day for such Interest Period by reference to the British Bankers' Association Interest Settlement Rates for deposits in the currency of such Borrowing (as set forth by any service (including Bloomberg, Reuters and Thomson Financial) selected by Administrative Agent that has been nominated by the British Bankers' Association as an authorized information vendor for the purpose of displaying such rates), for a period equal to such Interest Period; provided that, to the extent that an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, the "LIBO Rate" shall be the average (rounded upward, if necessary, to the next 1/100 of 1%) of the respective interest rates per annum at which deposits in the currency of such Borrowing are offered for such Interest Period to major banks in the London interbank market by Wells Fargo at approximately 11:00 a.m., London time, on the date two Business Days prior to the beginning of such Interest Period.

"Lien" means, with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, servitude or encumbrance of any kind in respect of such asset to secure or assure payment of a Debt or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease (but not an operating lease) or other title retention agreement relating to such asset.

"Loan Documents" means this Agreement, each Borrowing Subsidiary Agreement, each Borrowing Subsidiary Termination, the Guarantee Agreement, the Indemnity, Subrogation and Contribution Agreement, the Fee Letter, each Letter of Credit Document and each promissory note delivered pursuant to this Agreement, as such documents may be amended, modified, supplemented, or restated from time to time, but specifically excluding any Hedge Agreement to which any Borrower and any Hedge Party are parties.

"Local Time" means (a) with respect to a Revolving Loan or Borrowing denominated in US Dollars, San Francisco time, (b) with respect to a Revolving Loan or Borrowing denominated in any Designated Foreign Currency, London time and (c) with respect to an Existing Letter of Credit, Charlotte, North Carolina time.

"Margin Stock" means "margin stock" as defined in Regulation T, U or X of the Board, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Material Adverse Effect" means any event, act, condition or occurrence that, alone or in conjunction with one or more other events, acts, conditions or occurrences, has resulted or is reasonably likely to result in a material adverse effect on (a) the financial condition, operations, business or properties of the Company and the Consolidated Subsidiaries, taken as a whole, (b) the rights and remedies of the Administrative Agent and the Lenders under the Loan Documents or the ability of the Company to perform its obligations under the Loan Documents to which it is a party or (c) the legality, validity or enforceability of any Loan Document.

"Material Subsidiary" means, on any date, any Subsidiary that either (a) had, at the end of the most recently ended Fiscal Year, assets with a book value greater than 10% of Consolidated Total Assets at the end of such Fiscal Year (or, with respect to any Subsidiary that shall have been acquired by the Company since the end of such Fiscal Year, that had, at the time of such acquisition, assets with a book value greater than 10% of Consolidated Total Assets at the end of such Fiscal Year), or (b) contributed more than 5% of Consolidated Operating Profits for the most recently ended Fiscal Year (or, with respect to any Subsidiary that shall have been acquired by the Company since the end of such Fiscal Year, that would have contributed more than 5% of Consolidated Operating Profits for the entire such Fiscal Year had it been a Subsidiary for the entire such Fiscal Year, as determined on a pro forma basis in accordance with GAAP); provided, that if at any time the aggregate Total Assets of all Domestic Subsidiaries that are not Material Subsidiaries as of the end of the most recently ended Fiscal Year exceeds 20% of Consolidated Total Assets as of the end of such Fiscal Year, the Company (or, in the event the Company has failed to do so within 30 days, the Administrative Agent) shall designate sufficient Domestic Subsidiaries as "Material Subsidiaries" to eliminate such excess, and such designated Subsidiaries shall for all purposes of this Agreement constitute Material Subsidiaries.

"Maturity Date" means June 30, 2012.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Income" means, as applied to any Person for any period, the aggregate amount of net income of such Person, for such period, as determined in accordance with GAAP.

"Obligations" means the due and punctual payment of (a) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the

Revolving Loans made to each Borrower, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (b) all payments required to be made by any Borrower under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of LC Disbursements, interest thereon and obligations to provide cash collateral, (c) all payment and other obligations owing or payable at any time by the Borrower or any Subsidiary to any Hedge Party under or in connection with any Hedge Agreement permitted by this Agreement, and (d) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Company or any other Borrower or Subsidiary Guarantor under this Agreement or any other Loan Document.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control, and any successor thereto.

"Operating Profits" means, as applied to any Person for any period, income from operations of such Person for such period, as determined in accordance with GAAP.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Percentage" means, with respect to any Lender, the percentage of the total Revolving Commitments represented by such Lender's Revolving Commitment. If the Revolving Commitments have terminated or expired, the Percentages shall be determined based upon the Revolving Commitments most recently in effect, giving effect to any assignments.

"Permitted Acquisition" means any Acquisition (a) which is of a Person engaged in or assets used in the same or similar line or lines of business as the Company or any Consolidated Subsidiaries, and (b) if the aggregate consideration to be paid by the Company or any Subsidiary in connection with such Acquisition exceeds US$100,000,000, as to which the Company has delivered to the Lenders a certificate of the chief financial officer, treasurer or chief accounting officer of the Company certifying (and, in the case of Sections 5.03, 5.04, 5.08 and 5.11(d), including calculations evidencing) pro-forma compliance with the terms of this Agreement after giving effect to such Acquisition.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"Prepaid Rebates" means any payment made to or credit allowed to a customer or prospective customer of the Company or any Subsidiary, or to any affiliate of such customer or prospective customer, in each case in the ordinary course of the Company's or such Subsidiary's business and pursuant to a written agreement or purchase order, which represents the prepayment of a rebate, price discount or price reduction on products sold or to be sold by the Company or such Subsidiary to one or more customers or prospective customers.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Wells Fargo as its prime rate in effect at its principal office in San Francisco; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Properties" means all real property owned, leased or otherwise used or occupied by the Company or any Subsidiary, wherever located.

"Quotation Day" means, with respect to any Eurocurrency Borrowing and any Interest Period, the day on which it is market practice in the relevant interbank market for prime banks to give quotations for deposits in the currency of such Borrowing for delivery on the first day of such Interest Period. If such quotations would normally be given by prime banks on more than one day, the Quotation Day will be the last of such days.

"Redeemable Preferred Stock" of any Person means any Equity Interest issued by such Person which is at any time prior to the Maturity Date either (i) mandatorily redeemable (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof.

"Register" has the meaning set forth in Section 9.04(c).

"Regulations D, T, U and X" means Regulations D, T, U and X, respectively, of the Board, and any successor regulations.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents, representatives and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Credit Exposures and unused Revolving Commitments representing more than 50% of the sum of the total Credit Exposures and unused Revolving Commitments at such time.

"Reset Date" has the meaning assigned to such term in Section 1.05.

"Restricted Payment" means (i) any dividend or other distribution on any Equity Interest of the Company (except dividends payable solely in Equity Interests) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of any Equity Interest of the Company (except Equity Interests acquired upon the conversion thereof into other Equity Interests), whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any Borrower or Subsidiary.

"Revolving Commitment" means, with respect to each Lender, the commitment of such Lender set forth on Schedule 2.01 (or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Revolving Commitment) to make Revolving Loans pursuant to Section 2.01(a), as such commitment may be (a) reduced from time to time pursuant to Section 2.08, (b) increased from time to time pursuant to Section 2.23 and (c) reduced or increased from time to time pursuant to assignments by

or to such Lender pursuant to Section 9.04. The aggregate amount of the Revolving Commitments on the date hereof is US$465,000,000.

"Revolving Loan" means a loan made by a Lender pursuant to Section 2.01(a). Each Revolving Loan shall be (i) if denominated in a Designated Foreign Currency, a Eurocurrency Loan or (ii) if denominated in US Dollars, a Eurocurrency Loan or an ABR Loan.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"Securitization Debt" means the aggregate net outstanding paid, directly or indirectly, by any funding source to a Subsidiary in respect of accounts receivable or interests therein sold, conveyed, contributed or transferred or pledged pursuant to the relevant securitization documents (it being the intent of the parties that the amount of Securitization Debt at any time approximate as closely as possible the principal amount of Debt that would be outstanding under the definitive securitization documents as if the same were structured as a secured lending agreement rather than an agreement providing for the sale, conveyance, contribution to capital, transfer or pledge of the receivables or interests therein.)

"Security" has the meaning assigned to such term in Section 2(l) of the Securities Act of 1933, as amended.

"SPC" shall have the meaning assigned to such term in Section 9.04(h).

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject, for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"Sterling" or "£"means the lawful money of the United Kingdom.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation or other entity of which equity securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the parent.

"Subsidiary" means any subsidiary of the Company.

"Subsidiary Guarantor" means (i) each Subsidiary listed on Schedule 1.01 and (ii) each Subsidiary that becomes a guarantor pursuant to Section 5.22.

"Swiss Francs" means the lawful currency of Switzerland.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority including any interest, additions to tax or penalties applicable thereto.

"Third Parties" means all lessees, sublessees, licensees and other users of the Properties, excluding those users of the Properties in the ordinary course of the Company's or any Subsidiary's business and on a temporary basis.

"Total Assets" of any Person means, at any time, the total assets of such Person, as set forth or reflected or as should be set forth or reflected on the most recent balance sheet of such Person, prepared in accordance with GAAP.

"Transactions" means the execution, delivery and performance by the Borrowers of the Loan Documents, the borrowing of Revolving Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Revolving Loan or Borrowing, refers to whether the rate of interest on such Revolving Loan, or on the Revolving Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"US Dollars" or "US$" refers to lawful money of the United States of America.

"US Dollar Equivalent" means, on any date of determination, (a) with respect to any amount in US Dollars, such amount, and (b) with respect to any amount in any Designated Foreign Currency, the equivalent in US Dollars of such amount, determined by the Administrative Agent pursuant to Section 1.05 using the Exchange Rate with respect to such Designated Foreign Currency at the time in effect under the provisions of such Section.

"USA Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"Wells Fargo" means Wells Fargo Bank, National Association, and its successors and assigns.

"Wholly Owned Subsidiary" means any Subsidiary all of the Equity Interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Company.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

"Yen" or "¥"means the lawful money of Japan.

SECTION 1.02. Classification of Revolving Loans and Borrowings. For purposes of this Agreement, Revolving Loans may be classified and referred to by Type (e.g., a "Eurocurrency Loan"). Borrowings also may be classified and referred to by Type (e.g., a "Eurocurrency Borrowing").

SECTION 1.03. Terms Generally; Construction.

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such

agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) All references herein to the Lenders or any of them shall be deemed to include the Issuing Banks unless specifically provided otherwise or unless the context otherwise requires.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

SECTION 1.05. Exchange Rates.

(a) Not later than 1:00 p.m., San Francisco time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to each Designated Foreign Currency and (ii) give notice thereof to the Lenders and the Company. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date, and shall for all purposes of this Agreement (other than Section 9.13 or any other provision expressly requiring the use of a current Exchange Rate) be the Exchange Rates employed in converting any amounts between US Dollars and Designated Foreign Currencies.

(b) Not later than 5:00 p.m., San Francisco time, on each Reset Date and each date on which Revolving Loans denominated in any Designated Foreign Currency are made or are continued for a new Interest Period, the Administrative Agent shall (i) determine the aggregate amount of the US Dollar Equivalent of the principal amounts of the Revolving Loans denominated in Designated Foreign Currencies then outstanding (after giving effect to any Revolving Loans denominated in Designated Foreign Currencies made or repaid on such date) and (ii) notify the Lenders and the Company of the results of such determination.

SECTION 1.06. Redenomination of Certain Designated Foreign Currencies.

(a) Each obligation of any party to this Agreement to make a payment denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall be redenominated into Euro at the time of such adoption (in accordance with the EMU Legislation). If, in relation to the currency of any such member state, the basis of accrual of interest expressed in this Agreement in respect of that currency shall be inconsistent with

any convention or practice in the London interbank market for the basis of accrual of interest in respect of the Euro, such expressed basis shall be replaced by such convention or practice with effect from the date on which such member state adopts the Euro as its lawful currency; provided that if any Borrowing in the currency of such member state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Borrowing, at the end of the then current Interest Period.

(b) Without prejudice and in addition to any method of conversion or rounding prescribed by any EMU Legislation and (i) without limiting the liability of any Borrower for any amount due under this Agreement and (ii) without increasing any Revolving Commitment of any Lender, all references in this Agreement to minimum amounts (or integral multiples thereof) denominated in the national currency unit of any member state of the European Union that adopts the Euro as its lawful currency after the date hereof shall, immediately upon such adoption, be replaced by references to such minimum amounts (or integral multiples thereof) as shall be specified herein with respect to Borrowings denominated in Euro.

(c) Each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be appropriate to reflect the adoption of the Euro by any member state of the European Union and any relevant market conventions or practices relating to the Euro.

ARTICLE II

The Credits

SECTION 2.01. Revolving Commitments.

(a) Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers from time to time during the Availability Period in US Dollars or one or more Designated Foreign Currencies in amounts that will not result in (i) such Lender's Credit Exposure exceeding its Revolving Commitment and (ii) the sum of the aggregate Credit Exposures exceeding the aggregate Revolving Commitments.

(b) Within the foregoing limits, and subject to the terms and conditions set forth herein, any Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Revolving Loans and Borrowings.

(a) Each Revolving Loan shall be made as part of a Borrowing made by the Lenders ratably in accordance with their respective Revolving Commitments. The failure of any Lender to make any Revolving Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Revolving Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Revolving Loans as required hereunder.

(b) Subject to Section 2.13, (i) each Borrowing denominated in a Designated Foreign Currency shall be comprised entirely of Eurocurrency Loans and (ii) each Borrowing denominated in US Dollars shall be comprised entirely of ABR Loans or Eurocurrency Loans as the applicable Borrower may request in accordance herewith. Each Lender at its option may make any Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Eurocurrency Loan; provided that any exercise of such option shall not affect the obligation of any Borrower to repay such Eurocurrency Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Borrowing, such Borrowing shall be in an aggregate amount that is at least equal to the Borrowing Minimum and an integral multiple of the Borrowing Multiple; provided that an ABR Borrowing may be in an aggregate amount that is equal to the entire unused balance of the Revolving Commitments, or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(e). Borrowings of more than one Type may be outstanding at the same time; provided that there shall not at any time be more than a total of ten Eurocurrency Borrowings that are outstanding with different Interest Period termination dates.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Borrowings. To request a Borrowing, the applicable Borrower, or the Company on behalf of the applicable Borrower, shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing denominated in US Dollars, not later than 11:00 a.m., Local Time, three Business Days before the date of the proposed Borrowing, (b) in the case of a Eurocurrency Borrowing denominated in a Designated Foreign Currency, not later than 11:00 a.m., Local Time, four Business Days before the date of the proposed Borrowing, or (c) in the case of an ABR Borrowing, not later than 10:00 a.m., San Francisco time, the Business Day of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower, or by the Company on behalf of the applicable Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) the Borrower requesting such Borrowing (or on whose behalf the Company is requesting such Borrowing);

(ii) the currency and aggregate principal amount of the requested Borrowing;

(iii) the date of the requested Borrowing, which shall be a Business Day;

(iv) whether the requested Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;

(v) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period”; and

(vi) the location and number of the Borrower’s account to which funds are to be disbursed, which shall comply with the requirements of Section 2.06.

If no currency is specified with respect to any requested Eurocurrency Borrowing, then the relevant Borrower shall be deemed to have selected US Dollars. If no election as to the Type of Borrowing is specified, then the requested Borrowing shall be (i) in the case of a Borrowing denominated in US Dollars, an ABR Borrowing and (ii) in the case of a Borrowing denominated in a Designated Foreign Currency, a Eurocurrency Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Borrowing, then the relevant Borrower shall be deemed to have selected an Interest Period of one month’s duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender that will make a Revolving Loan as part of

the requested Borrowing of the details thereof and of the amount of such Lender's Revolving Loan to be made as part of the requested Borrowing.

SECTION 2.04. [Reserved].

SECTION 2.05. Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Company and any other Borrower that is a Domestic Subsidiary may request the issuance (or the amendment, renewal or extension) of Letters of Credit denominated in US Dollars for its own account, in a form reasonably acceptable to the Administrative Agent and the relevant Issuing Bank, at any time and from time to time from the Effective Date until the sooner of (i) the Maturity Date and (ii) and the date of termination of the Revolving Commitments. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any Letter of Credit Document, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the relevant Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the relevant Issuing Bank) to the relevant Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to enable the relevant Issuing Bank to prepare, amend, renew or extend such Letter of Credit. If requested by the relevant Issuing Bank, such Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. No Issuing Bank shall be under any obligation to issue, amend, renew or extend any Letter of Credit if:

(i) after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall exceed $50,000,000 or (ii) the aggregate Credit Exposures shall exceed the aggregate Revolving Commitments;

(ii) any order, judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain the issuance, amendment, renewal or extension of such Letter of Credit or any requirement of law applicable to such Issuing Bank or any Lender or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over it shall prohibit, or request that it refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon it with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Issuing Bank or any Lender is not otherwise compensated) not in effect on the Effective Date, or any unreimbursed loss, cost or expense which was not applicable, in effect or known to it as of the Effective Date; or

(iii) any Lender is at such time a Defaulting Lender or Downgraded Lender hereunder, unless the Issuing Bank has entered into satisfactory arrangements pursuant to Section 2.22 to eliminate its risk with respect to such Lender.

(c) Expiration Date. Each Letter of Credit (other than the Existing Letters of Credit) shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the Maturity Date, provided, however, that a Letter of Credit (other than an Existing Letter of Credit) may provide by its terms, and on terms acceptable to the applicable Issuing Bank, for renewal for successive periods of one year or less (but not beyond the Maturity Date) unless and until the applicable Issuing Bank shall have delivered prior written notice of nonrenewal to the beneficiary of such Letter of Credit no later than the time specified in such Letter of Credit (which the applicable Issuing Bank shall do only if one or more of the applicable conditions under Section 4.02 is not then satisfied). Notwithstanding the foregoing, any Existing Letter of Credit may provide by its terms, and on terms acceptable to applicable Issuing Bank, for renewal for successive periods of thirteen months or less unless and until the applicable Issuing Bank shall have delivered a notice of nonrenewal to the beneficiary of such Existing Letter of Credit no later than the time specified in such Existing Letter of Credit (or applicable Letter of Credit Document); provided that the applicable Issuing Bank may deliver such notice of nonrenewal in its sole discretion and no course of dealing or other circumstance shall require such Issuing Bank to extend or renew any Existing Letter of Credit.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of any Issuing Bank or the Lenders, each Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in the Letter of Credit issued by such Issuing Bank equal to such Lender's Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the relevant Issuing Bank, such Lender's Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the relevant Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the relevant Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Revolving Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If any Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the relevant Borrower shall reimburse such LC Disbursement by paying to the applicable Issuing Bank an amount equal to such LC Disbursement not later than 2:00 p.m., San Francisco time (or 2:00 p.m., Charlotte, North Carolina time, in the case of any Existing Letter of Credit), on the date that such LC Disbursement is made, if such Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., San Francisco time (or 10:00 a.m., Charlotte, North Carolina time, in the case of any Existing Letter of Credit), on such date, or, if such notice has not been received by such Borrower prior to such time on such date, then not later than 2:00 p.m., San Francisco time (or 2:00 p.m., Charlotte, North Carolina time, in the case of any Existing Letter of Credit), on (i) the Business Day that such Borrower receives such notice, if such notice is received prior to 10:00 a.m., San Francisco time (or 10:00 a.m., Charlotte, North Carolina time, in the case of any Existing Letter of Credit), on the day of receipt, or (ii) the Business Day immediately following the day that such Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that the relevant Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 that such payment be financed with an ABR Borrowing in an equivalent amount and, to the extent so financed, the relevant Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Borrowing. If the relevant Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from such Borrower in

respect thereof and such Lender's Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Percentage of the payment then due from such Borrower, in the same manner as provided in Section 2.06 with respect to Revolving Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the relevant Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Lenders and the Issuing Banks as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse any Issuing Bank for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall not constitute a Revolving Loan and shall not relieve the relevant Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. A Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any other Loan Document, or any term or provision herein or therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the relevant Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of set-off against, such Borrower's obligations hereunder. None of the Administrative Agent, the Lenders or any Issuing Bank, or any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of such Issuing Bank; provided that the foregoing shall not be construed to excuse any Issuing Bank from liability to a Borrower to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Borrowers to the extent permitted by applicable law) suffered by such Borrower that are caused by such Issuing Bank's failure to exercise the agreed standard of care (as set forth below) when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of the relevant Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised the agreed standard of care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the relevant Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The relevant Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall promptly notify the Administrative Agent and the relevant Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such

notice shall not relieve such Borrower of its obligation to reimburse the relevant Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If any Issuing Bank shall make any LC Disbursement, then, unless the relevant Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that such Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Loans; provided that, if such Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.12(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the relevant Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of any Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrowers, the Administrative Agent (whose consent shall not be unreasonably withheld), the replaced Issuing Bank (so long as it is not a Defaulting Lender or a Downgraded Lender) and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of any Issuing Bank. At the time any such replacement shall become effective, the Borrowers shall pay all unpaid fees accrued for the account of the replaced Issuing Bank in its capacity as such. From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term “Issuing Bank” shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If (i) any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph or (ii) the Maturity Date shall have occurred and Letters of Credit remain outstanding, each Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Issuing Banks and the Lenders (the “Cash Collateral Account”), an amount in cash equal to the LC Exposure for the account of such Borrower as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand presentment, protest or other notice of any kind, all of which are expressly waived by the Borrowers, upon the occurrence of any Bankruptcy Event. Each Borrower hereby grants to the Administrative Agent, for the benefit of the Issuing Banks and the Lenders, a Lien upon and security interest in such Cash Collateral Account and all amounts held therein from time to time as security for LC Exposures for the account of such Borrower, and for application to such Borrower’s reimbursement obligations as and when the same shall arise. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrowers’ risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the relevant Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrowers, as applicable, for the LC Exposure at such time or, if the maturity of the Revolving Loans has been

accelerated (but subject to the consent of Lenders with LC Exposures representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the Borrowers under this Agreement. If any Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to such Borrower within three Business Days after all Events of Default have been cured or waived. Borrower agrees to take all reasonable actions necessary on the Borrower's part to preserve the tax-exempt status of any tax-exempt bonds secured by any Letter of Credit, including but not limited to making yield reduction payments on any investment earnings on amounts in the Cash Collateral Account (but only as to such portion of the Cash Collateral Account equal to the principal amount of any outstanding tax-exempt bonds).

(k) Existing Letters of Credit. The Borrowers and the Lenders agree that, as of the Effective Date, each Existing Letter of Credit issued for the account of any such Borrower and set forth on Schedule 2.05 on the Effective Date will be deemed issued for the account of such Borrower under this Agreement as a Letter of Credit.

SECTION 2.06. Funding of Borrowings.

(a) Each Lender shall make each Revolving Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, Local Time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders. The Administrative Agent will make such Revolving Loans available to the relevant Borrower by promptly crediting the amounts so received, in like funds, to an account of such Borrower maintained by the Administrative Agent, and designated by such Borrower in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing (or in the case of an ABR Loan, prior to 12:00 noon, San Francisco time, on the date of such Borrowing) that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and such Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to such Borrower to but excluding the date of payment to the Administrative Agent, at (x) the Federal Funds Effective Rate (in the case of a Borrowing in US Dollars), or (y) the rate reasonably determined by the Administrative Agent to be the cost to it of funding such amount (in the case of a Borrowing in a Designated Foreign Currency), but not in excess of the interest rate that would have applied to that Borrowing under the terms of this Agreement. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Revolving Loan included in such Borrowing.

SECTION 2.07. Interest Elections.

(a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the relevant Borrower may elect to convert any Borrowing to a Borrowing of a different Type and, in the case of a Eurocurrency Borrowing, may elect Interest Periods therefor, all as provided in this Section, provided that no Eurocurrency Loan denominated in a Designated Foreign Currency may be converted into an ABR Loan. A Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated

ratably among the Lenders holding the Revolving Loans comprising such Borrowing, and the Revolving Loans comprising each such portion shall be considered a separate Borrowing. Notwithstanding the foregoing, no Borrowing may be converted to a Borrowing denominated in a different currency.

(b) To make an election pursuant to this Section, a Borrower (or, in the case of a Borrowing Subsidiary, the Company on its behalf) shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if such Borrower were requesting a Borrowing of the Type and currency resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the relevant Borrower, or by the Company on its behalf.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or an Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the relevant Borrower shall be deemed to have selected an Interest Period of one month’s duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each applicable Lender of the details thereof and of such Lender’s portion of each resulting Borrowing.

(e) If the relevant Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Borrowing or irrevocable notice of its intent to prepay such Borrowing as of the end of the applicable Interest Period thereto, prior to 11:00 a.m., Local Time, three Business Days prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be deemed to be and shall be continued as a Eurocurrency Borrowing, with an Interest Period of one month’s duration (unless such Borrowing is denominated in any Designated Foreign Currency, in which case such Borrowing shall become due and payable on the last day of such Interest Period). Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Company, then, so long as an Event of Default is continuing (i) no outstanding Borrowing may be converted to or continued as a Eurocurrency Borrowing and (ii) unless

repaid, each Eurocurrency Borrowing denominated in US Dollars shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.08. Termination and Reduction of Revolving Commitments.

(a) Unless previously terminated, the Revolving Commitments shall terminate on the Maturity Date.

(b) Upon at least three Business Days' prior irrevocable written notice to the Administrative Agent, the Company may at any time terminate, or from time to time reduce, the Revolving Commitments; provided that (i) each reduction of the Revolving Commitments shall be in an amount that is an integral multiple of US$1,000,000 and in a minimum amount of US$5,000,000 and (ii) the Company shall not terminate or reduce the Revolving Commitments if, after giving effect to any concurrent prepayment of Revolving Loans in accordance with this Agreement, the aggregate Credit Exposures would exceed the aggregate Revolving Commitments.

(c) The Company shall notify the Administrative Agent in writing of any election to terminate or reduce the Revolving Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice pursuant to this Section 2.08, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Company pursuant to this Section shall be irrevocable; provided that a notice of termination of the Revolving Commitments delivered by the Company may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Revolving Commitments shall be permanent. Each reduction of the Revolving Commitments shall be made ratably among the Lenders in accordance with their respective Revolving Commitments.

SECTION 2.09. Repayment of Revolving Loans; Evidence of Debt.

(a) Each Borrower hereby unconditionally promises, as to the Revolving Loans made to it, to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each such Revolving Loan on the Maturity Date.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of each Borrower to such Lender resulting from each Revolving Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Revolving Loan made hereunder, the Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of any Borrower to repay the Revolving Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Revolving Loans made by it be evidenced by a promissory note. In such event, each Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Revolving Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.10. Prepayment of Revolving Loans.

(a) Any Borrower shall have the right at any time and from time to time to prepay any Borrowing of such Borrower in whole or in part, subject to (i) prior notice in accordance with paragraph (c) of this Section and (ii) in the case of a Eurocurrency Loan, reimbursement of any breakage costs if prepayment occurs other than at the end of an Interest Period.

(b) In the event and on each occasion that the aggregate Credit Exposures exceed the aggregate Revolving Commitments, the Borrowers shall promptly prepay Borrowings in an aggregate amount sufficient to eliminate such excess, provided that, to the extent such excess amount is greater than the aggregate principal amount of Revolving Loans outstanding immediately prior to the application of such prepayment, the amount so prepaid shall be retained by the Administrative Agent and held in the Cash Collateral Account as cover for the LC Exposures, as more particularly described in Section 2.05(j), and thereupon such cash shall be deemed to reduce the LC Exposures by an equivalent amount.

(c) The Company shall notify the Administrative Agent by telephone (confirmed by telecopy) of any prepayment hereunder not later than 11:00 a.m., Local Time, (i) in the case of the prepayment of any Borrowing denominated in US Dollars, one Business Day, or (ii) in the case of the prepayment of any Borrowing denominated in any Designated Foreign Currency, three Business Days before the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Revolving Commitments as contemplated by Section 2.08, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.08. Promptly following receipt of any such notice, the Administrative Agent shall advise the applicable Lenders of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Borrowing shall be applied ratably to the Revolving Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.11. Fees.

(a) Subject to Section 2.22, the Company agrees to pay to the Administrative Agent, in US Dollars, for the account of the office (or Affiliate) of each Lender from which such Lender would make Revolving Loans to the Company in US Dollars hereunder (which office or Affiliate shall be specified by each Lender in a notice delivered to the Administrative Agent prior to the initial payment to such Lender under this paragraph), a facility fee, which shall accrue at the Applicable Rate on the daily aggregate amount of the Revolving Commitments of such Lender (whether used or unused) during the period from and including the Effective Date to but excluding the date on which the last of such Revolving Commitments terminates; provided that, if such Lender continues to have any Credit Exposure after its Revolving Commitment terminate, then such facility fee shall continue to accrue on the daily amount of such Lender's Credit Exposures from and including the date on which the last of its Revolving

Commitment terminates to but excluding the date on which such Lender ceases to have any Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year (commencing on the first such date to occur after the date hereof), on the date on which the Revolving Commitments terminate and on the Maturity Date; provided that any facility fees accruing after the Maturity Date shall be payable on demand. All facility fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) Subject to Section 2.22, the Company agrees to pay (i) to the Administrative Agent (or the Issuing Bank with respect to the Existing Letters of Credit) for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used from time to time to determine the interest rate applicable to Eurocurrency Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the date hereof to but excluding the later of the date on which such Lender's Revolving Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each Issuing Bank a fronting fee, which shall accrue at the rate or rates per annum separately agreed upon between the Company and such Issuing Bank on the average daily amount of the LC Exposure attributable to Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Revolving Commitments and the date on which there ceases to be any LC Exposure attributable to Letters of Credit issued by such Issuing Bank, as well as each Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Accrued participation fees and fronting fees shall be payable on the last day of March, June, September and December of each year, commencing on the first such date to occur after the date hereof; provided that all such fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day); and provided further that, notwithstanding the foregoing, with respect to the Existing Letters of Credit, participation fees and fronting fees shall payable in advance on the first day of January, April, July, and October of each year.

(c) The Company agrees to pay to the Administrative Agent and the Arrangers the fees described in the Fee Letter, on the terms, in the amount and at the times set forth therein.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to the relevant Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees, utilization fees, and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.12. Interest.

(a) The Revolving Loans comprising each ABR Borrowing shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Revolving Loans comprising each Eurocurrency Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Revolving Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Revolving Loan, 2% per annum plus the rate otherwise applicable to such Revolving Loan as provided in the preceding paragraphs

of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Revolving Loan shall be payable in arrears on each Interest Payment Date for such Revolving Loan and, in the case of Revolving Loans, upon termination of the Revolving Commitments; provided that (i) interest accrued pursuant to paragraph (c) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Revolving Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurocurrency Loan prior to the end of the current Interest Period therefor, accrued interest on such Revolving Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days, except that (i) interest on Borrowings denominated in Sterling and (ii) interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13. Alternate Rate of Interest; Illegality.

(a) If prior to the commencement of any Interest Period for a Eurocurrency Borrowing denominated in any currency:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period; or

(ii) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Revolving Loans (or its Revolving Loan) included in such Borrowing for such Interest Period;

then the Administrative Agent shall give notice thereof to the Company and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Company and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Borrowing denominated in such currency to, or continuation of any Borrowing denominated in such currency as, a Eurocurrency Borrowing shall be ineffective and any Eurocurrency Borrowing denominated in such currency that is requested to be continued (A) if such currency is the US Dollar, shall be converted to an ABR Borrowing on the last day of the Interest Period applicable thereto and (B) if such currency is a Designated Foreign Currency, shall be repaid on the last day of the Interest Period applicable thereto and (ii) any Borrowing Request for a Eurocurrency Borrowing denominated in such currency (A) if such currency is the US Dollar, shall be deemed a request for an ABR Borrowing and (B) if such currency is a Designated Foreign Currency, shall be ineffective.

(b) Notwithstanding any other provision in this Agreement, if, at any time and from time to time, any Lender shall have determined in good faith that any applicable law, rule or regulation or any interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance with any guideline or request from any such Governmental

Authority (whether or not having the force of law), shall make it unlawful for such Lender (or any of its lending offices) to honor it obligations hereunder to make or maintain Revolving Loans in any jurisdiction (such jurisdiction, an "Affected Jurisdiction"), such Lender will forthwith so notify the Administrative Agent and the Company. Upon such notice, (i) each of such Lender's then outstanding Revolving Loans to any Borrower in such Affected Jurisdiction shall automatically, on the expiration date of the respective Interest Period applicable thereto (or, to the extent any such Revolving Loan may not lawfully be maintained until such expiration date, upon such notice) be repaid and (ii) the obligations of the affected Lender or Lenders to make or maintain Revolving Loans into the Affected Jurisdiction and the rights of any Borrower to request or continue any Revolving Loans of the affected Lender or Lenders in such Affected Jurisdiction shall be suspended, until such Lender shall have determined that the circumstances giving rise to such suspension no longer exist and shall have so notified the Administrative Agent, and the Administrative Agent shall have so notified the Company.

SECTION 2.14. Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank markets any other condition affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan (or of maintaining its obligation to make any such Eurocurrency Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the Company will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Revolving Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Company will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Company and shall be conclusive

absent manifest error. The Company shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Company shall not be required to compensate any Lender or any Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Company of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.15. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.08(c) and is revoked in accordance therewith), or (d) the assignment of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.18, then, in any such event, each Borrower, as to any of the foregoing events pertaining to such Borrower, shall compensate each Lender including, in each of the foregoing cases, any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such loans or from fees payable to terminate the deposits from which such funds were obtained. Such Borrower shall also pay any customary administrative fees charged by such Lender in connection with the foregoing. For purposes of calculating amounts payable by any Borrower to Lenders under this Section 2.15, each Lender shall be deemed to have funded each Eurocurrency Loan made by it at the LIBO Rate used in determining the Adjusted LIBO Rate for such loan by a matching deposit or other borrowing in the London interbank offered market for a comparable amount and for a comparable period, whether or not such Eurocurrency Loan was in fact so funded.

SECTION 2.16. Taxes.

(a) Any and all payments by or on account of any obligation of any Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if any Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, the applicable Issuing Bank or the applicable Lender (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Borrower shall indemnify the Administrative Agent, each Lender and each Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of such Borrower hereunder or under

any other Loan Document (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by a Lender or by an Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by any Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Company (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Company as will permit such payments to be made without withholding or at a reduced rate; provided, that no Lender shall be required to deliver any such documentation with respect to an exemption from or reduction of withholding taxes imposed under the law of a jurisdiction other than the United States of America unless the Company shall notify it of the availability of such exemption or reduction and shall request the delivery of such documentation.

SECTION 2.17. Payments Generally; Pro Rata Treatment; Sharing of Set-offs; Recovery of Payments; Apportionment of Payments.

(a) Each Borrower shall make each payment required to be made by it hereunder or under any other Loan Document (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.14, 2.15, 2.16, 2.20 or 2.21 or otherwise) prior to 2:00 p.m., Local Time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent to such account as it shall from time to time specify at its offices specified in Section 9.01, or, in any such case, at such other address as the Administrative Agent shall from time to time specify in a notice delivered to the Company; provided that payments to be made directly to any Issuing Bank, the Administrative Agent, the Arrangers or any Lender as expressly provided herein and payments pursuant to Section 2.14, Section 2.15, Section 2.16 and Section 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. Except as set forth in the definition of "Interest Period", if any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder of principal or interest in respect of any Revolving Loan (or of any breakage indemnity in respect of any Revolving Loan) shall be made in the currency of such Revolving Loan; all other payments hereunder and under each other Loan Document shall be made in US Dollars. Any payment required to be made by the Administrative Agent hereunder shall be deemed to have been made by the time required if the Administrative Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by the Administrative Agent

to make such payment. Any amount payable by the Administrative Agent to one or more Lenders in the national currency of a member state of the European Union that has adopted the Euro as its lawful currency shall be paid in Euro.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal of the Revolving Loans and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Revolving Loans or participations in LC Disbursements resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements, as applicable, of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by any Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Revolving Loans or participations in LC Disbursements to any assignee or participant, other than to the Company or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or any Issuing Bank hereunder that the relevant Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the relevant Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or such Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at (i) the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (in the case of a Borrowing in US Dollars) and (ii) the rate reasonably determined by the Administrative Agent to be the cost to it of funding such amount (in the case of a Borrowing in a Designated Foreign Currency).

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.06(b) or 2.17(d), then the Administrative Agent may, in its discretion (notwithstanding any

contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

(f) Each Borrower agrees that to the extent such Borrower makes a payment or payments to or for the account of the Administrative Agent, any Lender or any Issuing Bank, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party under any bankruptcy, insolvency or similar state or federal law, common law or equitable cause (whether as a result of any demand, settlement, litigation or otherwise), then, to the extent of such payment or repayment, the Obligation intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been received.

(g) If any amounts distributed by the Administrative Agent to any Lender are subsequently returned or repaid by the Administrative Agent to any Borrower, its representative or successor in interest, or any other Person, whether by court order, by settlement approved by the Lender in question, or pursuant to applicable requirements of law, such Lender will, promptly upon receipt of notice thereof from the Administrative Agent, pay the Administrative Agent such amount. If any such amounts are recovered by the Administrative Agent from any Borrower, its representative or successor in interest or such other Person, the Administrative Agent will redistribute such amounts to the Lenders on the same basis as such amounts were originally distributed.

(h) Notwithstanding any other provision of this Agreement or any other Loan Document to the contrary, all amounts collected or received by the Administrative Agent or any Lender after acceleration of the Loans pursuant to Section 9.2 or in respect of any sale of, collection from or other realization upon all or any part of any collateral, pursuant to the exercise by the Administrative Agent of its remedies shall be applied by the Administrative Agent as follows:

(i) first, to the payment of all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' and consultants' fees irrespective of whether such fees are allowed as a claim after the occurrence of a Bankruptcy Event) of the Administrative Agent in connection with enforcing the rights of the Lenders under the Loan Documents and any protective advances made by the Administrative Agent with respect to any collateral;

(ii) second, to the payment of any fees owed to the Administrative Agent hereunder or under any other Loan Document;

(iii) third, to the payment of all reasonable and documented out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' and consultants' fees irrespective of whether such fees are allowed as a claim after the occurrence of a Bankruptcy Event) of each of the Lenders in connection with enforcing its rights under the Loan Documents or otherwise with respect to the Obligations owing to such Lender;

(iv) fourth, to the payment of all of the Obligations consisting of accrued fees and interest (including, without limitation, fees incurred and interest accruing at the then applicable rate after the occurrence of a Bankruptcy Event irrespective of whether a claim for such fees incurred and interest accruing is allowed in such proceeding), and including with respect to any Hedge Agreement between any Borrower and any Hedge Party (to the extent such Hedge Agreement is permitted hereunder), any fees, premiums and scheduled periodic payments due under such Hedge Agreement prior to any termination thereof and any interest accrued thereon;

(v) fifth, to the payment of the outstanding principal amount of the Obligations (including the payment of any outstanding LC Disbursements and the obligation to cash collateralize LC Exposure), and including with respect to any Hedge Agreement between any Borrower and any Hedge Party (to the extent such Hedge Agreement is permitted hereunder), any breakage, termination or other payments due under such Hedge Agreement (other than payments described in clause (iv) above) and any interest accrued thereon;

(vi) sixth, to the payment of all other Obligations and other obligations that shall have become due and payable under the Loan Documents or otherwise and not repaid; and

(vii) seventh, to the payment of the surplus (if any) to whomever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category, (y) all amounts shall be apportioned ratably among the Lenders or Hedge Parties in proportion to the amounts of such principal, interest, fees or other Obligations owed to them respectively pursuant to clauses (iii) through (vii) above, and (z) to the extent that any amounts available for distribution pursuant to clause (v) above are attributable to the issued but undrawn amount of outstanding Letters of Credit, such amounts shall be held by the Administrative Agent to cash collateralize Letter of Credit Exposure pursuant to Section 2.05(j). For purposes of applying amounts in accordance with this Section, the Administrative Agent shall be entitled to rely upon any Hedge Party that has entered into a Hedge Agreement with any Borrower for a determination (which such Hedge Party agrees to provide or cause to be provided upon request of the Administrative Agent) of the outstanding Obligations owed to such Hedge Party under any such Hedge Agreement. Unless it has actual knowledge (including by way of written notice from any such Hedge Party) to the contrary, the Administrative Agent, in acting hereunder, shall be entitled to assume that no Hedge Agreements or Obligations in respect thereof are in existence between any Hedge Party and any Borrower.

SECTION 2.18. Mitigation Obligations; Replacement of Lenders.

(a) If any Lender requests compensation under Section 2.14, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Revolving Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If (i) any Lender requests compensation under Section 2.14, (ii) any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, (iii) any Lender is a Defaulting Lender or a Downgraded Lender or (iv) any Lender has not consented to a consent, waiver or amendment to any Loan Document requested by the Company or the Administrative Agent and that requires the approval of the Required Lenders under Section 9.02(b) which is otherwise approved by the Required Lenders, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under the Loan Documents to an assignee that shall

assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Company shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Revolving Loans and participations in LC Disbursements, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Company (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation cease to apply.

SECTION 2.19. Borrowing Subsidiaries. On or after the Effective Date, the Company may designate any Subsidiary of the Company as a Borrowing Subsidiary by delivery to the Administrative Agent and the Lenders of a Borrowing Subsidiary Agreement executed by such Subsidiary and the Company, and upon the date five Business Days following such delivery of the executed Borrowing Subsidiary Agreement to the Administrative Agent and the Lenders, such Subsidiary shall for all purposes of this Agreement be a Borrowing Subsidiary and a party to this Agreement; provided that during such five Business Day period, such Subsidiary may request a Borrowing pursuant to Section 2.03 if (x) the date of the proposed Borrowing is outside of such five Business Day period and (y) in the case of a proposed Eurocurrency Borrowing, such Subsidiary has provided the Administrative Agent, for the benefit of the Lenders, an executed LIBO Rate indemnity letter in form and substance reasonably acceptable to the Administrative Agent. Upon the execution by the Company and delivery to the Administrative Agent of a Borrowing Subsidiary Termination with respect to any Borrowing Subsidiary, such Subsidiary shall cease to be a Borrowing Subsidiary and a party to this Agreement; provided that no Borrowing Subsidiary Termination will become effective as to any Borrowing Subsidiary (other than to terminate such Borrowing Subsidiary's right to make further Borrowings under this Agreement) at a time when any principal of or interest on any Revolving Loan to such Borrowing Subsidiary shall be outstanding hereunder. Promptly following receipt of any Borrowing Subsidiary Agreement or Borrowing Subsidiary Termination, the Administrative Agent shall send a copy thereof to each Lender.

SECTION 2.20. Additional Reserve Costs.

(a) If and so long as any Lender is required to make special deposits with the Bank of England, to maintain reserve asset ratios or to pay fees, in each case in respect of such Lender's Eurocurrency Loans in any Designated Foreign Currency, such Lender may require the relevant Borrower to pay, contemporaneously with each payment of interest on each of such loans, additional interest on such loan at a rate per annum equal to the Mandatory Costs Rate calculated in accordance with the formula and in the manner set forth in Exhibit D hereto.

(b) If and so long as any Lender is required to comply with reserve assets, liquidity, cash margin or other requirements of any monetary or other authority (including any such requirement imposed by the European Central Bank or the European System of Central Banks, but excluding requirements reflected in the Statutory Reserve Rate or the Mandatory Costs Rate) in respect of any of such Lender's Eurocurrency Loans in any Designated Foreign Currency, such Lender may require the relevant Borrower to pay, contemporaneously with each payment of interest on each of such Lender's Eurocurrency Loans subject to such requirements, additional interest on such loan at a rate per annum specified by such Lender to be the cost to such Lender of complying with such requirements in relation to such loan.

(c) Any additional interest owed pursuant to paragraph (a) or (b) above shall be determined by the relevant Lender, which determination shall be conclusive absent manifest error, and notified to the relevant Borrower (with a copy to the Administrative Agent) at least five Business Days before each date on which interest is payable for the relevant Revolving Loan, and such additional interest so notified to the relevant Borrower by such Lender shall be payable to the Administrative Agent for the account of such Lender on each date on which interest is payable for such Revolving Loan.

SECTION 2.21. Foreign Subsidiary Costs.

(a) If the cost to any Lender of making or maintaining any Revolving Loan to any Borrowing Subsidiary that is not named on the signature pages to this Agreement is increased (or the amount of any sum received or receivable by any Lender (or its applicable lending office) is reduced) by an amount deemed in good faith by such Lender to be material, by reason of the fact that such Borrowing Subsidiary is incorporated in, or conducts business in, a jurisdiction outside the United States of America, such Borrowing Subsidiary shall indemnify such Lender for such increased cost or reduction within 15 days after demand by such Lender (with a copy to the Administrative Agent). A certificate of such Lender claiming compensation under this paragraph and setting forth the additional amount or amounts to be paid to it hereunder (and the basis for the calculation of such amount or amounts) shall be conclusive in the absence of manifest error.

(b) Each Lender will promptly notify the Company and the Administrative Agent of any event of which it has knowledge that will entitle such Lender to additional interest or payments pursuant to paragraph (a) above, but in any event within 45 days after such Lender obtains actual knowledge thereof; provided that (i) if any Lender fails to give such notice within 45 days after it obtains actual knowledge of such an event, such Lender shall, with respect to compensation payable pursuant to this Section 2.21 in respect of any costs resulting from such event, only be entitled to payment under this Section 2.21 for costs incurred from and after the date 45 days prior to the date that such Lender does give such notice and (ii) each Lender will designate a different applicable lending office, if, in the judgment of such Lender, such designation will avoid the need for, or reduce the amount of, such compensation and will not be otherwise disadvantageous to such Lender.

SECTION 2.22. Defaulting Lenders, Downgraded Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender or a Downgraded Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender or a Downgraded Lender:

(a) facility fees shall cease to accrue on the unused portion of the Revolving Commitment of any Defaulting Lender pursuant to Section 2.11(a);

(b) the Revolving Commitment and the Credit Exposure of any Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 9.02), provided that any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender;

(c) so long as any Lender is a Defaulting Lender or a Downgraded Lender, no Issuing Bank shall be required to issue, extend, create, incur, amend or increase any Letter of Credit unless such Issuing Bank has entered into satisfactory arrangements with the Company or such Lender to eliminate such Issuing Bank's risk with respect to such Lender; and

(d) any amount payable to any Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise and including any amount that would otherwise be payable to such Defaulting Lender pursuant to Section 2.18(d) but excluding Section 2.19(b)) shall, in lieu of being distributed to such Defaulting Lender, be retained by the Administrative Agent in a segregated account and, subject to any applicable requirements of law, be applied at such time or times as may be determined by the Administrative Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder, (ii) second, to the payment of any amounts owing by such Defaulting Lender to any Issuing Bank hereunder, (iii) third, if so determined by the Administrative Agent or requested by any Issuing Bank, to be held in such account as cash collateral for future funding obligations of the Defaulting Lender of any participating interest in any Letter of Credit, (iv) fourth, to the funding of any Revolving Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent, (v) fifth, if so determined by the Administrative Agent and the Company, held in such account as cash collateral for future funding obligations of the Defaulting Lender of any Revolving Loans under this Agreement, (vi) sixth, to the payment of any amounts owing to the Lenders or any Issuing Bank as a result of any judgment of a court of competent jurisdiction obtained by any Lender or any Issuing Bank against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, (vii) seventh, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and (viii) eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction.

SECTION 2.23. Increase in Revolving Commitments.

(a) From time to time on and after the Effective Date and prior to the date of termination of the Revolving Commitments, the Company may, upon at least 30 days notice to the Administrative Agent (which shall promptly provide a copy of such notice to the Lenders), propose to increase the aggregate amount of the Revolving Commitments by an amount which (i) is not less than $15,000,000 or, if greater, an integral multiple of $1,000,000 in excess thereof, with respect to any such request and (ii) when aggregated with all prior and concurrent increases in the Revolving Commitments pursuant to this Section 2.23, is not in excess of $185,000,000, provided that at no time shall the aggregate Revolving Commitments exceed $650,000,000. The Company may increase the aggregate amount of the Revolving Commitments by (x) having another lender or lenders (each, an "Additional Lender") become party to this Agreement, (y) agreeing with any Lender (with the consent of such Lender in its sole discretion) to increase its Revolving Commitment hereunder (each, an "Increasing Lender") or (z) a combination of the procedures described in clauses (x) and (y) of this sentence; provided that no Lender shall be obligated to increase its Revolving Commitment without its consent.

(b) Any increase in the Revolving Commitments pursuant to this Section 2.23 shall be subject to satisfaction of the following conditions:

(i) Each of the representations and warranties contained in Article III and in the other Loan Documents shall be true and correct in all material respects, in each case on and as of such date of increase with the same effect as if made on and as of such date, both immediately before and after giving effect to such increase (except to the extent any such representation or warranty is expressly stated to have been made as of a specific date, in which case such representation or warranty shall be true and correct as of such date); and

(ii) At the time of such increase, no Default shall have occurred and be continuing or would result from such increase.

(c) Upon the effective date of any increase in the amount of the Revolving Commitments pursuant to this Section 2.23 (each, an "Additional Commitment"):

(i) Each Additional Lender or Increasing Lender shall enter into a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent pursuant to which such Additional Lender and/or Increasing Lender shall, as of the effective date, undertake an Additional Commitment (or, in the case of an Increasing Lender, pursuant to which such Increasing Lender's Revolving Commitment shall be increased in the agreed amount on such date) and such Additional Lender shall thereupon become (or, if an Increasing Lender, continue to be) a "Lender" for all purposes hereof; and

(ii) Each of the existing Lenders shall assign to each Person providing an Additional Commitment, and each such Person shall purchase from each of the existing Lenders, Revolving Loans (together with accrued but unpaid interest thereon), in an amount as shall be necessary in order that, after giving effect to all such assignments and purchases, such Revolving Loans will be held by existing Lenders and the Person making the Additional Commitments ratably in accordance with their Applicable Percentage after giving effect to such Additional Commitments.

(d) If any such Additional Lender is a Foreign Lender, such Additional Lender shall deliver the forms required by Section 2.16(e).

(e) This Section 2.23 shall supersede any provisions in Section 9.02 to the contrary. Notwithstanding any other provision of any Loan Document, the Loan Documents may be amended by Administrative Agent and the Borrowers, if necessary, to provide for terms applicable to each Additional Commitment.

ARTICLE III

Representations and Warranties

The Company represents and warrants to the Lenders that:

SECTION 3.01. Corporate Existence and Power. The Company, the Borrowing Subsidiaries and the Subsidiary Guarantors are each corporations duly organized, validly existing and in good standing under the laws of the jurisdiction of their incorporation, are duly qualified to transact business in every jurisdiction where, by the nature of its business, the failure to be so qualified could have or cause a Material Adverse Effect, and have all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on their business as now conducted.

SECTION 3.02. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Borrowers of this Agreement and the other Loan Documents, and the execution by the Subsidiary Guarantors of the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement (i) are within the Borrowers' and the Subsidiary Guarantors' respective corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) require no action by or in respect of or filing with any governmental body, agency or official, (iv) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Company or any Subsidiary or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any of its Subsidiaries, and (v) do not result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries.

SECTION 3.03. Binding Effect. This Agreement has been duly executed and delivered and constitutes a valid and binding agreement of the Borrowers enforceable in accordance with its terms, and the other Loan Documents, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Borrowers and the Subsidiary Guarantors party thereto, enforceable in accordance with their respective terms, provided that the enforceability hereof and thereof is subject in each case to general principles of equity and to bankruptcy, insolvency and similar laws affecting the enforcement of creditors' rights generally.

SECTION 3.04. Financial Information.

(a) The audited balance sheet of the Company and the Consolidated Subsidiaries as of October 31, 2008, and the related statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, reported on by Ernst & Young LLP, and the unaudited balance sheets of the Company and the Consolidated Subsidiaries as of January 30, 2009 and May 1, 2009 and the related statements of income, shareholders' equity and cash flows for the Fiscal Quarters and portions of the Fiscal Year then ended, copies of all of which have been delivered to each of the Lenders, fairly present, in conformity with GAAP, the consolidated financial position of the Company and the Consolidated Subsidiaries as of such dates and their results of operations and cash flows for such periods.

(b) Since October 31, 2008, there has been no Material Adverse Effect.

(c) Neither (i) the board of directors of the Company or a committee thereof has concluded that any financial statement previously furnished to the Administrative Agent should no longer be relied upon because of an error, nor (ii) has the Company been advised by its auditors that a previously issued audit report or interim review cannot be relied on.

SECTION 3.05. No Litigation. There is no action, suit or proceeding pending, or to the knowledge of the Company threatened, against or affecting the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official which could have a Material Adverse Effect or which in any manner draws into question the validity of or could impair the ability of any Borrower or Subsidiary Guarantor to perform its obligations under this Agreement or any of the other Loan Documents.

SECTION 3.06. Compliance with ERISA.

(a) The Company and each member of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any liability to the PBGC or a Plan under Title IV of ERISA.

(b) Neither the Company nor any member of the Controlled Group has incurred any Withdrawal Liability with respect to any Multiemployer Plan under Title IV of ERISA, and no such liability is expected to be incurred.

SECTION 3.07. Compliance with Laws; Payment of Taxes. The Company and the Subsidiaries are in compliance in all material respects with all applicable laws, regulations and similar requirements of Governmental Authorities, except for the matters disclosed in Schedule 3.14, except where the failure to comply would not have or cause a Material Adverse Effect. There have been filed on behalf of the Company and its Subsidiaries all Federal, state and local income, excise, property and other tax returns which are required to be filed by them and all taxes due pursuant to such returns or pursuant to any assessment received by or on behalf of the Company or any Subsidiary have been paid or are being

contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Company and the Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Company, adequate. United States income tax returns of the Company and the Subsidiaries have been examined and closed through the Fiscal Year ended October 28, 2005.

SECTION 3.08. Subsidiaries. Each of the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where the failure to qualify or have any such license, authorization, consent or approval would not have or cause a Material Adverse Effect. The Company has no Subsidiaries except for those Subsidiaries listed on Schedule 3.08, or as described in a Compliance Certificate furnished pursuant to Section 5.01(c), in each case which accurately sets forth each such Subsidiary's complete name and jurisdiction of incorporation. Each Domestic Material Subsidiary on the date hereof is separately identified as such in Schedule 3.08 hereto.

SECTION 3.09. Investment Company Act. Neither the Company nor any of its Subsidiaries is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 3.10. [Reserved].

SECTION 3.11. Ownership of Property; Liens. Each of the Company and its Consolidated Subsidiaries has title to its properties sufficient for the conduct of its business, and none of such property is subject to any Lien except as permitted in Section 5.08.

SECTION 3.12. No Default. Neither the Company nor any of the Consolidated Subsidiaries is in default under or with respect to any agreement, instrument or undertaking to which it is a party or by which it or any of its property is bound which could have or cause a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

SECTION 3.13. Full Disclosure. All information heretofore furnished by the Company or any Subsidiary to the Administrative Agent or any Lender for purposes of or in connection with this Agreement or any transaction contemplated hereby (including without limitation the information set forth in the Information Memorandum) is, and all such information hereafter furnished by the Company or any Subsidiary to the Administrative Agent or any Lender will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified.

SECTION 3.14. Environmental Matters.

(a) Except for the matters disclosed in Schedule 3.14, neither the Company nor any Subsidiary is subject to, or knows any basis for, any Environmental Liability which could have or cause a Material Adverse Effect and neither the Company nor any Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA. To the best knowledge of the Company, except for the matters disclosed in Schedule 3.14, none of the Properties has been identified on any current or proposed (i) National Priorities List under 40 C.F.R. § 300, (ii) CERCLIS list or (iii) any list arising from a state statute similar to CERCLA.

(b) Except for the matters disclosed in Schedule 3.14, no Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of,

managed or otherwise handled at, or shipped or transported to or from the Properties or are otherwise present at, on, in or under the Properties, or, to the best of the knowledge of the Company, at or from any adjacent site or facility, except for Hazardous Materials used or otherwise handled, to the best knowledge of the Company, in the ordinary course of business in compliance with all applicable Environmental Requirements, except where the failure to comply would not have or cause a Material Adverse Effect.

(c) Except for the matters disclosed in Schedule 3.14, the Company, and each of its Affiliates, has procured all Environmental Authorizations necessary for the conduct of its business, and, to the best knowledge of the Company, is in compliance with all Environmental Requirements, Environmental Authorizations and Environmental Judgments and Orders in connection with the operation of the Properties and the Company's, and its Affiliate's, businesses, except where the failure to comply could not have or cause a Material Adverse Effect.

SECTION 3.15. Equity Interests. All Equity Interests, debentures, bonds, notes and all other securities of the Company and its Subsidiaries presently issued and outstanding are validly and properly issued. All outstanding securities (whether debt or equity) of the Company and its Subsidiaries were registered under the federal and any applicable state securities laws or were issued in transactions which were exempt from registration under such laws; provided, that as to any Subsidiary acquired but not created by the Company, the foregoing representation is made to the best of the Company's knowledge. The issued Equity Interests of the Company's Wholly Owned Subsidiaries are owned by the Company free and clear of any Lien or adverse claim. At least a majority of the issued Equity Interests of each of the other Subsidiaries (other than Wholly Owned Subsidiaries) is owned by the Company, and all such Equity Interests owned by the Company are free and clear of any Lien or adverse claim.

SECTION 3.16. Margin Stock. Neither the Company nor any of its Subsidiaries is engaged principally, or as one of its important activities, in the business of purchasing or carrying any Margin Stock, and no part of the proceeds of any Revolving Loan will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulations T, U or X.

SECTION 3.17. Insolvency. After giving effect to the execution and delivery of the Loan Documents and the making of the Revolving Loans under this Agreement, no Borrower or Subsidiary Guarantor will be "insolvent," within the meaning of such term as defined in Section 101 of Title 11 of the United States Code or Section 2 of the Uniform Fraudulent Transfer Act, or any other applicable state law pertaining to fraudulent transfers, as each may be amended from time to time, or be unable to pay its debts generally as such debts become due, or have an unreasonably small capital to engage in any business or transaction, whether current or contemplated.

ARTICLE IV

Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Revolving Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include facsimile or other electronic image scan

transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received the favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Lindquist & Vennum, PLLP, special counsel for the Borrowers and the Subsidiary Guarantors, substantially in the form of Exhibit C and covering such other matters relating to the Borrowers, the Subsidiary Guarantors, this Agreement, the other Loan Documents or the Transactions as the Administrative Agent or the Required Lenders shall reasonably request. The Borrowers hereby request such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of each of the Borrowers and the Subsidiary Guarantors, the authorization of the Transactions and any other legal matters relating to the Borrowers, the Subsidiary Guarantors, this Agreement, the other Loan Documents or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate dated as of the Effective Date and signed by a principal financial officer of the Company, as to the satisfaction on the Effective Date of the conditions set forth in clauses (a) and (b) of Section 4.02, provided that for purposes of this Section 4.01(d) and the certificate to be delivered hereunder the exclusion of the representations and warranties set forth in Sections 3.04(b), 3.05 and 3.14 contained in Section 4.02(a) shall not apply.

(e) The Guarantee Agreement shall have been duly executed by the parties thereto, shall have been delivered to the Administrative Agent and shall be in full force and effect.

(f) The Indemnity, Subrogation and Contribution Agreement shall have been duly executed by the parties thereto, shall have been delivered to the Administrative Agent and shall be in full force and effect.

(g) All loans outstanding under the Existing Credit Agreements shall have been repaid, together with all interest, fees and other amounts accrued thereunder, and the commitments under the Existing Credit Agreements shall have been terminated.

(h) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses (including fees, charges and disbursements of counsel) required to be reimbursed or paid by the Company or any Subsidiary hereunder or under any other Loan Document.

(i) The Lenders shall have received the balance of all upfront fees agreed to by the Company and the Administrative Agent and required to be paid by the Company.

(j) After giving effect to the Effective Date and the initial extensions of credit made thereon, the aggregate unutilized Revolving Commitments shall not be less than $100,000,000.

(k) The Administrative Agent shall have received such documentation and information as is reasonably requested about the Borrowers and the Subsidiary Guarantors in respect of applicable “know your customer” and anti-money laundering rules and regulations, including without limitation the USA PATRIOT Act.

The Administrative Agent shall notify the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Revolving Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) on or prior to July 30, 2009 (and, in the event such conditions are not so satisfied or waived, the Revolving Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Revolving Loan on the occasion of any Borrowing, and of the Issuing Banks to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrowers set forth in this Agreement (other than those set forth in Sections 3.04(b), 3.04(c), 3.05 and 3.14) shall be true and correct on and as of the date of such Borrowing or the date of such issuance, amendment, renewal or extension of a Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or such issuance, amendment, renewal or extension of a Letter of Credit, no Default shall have occurred and be continuing.

(c) With respect to each requesting Borrower that is a Foreign Subsidiary, each Lender shall have submitted the completed and executed documentation and had accepted by the relevant Governmental Authority such documentation necessary for it be exempt from, or eligible for a reduction in, withholding tax under the laws of the jurisdiction in which such Borrower is located.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section. Each Lender agrees, at the request of any Borrower, to promptly complete and execute all documentation specified in paragraph (c) of this Section.

SECTION 4.03. Initial Borrowing by each Borrowing Subsidiary. The obligation of each Lender to make Revolving Loans and of the Issuing Banks to issue Letters of Credit to any Borrowing Subsidiary (other than the Borrowing Subsidiaries party hereto on the date hereof) is subject to the satisfaction of the following conditions:

(a) The Administrative Agent (or its counsel) shall have received such Borrowing Subsidiary's Borrowing Subsidiary Agreement, duly executed by all parties thereto.

(b) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of such Borrowing Subsidiary, the authorization of the Transactions insofar as they relate to such Borrowing Subsidiary and any other legal matters relating to such Borrowing Subsidiary, its Borrowing Subsidiary Agreement or such Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

ARTICLE V

Covenants

Until the Revolving Commitments have expired or been terminated and the principal of and interest on each Revolving Loan and all fees and other amounts payable hereunder shall have been paid in

full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Company covenants and agrees with the Lenders that:

SECTION 5.01. Information. The Company will deliver to each of the Lenders:

(a) as soon as available and in any event within 90 days after the end of each Fiscal Year, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such Fiscal Year and the related consolidated statements of income, shareholders' equity and cash flows for such Fiscal Year, setting forth in each case in comparative form the figures for the previous fiscal year, all certified by Ernst & Young LLP or other independent public accountants of nationally recognized standing, with such certification to be free of exceptions and qualifications not acceptable to the Required Lenders;

(b) as soon as available and in any event within 45 days after the end of each of the first three Fiscal Quarters of each Fiscal Year, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such Fiscal Quarter and the related statements of income and cash flows for such Fiscal Quarter and for the portion of the Fiscal Year ended at the end of such Fiscal Quarter, setting forth in each case in comparative form the figures for the corresponding Fiscal Quarter and the corresponding portion of the previous Fiscal Year, all certified (subject to normal year-end adjustments) as to fairness of presentation, GAAP and consistency by the chief financial officer, the treasurer or the chief accounting officer of the Company;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer, the treasurer or the chief accounting officer of the Company substantially in the form of Exhibit E (a "Compliance Certificate") (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.03, 5.04, 5.06, 5.08, 5.11(d) and 5.21 on the date of such financial statements, (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto, (iii) containing the certification required by Section 5.01(b), and (iv) listing any new Subsidiaries not listed on Schedule 3.08 or in any prior Compliance Certificate;

(d) simultaneously with the delivery of each set of annual financial statements referred to in clause (a) above, a statement of the firm of independent public accountants which reported on such statements to the effect that nothing has come to their attention to cause them to believe that any Default under any of Sections 5.03, 5.04 and 5.11(d) existed on the date of such financial statements;

(e) within five Domestic Business Days after the chief executive officer, chief operating officer, chief financial officer, chief accounting officer or treasurer of the Company becomes aware of the occurrence of any Default, a certificate of the chief financial officer, treasurer or the chief accounting officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(f) promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed;

(g) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and annual, quarterly or monthly reports which the Company shall have filed with the Securities and Exchange Commission;

(h) if and when the Company or any member of the Controlled Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(i) promptly after the Company knows of the commencement thereof, notice of any litigation or other legal proceeding involving a claim against the Company and/or any Subsidiary for US$10,000,000 or more in excess of amounts covered in full by applicable insurance;

(j) promptly upon receipt thereof, copies of any "management letter" submitted to the Company by its certified public accountants in connection with each annual, interim or special audit, and promptly upon completion thereof, any response reports from the Company in respect thereof; and

(k) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

Documents required to be delivered pursuant to this Sections 5.01(a), (b) and (c) may be delivered electronically and, if so delivered, shall be deemed to have been delivered on the date on which such documents are posted on the Company's behalf on IntraLinks, SyndTrak or another similar website, if any, to which each of the Administrative Agent and each Lender has access. The Administrative Agent shall have no obligation to request the delivery of, or to maintain copies of, the documents referred to in the immediately preceding sentence or to monitor compliance by the Company with any such request for delivery, and each Lender shall be solely responsible for requesting delivery to it or maintaining its copies of such documents.

SECTION 5.02. Inspection of Property, Books and Records. The Company will (i) keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries in conformity with GAAP shall be made of all dealings and transactions in relation to its business and activities; and (ii) permit, and will cause each Subsidiary to permit, representatives of any Lender at such Lender's expense prior to the occurrence of an Event of Default and at the Company's expense after the occurrence of an Event of Default to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants. The Company agrees to cooperate and assist in such visits and inspections, in each case at such reasonable times and as often as may reasonably be desired.

SECTION 5.03. Ratio of Consolidated Debt to Consolidated EBITDA. The ratio of Consolidated Debt at any date to Consolidated EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to such date will not exceed the ratio of 3.50 to 1.00.

SECTION 5.04. Interest Coverage Ratio. The ratio of Consolidated EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to any date of determination to Consolidated Interest Expense at such date will not be less than the ratio of 4.00 to 1.00.

SECTION 5.05. Restricted Payments. The Company will not declare or make any Restricted Payment during any Fiscal Year, except for stock repurchases and dividends approved by the Board of Directors of the Company.

SECTION 5.06. Loans or Advances. Neither the Company nor any of its Subsidiaries shall make loans or advances to any Person except: (i) loans or advances to employees not exceeding US$10,000,000 in the aggregate at any time outstanding made in the ordinary course of business; (ii) deposits required by government agencies or public utilities; (iii) loans or advances to any Borrower or Subsidiary Guarantor; (iv) Prepaid Rebates; and (v) loans, advances or deposits other than those permitted by clauses (i) through (iv) of this Section not exceeding 10% of Consolidated Total Assets in the aggregate at any time outstanding, provided that after giving effect to the making of any loans, advances or deposits permitted by clause (i), (ii), (iii), (iv) or (v) of this Section, no Default shall have occurred and be continuing.

SECTION 5.07. Acquisitions. Neither the Company nor any of its Subsidiaries shall make any Acquisitions, provided, that Permitted Acquisitions may be made if, after giving effect thereto, no Default or Event of Default would be caused thereby (giving effect to such Permitted Acquisitions on a pro forma basis as to financial covenants as if they had occurred on each relevant date or at the beginning of each relevant period).

SECTION 5.08. Negative Pledge. Neither the Company nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding US$10,000,000;

(b) any Lien existing on any asset of any Person at the time such Person becomes a Consolidated Subsidiary and not created in contemplation of such event;

(c) any Lien on any asset (other than Equity Interests or inventory) securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;

(d) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Company or a Consolidated Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any asset prior to the acquisition thereof by the Company or a Consolidated Subsidiary and not created in contemplation of such acquisition;

(f) Liens securing Debt owing by any Subsidiary to any Borrower or Subsidiary Guarantor;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that (i) such Debt is not secured by any additional assets, and (ii) the amount of such Debt secured by any such Lien is not increased;

(h) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(i) any Lien on Excess Margin Stock;

(j) any Lien incurred with respect to Securitization Debt permitted under Section 5.21; and

(k) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt (other than Revolving Loans) in an aggregate principal amount at any time outstanding which, together with the amount of Debt secured by Liens permitted by the foregoing paragraphs (a) through (i), does not exceed 10% of Consolidated Total Assets.

SECTION 5.09. Maintenance of Existence. The Company shall, and shall cause each Subsidiary Guarantor and each other Borrower to, maintain its corporate existence and carry on its business in substantially the same manner and in substantially the same fields in which such business is now carried on, except as permitted by Section 5.11.

SECTION 5.10. Dissolution. None of the Company, any Subsidiary Guarantor or any other Borrower shall suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any of its Equity Interests or that of any Subsidiary that is a Borrower or Subsidiary Guarantor, except (i) through a corporate reorganization permitted by Section 5.11 or (ii) Restricted Payments permitted by Section 5.05.

SECTION 5.11. Consolidations, Mergers and Sales of Assets. The Company will not, nor will it permit any Material Subsidiary to, consolidate or merge with or into, or sell, lease or otherwise transfer all or any substantial part of its assets (other than Excess Margin Stock) to, any other Person, or discontinue or eliminate any business line or segment, provided that (a) the Company may merge with another Person if (i) such Person was organized under the laws of the United States of America or one of its states, (ii) the Company is the corporation surviving such merger and (iii) immediately after giving effect to such merger, no Default shall have occurred and be continuing, (b) Material Subsidiaries may merge with one another, or with and into the Company where the Company is the Person surviving such merger, (c) Borrowers which are both Domestic Subsidiaries and Subsidiary Guarantors may transfer assets among themselves, (d) the foregoing limitation on the sale, lease or other transfer of assets and on the discontinuation or elimination of a business line or segment shall not apply to loans or advances permitted by Section 5.06 or prohibit, during any Fiscal Quarter, transfers of assets or the discontinuance or elimination of a business line or segment (in a single transaction or in a series of related transactions) unless the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred (other than inventory and obsolete or surplus property sold in the ordinary course of business), and all other assets utilized in all other business lines or segments discontinued, during such Fiscal Quarter and the immediately preceding three Fiscal Quarters contributed more than 20% of Consolidated Operating Profits during the four consecutive Fiscal Quarters immediately preceding such Fiscal Quarter and (e) the Company and any Subsidiary Guarantor may sell inventory and obsolete or surplus property in the ordinary course of business.

SECTION 5.12. Use of Proceeds. The proceeds of the Revolving Loans will be used only for the purposes referred to in the preamble to this Agreement. No portion of the proceeds of the Revolving Loans will be used by the Company or any Subsidiary (i) directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any Margin Stock in a violation of Regulation U, or (ii) for any purpose in violation of any other applicable law or regulation.

SECTION 5.13. Compliance with Laws; Payment of Taxes.

(a) The Company will, and will cause each of its Subsidiaries and each member of the Controlled Group to, comply with applicable laws (including but not limited to ERISA and

Environmental Requirements), regulations and similar requirements of Governmental Authorities (including but not limited to PBGC), except where the necessity of such compliance is being contested in good faith through appropriate proceedings diligently pursued. The Company will, and will cause each of its Subsidiaries to, pay promptly when due all taxes, assessments, governmental charges, claims for labor, supplies, rent and other obligations which, if unpaid, might become a Lien against the property of the Company or any Subsidiary, except liabilities being contested in good faith by appropriate proceedings diligently pursued and against which the Company shall have set up reserves in accordance with GAAP.

(b) The Company shall not permit the aggregate complete or partial withdrawal liability under Title IV of ERISA with respect to Multiemployer Plans incurred by the Company and members of the Controlled Group to exceed US$10,000,000 at any time. For purposes of this Section 5.13(b), the amount of withdrawal liability of the Company and members of the Controlled Group at any date shall be the aggregate present value of the amount claimed to have been incurred less any portion thereof which the Company and members of the Controlled Group have paid or as to which the Company reasonably believes, after appropriate consideration of possible adjustments arising under Sections 4219 and 4221 of ERISA, it and members of the Controlled Group will have no liability.

SECTION 5.14. Insurance. The Company will maintain, and will cause each of its Subsidiaries to maintain (either in the name of the Company or in such Subsidiary's own name), with financially sound and reputable insurance companies, insurance on all its Property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or similar business.

SECTION 5.15. Change in Fiscal Year. The Company will not change its Fiscal Year without the consent of the Required Lenders.

SECTION 5.16. Maintenance of Property. The Company shall, and shall cause each Subsidiary to, maintain all of its material properties and assets in good condition, repair and working order, ordinary wear and tear excepted.

SECTION 5.17. Environmental Notices. The Company shall furnish to the Lenders and the Administrative Agent prompt written notice of any Environmental Liabilities, Environmental Notices and Environmental Judgments and Orders, and of any pending, threatened or anticipated Environmental Proceedings, that relate to the Company, any of its Subsidiaries or the Properties and that could reasonably be expected to have or cause a Material Adverse Effect.

SECTION 5.18. Environmental Matters. The Company shall conduct, and cause each of its Subsidiaries to conduct, its operations and keep and maintain its Properties in compliance with all Environmental Requirements, except where the failure to so comply could not, individually or in the aggregate, reasonably be expected to have or cause a Material Adverse Effect.

SECTION 5.19. [Reserved].

SECTION 5.20. Transactions with Affiliates. Neither the Company nor any of its Subsidiaries shall enter into, or be a party to, any material transaction with any Affiliate of the Company or such Subsidiary (which Affiliate is not a Borrower or a Subsidiary Guarantor), except as permitted by law and in the ordinary course of business and pursuant to reasonable terms no less favorable to the Company or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person which is not an Affiliate.

SECTION 5.21. Limitation on Subsidiary Debt. The Company shall not permit the outstanding principal amount of Debt of the Subsidiaries (other than (i) Debt owed to any Borrower or Subsidiary Guarantor, (ii) $250,000,000 in Securitization Debt and (ii) Debt owed under this Agreement or any other Loan Document) at any time to exceed, in the aggregate, 10% of Consolidated Total Assets.

SECTION 5.22. Subsidiary Guarantors.

(a) The Company shall cause each Domestic Material Subsidiary that is not already a Subsidiary Guarantor to become a party to, and agree to be bound by the terms of, the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement pursuant to an instrument in form and substance satisfactory to the Administrative Agent executed and delivered to the Administrative Agent by such Domestic Material Subsidiary as promptly as practicable and in any event within 20 Domestic Business Days after the day on which it becomes a Domestic Material Subsidiary or such later date reasonably acceptable to the Administrative Agent. The Company shall also cause the items specified in Sections 4.01(b) and (c) to be delivered to the Administrative Agent concurrently with the instrument referred to above, modified appropriately to refer to such instrument and such Domestic Material Subsidiary.

(b) Once any Subsidiary becomes a Domestic Material Subsidiary and a party to the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement, such Subsidiary thereafter shall remain a party to and a guarantor under the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement without regard to the amount of its Total Assets on any day or Operating Profits for any period.

ARTICLE VI

Events of Default

SECTION 6.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) any Borrower shall fail to pay when due any principal of any Revolving Loan or any reimbursement obligation in respect of any LC Disbursement or shall fail to pay any interest on any Revolving Loan within five Domestic Business Days after such interest shall become due, or shall fail to pay any fee or other Obligation (other than any Obligation under a Hedge Agreement to which any Borrower and any Hedge Party are parties) payable hereunder within five Domestic Business Days after such fee or other Obligation becomes due; or

(b) the Company shall fail to observe or perform any covenant contained in Section 5.01(e), 5.02(ii), 5.03, 5.04, 5.08, 5.09, 5.10 or 5.11; or

(c) any Borrower shall fail to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by clause (a) or (b) above) or any other Loan Document for thirty days after the earlier of (i) the first day on which the Company has knowledge of such failure or (ii) written notice thereof has been given to the Company by the Administrative Agent at the request of any Lender; or

(d) any representation, warranty, certification or statement made or deemed made by the Company in Article III of this Agreement, or by any Subsidiary Guarantor in Section 8 of the Guarantee Agreement, or by the Company or any other Borrower in any certificate, financial statement or other

document delivered pursuant to this Agreement or any Loan Document shall prove to have been incorrect or misleading in any material respect when made (or deemed made); or

(e) the Company or any Subsidiary shall fail to make any payment in respect of Debt outstanding in an aggregate principal amount in excess of US$10,000,000 (other than the Revolving Loans) when due or within any applicable grace period; or

(f) any event or condition shall occur which results in the acceleration of the maturity of Debt of the Company or any Subsidiary in an aggregate principal amount in excess of US$10,000,000 or the mandatory prepayment, redemption, defeasance or purchase of such Debt by the Company (or its designee) or such Subsidiary (or its designee) prior to the scheduled maturity thereof, or enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Debt or any Person acting on such holders' behalf to accelerate the maturity thereof or require the mandatory prepayment, redemption, defeasance or purchase thereof prior to the scheduled maturity thereof, without regard to whether such holders or other Person shall have exercised or waived their right to do so; or

(g) the Company or any Material Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or shall admit in writing its inability, to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing; or

(h) an involuntary case or other proceeding shall be commenced against the Company or any Material Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any Material Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(i) the Company or any member of the Controlled Group shall fail to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans shall be filed under Title IV of ERISA by the Company, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding shall be instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 30 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

(j) one or more judgments or orders for the payment of money in an aggregate amount in excess of US$10,000,000 shall be rendered against the Company or any Subsidiary and the Company or such Subsidiary shall not discharge the same in accordance with its terms or procure a stay of execution thereof within 30 days from the date of entry thereof, and within such period of 30 days, or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or

(k) a federal tax lien shall be filed against the Company or any Subsidiary under Section 6323 of the Code or a lien of the PBGC shall be filed against the Company or any Subsidiary under Section 4068 of ERISA and in either case such lien shall remain undischarged for a period of 25 days after the date of filing; or

(l) (i) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 30% or more of the outstanding shares of the voting stock of the Company; or (ii) as of any date a majority of the Board of Directors of the Company shall consist of individuals who were not either (A) directors of the Company as of the corresponding date of the previous year, (B) selected or nominated to become directors by the Board of Directors of the Company of which a majority consisted of individuals described in clause (A), or (C) selected or nominated to become directors by the Board of Directors of the Company of which a majority consisted of individuals described in clause (A) or individuals described in clause (B); or

(m) any provision of the Guarantee Agreement shall for any reason cease to be valid and binding on any Subsidiary Guarantor, or any Subsidiary Guarantor (or any Person acting on behalf of any Subsidiary Guarantor) shall deny or disaffirm its obligations under the Guarantee Agreement; or

(n) the Guarantee of the Company set forth in Article VIII shall cease at any time to be in full force and effect, or the Company shall so assert in writing, or the Company shall disaffirm or deny any of its Obligations hereunder in writing.

then, and in every such event, the Administrative Agent shall, if requested by the Required Lenders, by notice to the Company, take any or all of the following actions, at the same or different times: (i) terminate the Revolving Commitments and they shall thereupon terminate, (ii) declare the Revolving Loans (together with accrued interest thereon) and all other Obligations payable hereunder and under the other Loan Documents (but excluding any amounts owing under any Hedge Agreement to which any Borrower and any Hedge Party are parties) to be, and the Revolving Loans (together with all accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers, and (iii) direct the Borrowers to deposit (and the Borrowers hereby agree, forthwith upon receipt of notice of such direction from the Administrative Agent, to deposit) with the Administrative Agent from time to time such additional amount of cash as is equal to the LC Exposure then outstanding, such amount to be held by the Administrative Agent in the Cash Collateral Account as security for the LC Exposure as described in Section 2.05(j); provided that if any Event of Default specified in clause (g) or (h) above occurs with respect to any Borrower, without any notice to any Borrower or any other act by the Administrative Agent or the Lenders, the Revolving Commitments shall thereupon automatically terminate, the Revolving Loans (together with accrued interest thereon) and all other amounts payable hereunder and under the other Loan Documents shall automatically become immediately due and payable, and the Administrative Agent shall be deemed to have made a demand for cash collateral to the full extent permitted under Section 2.05(j) without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers. Notwithstanding the foregoing, the Administrative Agent shall have available to it all other remedies at law or equity, and shall exercise any one or all of them at the request of the Required Lenders.

SECTION 6.02. Notice of Default. The Administrative Agent shall give notice to the Company of any Default under Section 6.01(c) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

ARTICLE VII

The Administrative Agent

SECTION 7.01. Appointment and Authority. Each of the Lenders (for purposes of this Article, references to the Lenders shall also mean the Issuing Banks) hereby irrevocably appoints Wells Fargo to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. Except as set forth in Section 7.06, the provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and no Borrower shall have any rights as a third party beneficiary of any of such provisions.

SECTION 7.02. Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 7.03. Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrowers or any of their respective Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Sections 9.02and 6.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until notice describing such Default or Event of Default is given to the Administrative Agent by a Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default or Event of Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 7.04. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Revolving Loan, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Lender or the relevant Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Lender or such Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Lender or such Issuing Bank prior to the making of such Revolving Loan or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 7.05. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 7.06. Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and the Company. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Company, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above; provided that if the Administrative Agent shall notify the Company and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly,

until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this Section. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this Section). The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 7.07. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 7.08. No Other Duties, Etc. Anything herein to the contrary notwithstanding, none of the Arrangers, syndication agent or other agents listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent or a Lender hereunder.

SECTION 7.09. Guaranty Matters.

(a) The Administrative Agent is hereby authorized on behalf of the Lenders, without the necessity of any notice to or further consent from the Lenders, from time to time (but without any obligation) to take any action with respect to any collateral that may be deemed by the Administrative Agent in its discretion to be necessary or advisable to perfect and maintain perfected the Liens upon any such collateral granted pursuant to any of the Loan Documents.

(b) The Lenders hereby authorize the Administrative Agent, at its option and in its discretion, (i) to release any Lien granted to or held by the Administrative Agent upon any collateral (A) upon termination of the Revolving Commitments, termination, expiration or cash collateralization of all outstanding Letters of Credit and payment in full of all of the Obligations then due and payable, (B) constituting property sold or to be sold or disposed of as part of or in connection with any disposition expressly permitted hereunder or under any other Loan Document or to which the Required Lenders have consented in writing or (C) otherwise pursuant to and in accordance with the provisions of any applicable Loan Document, and (ii) to release any Subsidiary Guarantor from its obligations under the Guarantee Agreement if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder. Upon request by the Administrative Agent at any time, the Lenders will confirm in writing the Administrative Agent's authority to release any Guarantor from its obligations under the Guarantee Agreement, pursuant to this Section 7.9(b).

SECTION 7.10. Issuing Bank. The provisions of this Article VII (other than Section 7.02) shall apply to the Issuing Banks mutatis mutandis to the same extent as such provisions apply to the Administrative Agent.

ARTICLE VIII

Guarantee

In order to induce the Lenders to extend credit to the Borrowing Subsidiaries hereunder and to induce the Issuing Banks to issue Letters of Credit hereunder, the Company hereby irrevocably and unconditionally guarantees, as a primary obligor and not merely as a surety, the Obligations of the Borrowing Subsidiaries. The Company further agrees that the due and punctual payment of the Obligations of the Borrowing Subsidiaries may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

The Company waives presentment to, demand of payment from and protest to any Borrowing Subsidiary of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Company hereunder shall not be affected by and the Company hereby waives any defense that it may now or hereafter have arising out of the following: (a) the failure of any Lender or any Issuing Bank, as the case may be, to assert any claim or demand or to enforce any right or remedy against any Borrowing Subsidiary under the provisions of this Agreement, any other Loan Document or otherwise; (b) any extension or renewal of any of the Obligations; (c) any rescission, waiver, amendment or modification of, or release from, any of the terms or provisions of this Agreement, any Borrowing Subsidiary Agreement or any other Loan Document or agreement; (d) the failure or delay of any Lender or any Issuing Bank, as the case may be, to exercise any right or remedy against any other guarantor of the Obligations; (e) the failure of any Lender or any Issuing Bank, as the case may be, to assert any claim or demand or to enforce any remedy under any Loan Document or any other agreement or instrument; (f) any default, failure or delay, willful or otherwise, in the performance of the Obligations; or (g) any other act, omission or delay to do any other act which may or might in any manner or to any extent vary the risk of the Company or otherwise operate as a discharge of the Company as a matter of law or equity or which would impair or eliminate any right of the Company to subrogation.

The Company further agrees that its guarantee hereunder constitutes a promise of payment when due (whether or not any bankruptcy or similar proceeding shall have stayed the accrual or collection of any of the Obligations or operated as a discharge thereof) and not merely of collection, and waives any right to require that any resort be had by any Lender or any Issuing Bank, as the case may be, to any balance of any deposit account or credit on the books of any Lender or any Issuing Bank, as the case may be, in favor of any Borrower or Subsidiary Guarantor or any other Person.

The obligations of the Company hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise.

The Company further agrees that its obligations hereunder shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by any Lender or any Issuing Bank, as the case may be, upon the bankruptcy or reorganization of any Borrower or otherwise.

In furtherance of the foregoing and not in limitation of any other right which any Lender or any Issuing Bank may have at law or in equity against the Company by virtue hereof, upon the failure of any Borrowing Subsidiary to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, the Company hereby promises to and will, upon receipt of written demand by the Administrative Agent, forthwith pay, or cause to be paid, to the Administrative Agent for distribution to the Lenders or the relevant Issuing Bank in cash an amount equal the unpaid principal amount of such Obligation. The Company further agrees that if payment in respect of any Obligation shall be due in a currency other than US Dollars and/or at a place of payment other than San Francisco and if, by reason of any legal prohibition, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligation in such currency or at such place of payment shall be impossible or, in the judgment of any Lender, not consistent with the protection of its rights or interests, then, at the election of such Lender, the Company shall make payment of such Obligation in US Dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in San Francisco, and shall indemnify such Lender or such Issuing Bank against any losses or expenses (including losses or expenses resulting from fluctuations in exchange rates) that it shall sustain as a result of such alternative payment.

Upon payment in full by the Company of any Obligation of any Borrowing Subsidiary, each Lender or each Issuing Bank shall, in a reasonable manner, assign to the Company the amount of such Obligation owed to such Lender or such Issuing Bank and so paid, such assignment to be pro tanto to the extent to which the Obligation in question was discharged by the Company, or make such disposition thereof as the Company shall direct (all without recourse to any Lender or any Issuing Bank and without any representation or warranty by any Lender or any Issuing Bank). Upon payment by the Company of any sums as provided above, all rights of the Company against any Borrowing Subsidiary arising as a result thereof by way of right of subrogation or otherwise shall in all respects be subordinated and junior in right of payment to the prior indefeasible payment in full of all the Obligations owed by such Borrowing Subsidiary to the Lenders and the Issuing Banks.

ARTICLE IX

Miscellaneous

SECTION 9.01. Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Company, to it at 901 3rd Avenue South, Minneapolis, MN 55402, Attention of Tyler Treat, Treasurer, Telecopy No. (612) 486-7981;

(ii) if to any Borrowing Subsidiary or Subsidiary Guarantor, to it in care of the Company as provided in paragraph (a) above;

(iii) if to the Administrative Agent, to it at Wells Fargo Bank, National Association, 201 Third Street, 8th Floor, San Francisco, CA 94103, Attention: Agency Syndications Group, Telecopy No. (415) 512-9408;

(iv) if to Wells Fargo in its capacity as an Issuing Bank, to it at Wells Fargo Bank, National Association, 90 S. 7th Street, Minneapolis, MN 55419, MAC Address: N9305-077, Attention: Ethel Phillips, Telecopy No. (612) 667-0803;

(v) if to Wachovia Bank, National Association in its capacity as an Issuing Bank, to it at: Wachovia Bank, National Association, a Wells Fargo Company, Domestic Trade Operations, Standby Letters of Credit Center of Excellence, 401 Linden Street, 1st Floor, Mail Code NC 6034, Winston-Salem, NC, 27101 Telecopy No. (336) 735-0950;with a copy to: Wells Fargo Bank, National Association, 90 S. 7th Street, Minneapolis, MN 55419, MAC Address: N9305-077, Attention: Ethel Phillips, Telecopy No. (612) 667-0803;

(vi) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent. The Administrative Agent or the Borrowers may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communication pursuant to procedures approved by them, provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications to the Lenders sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or other communications to the Lenders posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

SECTION 9.02. Waivers; Amendments.

(a) No failure or delay by the Administrative Agent, any Lender or any Issuing Bank in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Lenders and the Issuing Banks hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Borrower or Subsidiary Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Revolving Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Default at the time.

(b) Subject to Section 2.22, neither this Agreement nor any of the Loan Documents nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Company and the Required Lenders or by the Company and the Administrative Agent with the consent of the Required Lenders (and, in the case of a Borrowing Subsidiary Agreement, the applicable Borrowing Subsidiary); provided that no such agreement shall (i) increase the Revolving Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Revolving Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Revolving Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Revolving Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.17(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby without the written consent of each Lender, (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision of any Loan Document specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender, or (vi) release the Company from its obligations under Article VIII or release any of the Subsidiary Guarantors from their obligations under the Guarantee Agreement without the consent of each Lender except as provided in Section 9.15; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent or any Issuing Bank hereunder without the prior written consent of the Administrative Agent or such Issuing Bank, as the case may be.

SECTION 9.03. Expenses; Indemnity; Damage Waiver.

(a) The Company shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and each of its Affiliates, including the reasonable fees, charges and disbursements of Robinson, Bradshaw & Hinson, P.A., counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or the other Loan Documents or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the reasonable fees, charges and disbursements of any counsel for the Administrative Agent, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with any Loan Document, including its rights under this Section, or in connection with the Revolving Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Revolving Loans or Letters of Credit.

(b) The Company agrees to indemnify the Administrative Agent, each Lender and each Issuing Bank, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any other Loan Document, or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Revolving Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter

of Credit) or any transaction in which such proceeds are used, (iii) any actual or alleged presence or Environmental Release of Hazardous Materials on or from any property currently or formerly owned or operated by the Company or any of its Subsidiaries or Affiliates, or any Environmental Liability related in any way to the Company or any of its Subsidiaries or Affiliates or their respective predecessors, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto and (v) any civil penalty or fine assessed by OFAC against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by, the Administrative Agent or any Lender as a result of conduct of any Borrower that violates a sanction enforced by OFAC.; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are finally determined by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that the Company fails to pay any amount required to be paid by it to the Administrative Agent or any Issuing Bank under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent or such Issuing Bank, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or such Issuing Bank in its capacity as such.

(d) To the extent permitted by applicable law, no Borrower shall assert, and each Borrower hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the Transactions, any Revolving Loan or Letter of Credit or the use of the proceeds thereof. No Indemnitee shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems (including Intralinks, SyndTrak or similar systems) in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by any Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Lenders and the Issuing Banks) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign by novation to one or more assignees (other than the Company or any Subsidiary) all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Commitment and the Revolving Loans at the time owing to it); provided that

(i) the Administrative Agent, the Issuing Banks and, except in the case of an assignment to a Lender or an Affiliate of a Lender, the Company, must give their prior written consent to such assignment, which consent shall not be unreasonably withheld, (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Revolving Commitment, the amount of the Revolving Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than US$5,000,000 unless each of the Company and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of US$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Company otherwise required under this paragraph shall not be required if a Default has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.16, 2.20, 2.21 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of each Borrower, shall maintain at one of its offices in San Francisco, California a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Commitment of, and principal amount of the Revolving Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrowers, the Administrative Agent, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and promptly record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of any Borrower, the Administrative Agent or any Issuing Bank, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Revolving Commitment and the Revolving Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent, the

other Lenders and the Issuing Banks shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15, 2.16, 2.20 and 2.21 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.17(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.14, 2.15, 2.16, 2.20 or 2.21 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Company's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.16 unless the Company is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrowers, to comply with Section 2.16(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) Notwithstanding anything to the contrary contained herein, any Lender (a "Granting Lender") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Company, the option to provide to the Borrowers all or any part of any Revolving Loan that such Granting Lender would otherwise be obligated to make to the Borrowers pursuant to this Agreement or the option to participate in any Letter of Credit, as the case may be; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Revolving Loan or to participate in any Letter of Credit, (ii) nothing herein shall relieve the Granting Lender of liability for the performance or nonperformance by the SPC of the obligations of the Granting Lender under this Agreement. The making of a Revolving Loan by an SPC or the participation by such SPC in any Letter of Credit hereunder shall utilize the Revolving Commitment of the Granting Lender to the same extent, and as if, such Revolving Loan were made by such Granting Lender or such participation in a Letter of Credit were paid or taken, as the case may be, by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against, such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States of America or any State thereof. In addition, notwithstanding anything to the contrary contained in this Section 9.04, any SPC may (i) with notice to, but without the prior written consent of, the Company and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Revolving Loans or participations in Letters of Credit to the Granting Lender or to any financial institution (consented to by the Company

and Administrative Agent) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Revolving Loans and (ii) disclose on a confidential basis any non-public information relating to its Revolving Loans or participations in any Letters of Credit to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrowers herein or in any other Loan Document and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and thereto and shall survive the execution and delivery of this Agreement and any other Loan Document and the making of any Revolving Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Revolving Loan or any fee or any other amount payable under this Agreement or any other Loan Document is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Revolving Commitments have not expired or terminated. The provisions of Sections 2.14, 2.15, 2.16, 2.20, 2.21 and 9.03 and Article VII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Revolving Loans, the expiration or termination of the Revolving Commitments or the Letters of Credit or the termination of this Agreement or any other Loan Document or any provision hereof or thereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and the Fee Letter constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each Issuing Bank and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Issuing Bank, such Lender or such Affiliate to or for the credit or the account of any Borrower against any of and all the obligations of such Borrower now or hereafter existing under this Agreement held by such Issuing Bank or such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be contingent or unmatured or are owed to a branch or office of such Lender or such Issuing Bank different

from the branch or office holding such deposit or owing such obligation. The rights of each Lender and each Issuing Bank under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender and such Issuing Bank may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to any Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, any Lender or any Issuing Bank may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement (including any Borrowing Subsidiaries) irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL . EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Construction. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement. Any Hedge Agreement

between any Borrower and any Hedge Party is an independent agreement governed by the writing provisions of such Hedge Agreement, which shall remain in full force and effect, unaffected by any repayment, prepayment, acceleration, reduction, increase or change in the terms applicable to the Revolving Loans under this Agreement, except as otherwise expressly provided in such Hedge Agreement, and any payoff statement from the Administrative Agent relating to this Agreement shall not apply to such Hedge Agreement except as expressly provided therein.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or any Hedge Agreement to which any Borrower and any Hedge Party are parties or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty to any swap or derivative transaction relating to the Company and its obligations, or any advisor of any such counterparty, (g) with the consent of the Company or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Lender or any Issuing Bank on a nonconfidential basis from a source other than the Company. For the purposes of this Section, "Information" means all information received from the Company relating to the Company or its business, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Company; provided that, in the case of information received from the Company after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Conversion of Currencies.

(a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto (including any Borrowing Subsidiary) agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of each Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency,

such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this Section 9.13 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 9.14. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Revolving Loan, together with all fees, charges and other amounts which are treated as interest on such Revolving Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Revolving Loan in accordance with applicable law, the rate of interest payable in respect of such Revolving Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Revolving Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Revolving Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.15. Release of Subsidiary Guarantors. Notwithstanding any contrary provision herein or in any other Loan Document, if all the Equity Interests of any Subsidiary Guarantor owned by the Company and the Subsidiaries shall be sold to one or more Persons (other than the Company or an Affiliate of the Company) in a transaction permitted under this Agreement, and if the Company shall request the release of such Subsidiary Guarantor from its obligations under the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement and shall deliver to the Administrative Agent a certificate to the effect that such release will comply with the terms of this Agreement, the Administrative Agent, if satisfied that the applicable certificate is correct, shall, without the consent of any Lender, execute and deliver all such instruments, releases, or other agreements, and take all such further actions, as shall be necessary to effectuate the release of such Subsidiary Guarantor and shall promptly notify each Lender of such release.

SECTION 9.16. USA Patriot Act. Each Lender and each Issuing Bank hereby notifies the Borrowers that pursuant to the requirements of the USA Patriot Act, it is required to obtain, verify and record information that identifies the Borrowers, which information includes the names and addresses of the Borrowers and other information that will allow such Lender to identify the Borrowers in accordance with its requirements. The Borrowers shall promptly following a request by the Administrative Agent or any Lender, provide all documentation and other information that the Administrative Agent or such Lender reasonably requests in order to comply with its ongoing obligations under applicable "know your customer" and anti-money laundering rules and regulations including the USA Patriot Act.

SECTION 9.17. No Fiduciary Relationship. The Company, on behalf of itself and its Subsidiaries, agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, the Company, its Subsidiaries and their respective Affiliates, on the one hand, and the Administrative Agent, the Lenders and their respective Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, any Lender or any of their respective Affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE VALSPAR CORPORATION

by

Name: Tyler Treat
Title: Treasurer

THE VALSPAR (SWITZERLAND) HOLDING CORPORATION AG

By

Name: Tyler Treat
Title: Authorized Signatory

ENGINEERED POLYMER SOLUTIONS, INC.

by

Name: Tyler Treat
Title: Authorized Signatory

VALSPAR FINANCE CORPORATION

by

Name: Tyler Treat
Title: Authorized Signatory

VALSPAR COATINGS FINANCE CORPORATION

by

Name: Tyler Treat
Title: Authorized Signatory

VALSPAR SOURCING, INC.

by

Name: Tyler Treat
Title: Authorized Signatory

THE VALSPAR (UK) HOLDING CORPORATION LTD.

by

Name: Tyler Treat
Title: Authorized Signatory

VALSPAR CREDIT CORPORATION

by

Name: Tyler Treat
Title: Authorized Signatory

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent, an Issuing Bank, and a Lender

by

Name:
Title:

BANK OF AMERICA, N.A., as Syndication Agent and a Lender,

by

Name:
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION, as
an Issuing Bank,

by

Name:
Title:

DEUTSCHE BANK AG NEW YORK BRANCH, as
Documentation Agent and a Lender,

by

Name:
Title:

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as
Documentation Agent and a Lender,

by

Name:
Title:

GOLDMAN SACHS BANK USA, as a Lender,

by

Name:
Title:

PNC BANK, NATIONAL ASSOCIATION, as a Lender,

by

Name:
Title:

U.S. BANK NATIONAL ASSOCIATION, as a Lender,

by

Name:
Title:

COMMONWEALTH BANK OF AUSTRALIA, as a Lender,

by

Name:
Title:

COMERICA BANK, as a Lender,

by

Name:
Title:

Schedule 1.01
Domestic Material Subsidiaries

Engineered Polymer Solutions, Inc.
Valspar Finance Corporation
Valspar Coatings Finance Corporation
Valspar Sourcing, Inc.
Valspar Credit Corporation

Schedule 2.05
Existing Letters of Credit

Issuing Bank	Letter of Credit No.	Beneficiary	US$ Amount
WACHOVIA BANK	870-007349	FIRST CITIZENS BANK & TRUST CO	$4,500,000
WACHOVIA BANK	870-007356	FIRST CITIZENS BANK & TRUST CO	$8,000,000

Schedule 3.08
Existing Subsidiaries

Engineered Polymer Solutions, Inc. (Delaware, USA)*
Valspar Refinish, Inc. (Mississippi, USA)
Valspar Finance Corporation (Minnesota, USA)*
Plasti-Kote Co., Inc. (Ohio, USA)
Valspar Coatings Finance Corporation (Minnesota, USA)*
Valspar Sourcing, Inc. (Minnesota, USA)*
Valspar Credit Corporation (Minnesota, USA)
Valspar Industries, LLC (Indiana, USA)
Valspar Holdings LLC (Minnesota, USA)
The Valspar FinCo Holdings LLC (Minnesota, USA)
Valspar Inc. (Ontario, Canada)
The Valspar Corporation Limitada (Brazil)
The Valspar (UK) FinCo Limited Partnership
The Valspar (UK) Holding Corporation Limited
The Valspar (UK) Corporation, Limited
Valspar Industries (UK) Limited
Anglo-Dutch Paint & Chemical Company Limited (UK)
Plasti-Kote Limited (UK)
Valspar Powder Coatings Limited (UK)
Powderstore Limited (UK)
Forton B.V. (Netherlands)
Dyflex B.V. (Netherlands)
Valspar b.v. (Netherlands)
The Valspar (Finland) Corporation Oy
Valspar Industries Europe Holdings C.V. (Netherlands)
The Valspar (Nantes) Corporation, S.A.S.
The Valspar (France) Corporation S.A.S.
The Valspar (Switzerland) Corporation AG
The Valspar (Spain) Corporation S.R.L.
The Valspar (Germany) GmbH
The Valspar GmbH (Austria)
Valspar Industries GmbH (Germany)
The Valspar (Italy) Corporation S.r.l.
The Valspar (H.K.) Corporation Limited (Hong Kong)
Valspar Hai Hong Company Limited (Hong Kong)
Valspar Hai Hong Coatings (Shenzhen) Company Limited (PRC)
Valspar (Australia) Holdings Pty Limited
Valspar (Australia) Acquisition Corporation Pty Limited
The Valspar (Australia) Corporation Pty Limited
Lilly Industries (Australia) Pty Limited
DeBeer Australasia Pty Limited (Australia)
Fiberglass Material Services Pty Ltd. (Australia)

The Valspar (New Zealand) Corporation, Ltd.
Valspar (South Africa) (Pty) Limited
The Valspar (South Africa) Corporation (Pty) Limited
The Valspar (Mauritius) Corporation Limited
Valspar Rock Company Limited (Japan)
The Valspar (Thailand) Corporation Limited
The Valspar (Singapore) Corporation Pte Limited
Valspar Mexicana, S.A. de C.V. (Mexico)
Valspar Aries Coatings S. De R.L. De C.V. (Mexico)
Valspar Servicios Administrativos S. A. De C.V. (Mexico)
PT Valspar Indonesia
Valspar Industries (Ireland) Ltd.
000 Valspar / Valspar LLC (Russia)
Dongguan Lilly Paint Industries Ltd. (PRC)
Lilly Industries (Shanghai) Ltd. (PRC)
The Valspar (Malaysia) Corp. Sdn Bhd
Lilly Industries (Cebu), Inc. (Philippines)
Valspar (Uruguay) Corporation S.A.
The Valspar (Vietnam) Corp. Ltd.
Spanyc Paints Joint Stock Company
The Valspar (Tianjin) Coatings Corporation Limited (PRC)
Valspar (Shanghai) Trading Co., Ltd. (PRC)
The Valspar (Asia) Corporation Limited (Hong Kong)
Valspar (Asia) Paints Holdings Limited (Hong Kong)
Valspar (Asia) Trading Holdings Limited (Hong Kong)
Valspar (Asia) Operations Holdings Limited (Hong Kong)
Valspar (Asia) Industrial Holdings Limited (Hong Kong)
Valspar Hong Kong Holdings Limited
Hua Run Paints Holdings Company Limited (Hong Kong)
Hua Run Paints Holdings Company Limited (Hong Kong)
Huarun Paints Co., Ltd. (Hong Kong)
Da Di Paints (HK) Co., Ltd. (Hong Kong)
Huarun Jie Xin Development Co., Ltd. (Hong Kong)
Huarun Trading (China) Co., Ltd. (Hong Kong)
Huarun Construction Service Co. Ltd. (Hong Kong)
Master Hua Decoration Co. Ltd. (Hong Kong)
Huarun Sales Service Co. Ltd. (Hong Kong)
Huarun Chain Sales (Hong Kong) Co. Ltd(Hong Kong)
Huarun Mader Co., Ltd. (Hong Kong)
Guandong Huarun Paints Company Limited (China)
Foshan Shunde Yueda Chemical Trading Company Limited(China)
Sincel Yueda (Shanghai) Paints Company Limited (China)
Shunde Jiexin Paints Company Limited (China)
Guangdong Yuegang Dadi Paints Company Limited (China)

Jinchuan Yueda (Beijing) Trading Company Limited (China)
Foshan Shunde Huarun Project Paints Trading Co., Ltd (China)
Valspar Yueda Coating (Foshan) Co., Ltd (China)
Foshan Shunde Huarun Paints Mft. Company Limited (China)
Foshan Shunde Master Hua Spraying Service Co. Ltd (China)
Foshan Shunde Huarun Chain Sales Company Limited (China)
Nanning Yuerun Trading Co., Ltd. (China)
Shaoxing Lipeng Trading Co., Ltd. (China)
Dongguan Huarun Paints Co., Ltd. (China)
Foshan Shunde Herun Yueda Spraying Service Co., Ltd. (China)
Tianjin Tiankuo Commerce & Trade Co., Ltd. (China)
Tianjin Haorunjia Commerce & Trade Co., Ltd. (China)
Qingdao Shunde Yueda Trading Co., Ltd. (China)
Zhengzhou Xinchuan Yueda Trading Co., Ltd. (China)
Nanjing Yuechuan Paints Co., Ltd. (China)
Lanzhou Xinchuan Yueda Commerce & Trade Co., Ltd. (China)
Jinan Jinchuan Yueda Trading Co., Ltd. (China)
Herun Yueda (Luoyang) Trading Co., Ltd. (China)
Dongguan Yuerun Yueda Trading Co., Ltd. (China)
Wuxi Yuechuan Trading Co., Ltd. (China)
Foshan Chanyue Trading Co., Ltd. (China)
Jiangxi Yuehong Chemical Co., Ltd. (China)
Shenzhen Herun Yueda Trading Co., Ltd. (China)
Taiyuan Yueda Trading Co., Ltd. (China)
Nanchang Hengrui Trading Co., Ltd. (China)
Shunde Dajinchuan Industrial Paints Company Limited (China)

*Domestic Material Subsidiaries

Schedule 3.14
Environmental Matters

The Company is potentially a responsible party under CERCLA or state law at several superfund sites, some of which matters have now been closed and of the open matters, none of them has caused or is reasonably expected to cause a Material Adverse Effect.

Remedial activities are underway at some of the Company or a Subsidiary's Properties, none of which is reasonably expected to cause a Material Adverse Effect.

While the Company's policy is to comply with Environmental Requirements as soon as practical, there have been and may be occasions where compliance is delayed by such factors as scheduling requirements of disposal companies, weather or uncertainty as to specific compliance requirements. From time to time, the Company contests in good faith the specific procedures or requirements for compliance with Environmental Requirements.

[FORM OF]

BORROWING SUBSIDIARY AGREEMENT dated as of [ ], 20[ ], among THE VALSPAR CORPORATION, a Delaware corporation (the "Company"), [Name of Borrowing Subsidiary], a [ ] corporation (the "New Borrowing Subsidiary"), and Wells Fargo Bank, National Association, as Administrative Agent (the "Administrative Agent").

Reference is hereby made to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Company, the Borrowing Subsidiaries from time to time party thereto, the Lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement. Under the Credit Agreement, the Lenders have agreed, upon the terms and subject to the conditions therein set forth, to make Revolving Loans to, and issue Letters of Credit for the account of, the Borrowing Subsidiaries, and the Company and the New Borrowing Subsidiary desire that the New Borrowing Subsidiary become a Borrowing Subsidiary. Each of the Company and the New Borrowing Subsidiary represents and warrants that the representations and warranties of the Company in the Credit Agreement relating to the New Borrowing Subsidiary and this Agreement are true and correct on and as of the date hereof. The Company and the New Borrowing Subsidiary represent and warrant that there is no income, stamp, or other tax of any country, or any taxing authority thereof or therein, in the nature of a withholding tax or otherwise, which is imposed on any payment to be made by the New Borrowing Subsidiary pursuant to this Agreement or the Credit Agreement, or is imposed in respect of the execution, delivery or enforcement of this Agreement or the Credit Agreement. The Company agrees that the Guarantee of the Company contained in the Credit Agreement will apply to the Obligations of the New Borrowing Subsidiary. Upon execution of this Agreement by each of the Company (and the execution and delivery of any other documents reasonably requested by the Administrative Agent), the New Borrowing Subsidiary and the Administrative Agent, the New Borrowing Subsidiary shall be a party to the Credit Agreement and a "Borrowing Subsidiary" and a "Borrower" for all purposes thereof, and the New Borrowing Subsidiary hereby agrees to be bound by all provisions of the Credit Agreement. Upon execution of this Agreement by each of the Company, the New Borrowing Subsidiary and the Administrative Agent, the New Borrowing Subsidiary (if a Domestic Material Subsidiary) agrees to become party to the Guarantee Agreement and the Indemnity, Subrogation and Contribution Agreement.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their authorized officers as of the date first appearing above.

THE VALSPAR CORPORATION

by _____

Name:
Title:

[NAME OF NEW BORROWING SUBSIDIARY]

by _____
Name:
Title:

WELLS FARGO BANK, NATIONAL
ASSOCIATION., as Administrative Agent,

by _____
Name:
Title:

EXHIBIT A-2

[FORM OF]

BORROWING SUBSIDIARY TERMINATION

Wells Fargo Bank, National Association,
as Administrative Agent
for the Lenders referred to below
201 Third Street, 8th Floor
San Francisco, CA 94103

[Date]

Ladies and Gentlemen:

The undersigned, The Valspar Corporation (the "Company"), refers to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among the Company, the Borrowing Subsidiaries from time to time party thereto, the Lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Company hereby terminates the status of [ ] (the "Terminated Borrowing Subsidiary") as a Borrowing Subsidiary under the Credit Agreement. [The Company represents and warrants that no Revolving Loans made to, or Letters of Credit issued for the account of, the Terminated Borrowing Subsidiary are outstanding as of the date hereof and that all amounts payable by the Terminated Borrowing Subsidiary in respect of interest and/or fees or in respect of Letters of Credit (and, to the extent notified by the Administrative Agent or any Lender, any other amounts payable under the Credit Agreement) pursuant to the Credit Agreement have been paid in full on or prior to the date hereof.] [The Company acknowledges that the Terminated Borrowing Subsidiary shall continue to be a Borrowing Subsidiary until such time as all Revolving Loans made to the Terminated Borrowing Subsidiary shall have been repaid, no Letters of Credit issued for the account of the Terminated Borrowing Subsidiary shall be outstanding, and all amounts payable by the Terminated Borrowing Subsidiary in respect of interest and/or fees or in respect of Letters of Credit (and, to the extent notified by the Administrative Agent or any Lender, any other amounts payable under the Credit Agreement) pursuant to the Credit Agreement shall have been paid in full, provided that the Terminated Borrowing Subsidiary shall not have the right to make further Borrowings or request the Issuance of Letters of Credit under the Credit Agreement.]

THIS INSTRUMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

Very truly yours,

THE VALSPAR CORPORATION,

by _____
Name:
Title:

EXHIBIT B

[FORM OF]

ASSIGNMENT AND ASSUMPTION

Reference is made to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, modified, supplemented or waived, the "Credit Agreement"), among The Valspar Corporation, the Borrowing Subsidiaries from time to time party thereto, the Lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used but not defined herein shall have the meanings specified in the Credit Agreement.

1. The Assignor named below hereby sells and assigns, without recourse to the Assignor, to the Assignee named below, and the Assignee hereby purchases and assumes, without recourse to the Assignor, from the Assignor, effective as of the Assignment Date set forth below, the interests set forth below in the Assignor's rights and obligations under the Credit Agreement, including, without limitation, the interests set forth below in the Revolving Commitments of the Assignor on the Assignment Date, and the Revolving Loans owing to the Assignor which are outstanding on the Assignment Date. The Assignor represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien. The Assignee hereby acknowledges receipt of a copy of the Credit Agreement. From and after the Assignment Date (i) the Assignee shall be a party to and be bound by the provisions of the Credit Agreement and, to the extent of the interests assigned by this Assignment and Assumption, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent of the interests assigned by this Assignment and Assumption, relinquish its rights and be released from its obligations under the Credit Agreement.

2. By executing and delivering this Assignment and Assumption, the Assignor and the Assignee shall be deemed to confirm to and agree with each other and the other parties hereto as follows: (i) the Assignor warrants that it is the legal and beneficial owner of the interest being assigned thereby free and clear of any adverse claim created by the Assignor and that its Revolving Commitment, and the outstanding balances of its Revolving Loans, in each case without giving effect to assignments thereof which have not become effective, are as set forth herein, (ii) except as set forth in (i) above, the Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement, or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto, or the financial condition of the Borrowers or any Subsidiary or the performance or observance by the Borrowers or any Subsidiary of any of its obligations under the Credit Agreement, any other Loan Document or any other instrument or document furnished pursuant thereto; (iii) the Assignee represents and warrants that it is legally authorized to enter into this Assignment and Assumption; (iv) the Assignee confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements referred to in Section 3.04(a) thereof or delivered pursuant to Section 5.01 thereof and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption; (v) the Assignee will independently and without reliance upon the Administrative Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement; (vi) the Assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Credit Agreement as are delegated to the Administrative Agent, by the terms thereof, together with such powers as are reasonably incidental thereto; and (vii) the Assignee agrees that it will perform in accordance with their terms all the obligations which by the terms of the Credit Agreement are required to be performed by it as a Lender.

3. This Assignment and Assumption is being delivered to the Administrative Agent together with (i) if the Assignee is a Foreign Lender, any documentation required to be delivered by the Assignee pursuant to Section 2.16(e) of the Credit Agreement, (ii) if the Assignee is not already a Lender under the Agreement, an Administrative Questionnaire in the form provided by the Administrative Agent and (iii) a processing and recordation fee in the amount of $3,500.

4. **THIS ASSIGNMENT AND ASSUMPTION SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

Date of Assignment: _____

Legal Name of Assignor: _____

Legal Name of Assignee: _____

Assignee's Address for Notices: _____

Effective Date of Assignment ("Assignment Date"): _____

Revolving Loan/Revolving Commitment	Principal Amount Assigned	Percentage Assigned of Revolving Commitment (set forth, to at least 8 decimals), as a percentage of the facility and the aggregate Revolving Commitments of all Lenders thereunder
	$	%
	$	%

The terms set forth herein are hereby agreed to:

_____, as Assignee

by _____
Name:
Title:

_____, as Assignor

by _____
Name:
Title:

Consent (if required):

THE VALSPAR CORPORATION

by _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent

by _____
Name:
Title:

EXHIBIT C

FORM OF

OPINION OF LINDQUIST & VENNUM, PLLP

LINDQUIST&VENNUM

Minneapolis • Denver

Richard D. McNeil
612-371-3266
rmcneil@lindquist.com
www.lindquist.com

4200 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2274
Phone: (612) 371-3211
Fax: (612) 371-3207

June __, 2009

Wells Fargo Bank, National Association,
as Administrative Agent
201 Third Street
San Francisco, California 94103

The Lenders party to the Credit
Agreements referred to below

Ladies and Gentlemen:

We have acted as special counsel for The Valspar Corporation, a corporation organized under the laws of the State of Delaware (the "Company"), and each of the domestic subsidiaries of the Company listed on Schedule A hereto (together with the Company, the "Loan Parties") in connection with extensions of credit to the Company pursuant to a Three-Year Credit Agreement of even date herewith (the "Credit Agreement") between the Company, the lenders party thereto (the "Lenders"), the Borrowing Subsidiaries party thereto (the "Borrowing Subsidiaries"), Wells Fargo Bank, National Association, as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent") and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank, and Bank of America, N.A., as Syndication Agent. The execution, delivery and performance by the Company of the Loan Documents are sometimes hereinafter referred to as the "Transactions".

This opinion is given to you pursuant to Section 4.01 of the Credit Agreement. Capitalized terms defined in the Credit Agreement and not otherwise defined herein shall have the meanings given those terms in the Credit Agreement.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion. Without limiting the foregoing, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the following documents (collectively, the "Loan Documents"):

(a) the Credit Agreement;

(b) the Guarantee Agreement; and

(c) the Indemnity, Subrogation and Contribution Agreement.

We have assumed the authenticity of any document submitted to us an original, the conformity to the original of any document submitted to us as a copy and the authenticity of the originals of such documents, the genuineness of all signatures, the legal capacity of natural persons, and the due authorization, execution and delivery of the Credit Agreement by the Lenders. As to questions of fact, we have relied upon the representations and warranties of the Loan Parties in the Loan Documents or in certificates of the Company, its officers or of public officials. Certain opinions expressed below as to factual matters are qualified as being limited "to our knowledge" or by other words to the same or similar effect. Such words, as used herein, mean that prior to or during the course of this representation of the Loan Parties in connection with the specific transactions contemplated by the Loan Documents, no contrary information came to the attention of Richard D. McNeil, the attorney in our firm who has represented the Loan Parties in connection with the transactions contemplated by the Loan Documents and the preparation of this opinion. In rendering such opinions, we have not conducted any independent investigation or consulted with other attorneys in our firm with respect to the matters covered thereby.

Upon the basis of the foregoing, we are of the opinion that:

1. Each of the Loan Parties (a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation as indicated on the attached Schedule A, and (b) has all requisite power and authority to carry on its business as now conducted.

2. The Transactions are within the Loan Parties' corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action.

3. Each of the Loan Documents has been duly executed and delivered by each of the Loan Parties that is a party thereto and constitutes the legal, valid and binding obligation of each such Loan Party enforceable against each such Loan Party in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

4. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of any of the Loan Parties or any order of any Governmental Authority, (c) to our knowledge, will not violate or result in a default under any indenture, agreement or other instrument binding upon any of the Loan Parties or any of their assets, or give rise to a right thereunder to require any payment to be made by any of the Loan Parties, and (d) to our knowledge, will not result in the creation or imposition of any Lien (other than any Liens created or arising under any Loan Documents) on any asset of any Loan Party.

5. To our knowledge, there are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or threatened against or affecting the Company or any of the Subsidiaries (a) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (b) that involve the Transactions.

6. No Loan Party is an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

7. The making of the Loans to the Company and the application of the proceeds thereof by the Company pursuant to the terms of the Credit Agreement will not violate Regulation T, U or X of the Board of Governors of the Federal Reserve System.

8. A Minnesota State court or a federal court applying the choice of laws principles prevailing under the laws of the State of Minnesota to which the question is presented will give effect to the provisions in the Loan Documents selecting the laws of the State of New York as the governing law thereof (except as therein provided) and will apply such laws, rather than the laws of Minnesota or any other state, to the construction and application thereof.

9. None of the provisions of the Loan Documents will violate any law, statute or regulation relating to usury and the use of counterpart copies of any of the Loan Documents does not affect the enforceability of any of the Loan Documents.

We are admitted to practice only in the State of Minnesota and the foregoing opinion is limited to the laws of the State of Minnesota, the corporate laws of the State of Delaware and the Federal laws of the United States of America. We have assumed for purposes of this opinion that New York law is substantially equivalent to the laws of Minnesota with respect to the opinions expressed herein.

This opinion is given solely for the use and benefit of the Lenders, the Administrative Agent, and each of their successors and assigns under the Loan Documents in connection with the loans contemplated by the Credit Agreement and may not be relied upon for any other purpose or by any other party or entity.

Very truly yours,

Schedule A to Opinion of Lindquist & Vennum, P.L.L.P.
dated June __, 2009

Engineered Polymer Solutions, Inc., a Delaware corporation
Valspar Finance Corporation, a Minnesota corporation
Valspar Coatings Finance Corporation, a Minnesota corporation
Valspar Sourcing, Inc., a Minnesota corporation
Valspar Credit Corporation, a Minnesota corporation

EXHIBIT D

MANDATORY COSTS RATE

1. **Definitions**

In this Exhibit:

"**Act**" means the Bank of England Act of 1998.

The terms "**Eligible Liabilities**" and "**Special Deposits**" have the meanings ascribed to them under or pursuant to the Act or by the Bank of England (as may be appropriate), on the day of the application of the formula.

"**Fee Base**" has the meaning ascribed to it for the purposes of, and shall be calculated in accordance with, the Fees Regulations.

"**Fees Regulations**" means, as appropriate, either:

(a) the Banking Supervision (Fees) Regulations 1998; or

(b) such regulations as from time to time may be in force, relating to the payment of fees for banking supervision in respect of periods subsequent to January 1, 2000.

"**FSA**" means the Financial Services Authority.

Any reference to a provision of any statute, directive, order or regulation herein is a reference to that provision as amended or re-enacted from time to time.

2. **Calculation of the Mandatory Costs Rate**

The Mandatory Costs Rate is an addition to the interest rate on each Eurocurrency Loan or any other sum on which interest is to be calculated to compensate the Lenders for the cost attributable to such Eurocurrency Loan or such sum resulting from the imposition from time to time under or pursuant to the Act and/or by the Bank of England and/or the FSA (or other United Kingdom governmental authorities or agencies) of a requirement to place non-interest bearing or Special Deposits (whether interest bearing or not) with the Bank of England and/or pay fees to the FSA calculated by reference to the liabilities used to fund the relevant Eurocurrency Loan or such sum.

The "**Mandatory Costs Rate**" will be the rate determined by the Administrative Agent to be equal to the rate (rounded upward, if necessary, to the next higher 1/100 of 1%) resulting from the application of the following formula:

For Sterling:

$$\frac{XL + S(L-D) + F \times 0.01}{100-(X+S)}$$

For other Designated Foreign Currencies:

$$\frac{F \times 0.01}{300}$$

where on the day of application of the formula

X is the percentage of Eligible Liabilities (in excess of any stated minimum) by reference to which Wells Fargo Bank, National Association ("WFB") is required under or pursuant to the Act to maintain cash ratio deposits with the Bank of England;

L is the rate of interest (exclusive of Euro-Currency Margin and Mandatory Costs Rate) payable on that day on the related Eurocurrency Loan or unpaid sum pursuant to this Agreement;

F is the rate of charge payable by WFB to the FSA pursuant to the Fees Regulations and expressed in pounds per £1 million of the Fee Base of WFB;

S is the level of interest-bearing Special Deposits, expressed as a percentage of Eligible Liabilities, which WFB is required to maintain by the Bank of England (or other United Kingdom governmental authorities or agencies); and

D is the percentage rate per annum payable by the Bank of England to WFB on Special Deposits.

(X, L, S and D are to be expressed in the formula as numbers and not as percentages. A negative result obtained from subtracting D from L shall be counted as zero.)

The Mandatory Costs Rate attributable to a Eurocurrency Loan or other sum for any period shall be calculated at or about 11:00 A.M. (London time) on the first day of such period for the duration of such period.

The determination of Mandatory Costs Rate by the Administrative Agent in relation to any period shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

3. **Change of Requirements**

If there is any change in circumstance (including the imposition of alternative or additional requirements) which in the reasonable opinion of the Administrative Agent renders or will render the above formula (or any element thereof, or any defined term used therein) inappropriate or inapplicable, the Administrative Agent shall (with the written consent of the Company, which shall not be unreasonably withheld) be entitled to vary the same. Any such variation shall, in the absence of manifest error, be conclusive and binding on all parties and shall apply from the date specified in such notice.

EXHIBIT E

THE VALSPAR CORPORATION
COMPLIANCE CERTIFICATE

Reference is made to the Three-Year Credit Agreement dated as of June __, 2009 (as modified and supplemented and in effect from time to time, the "Credit Agreement") among The Valspar Corporation, the Borrowing Subsidiaries from time to time party thereto, the Lenders party thereto, Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

Pursuant to Section 5.01[(a)/(b)] of the Credit Agreement, [ ], the duly authorized [Chief Financial Officer/Treasurer/Chief Accounting Officer] of The Valspar Corporation, hereby certifies that the consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of the Fiscal [Quarter/Year] ended [ ] and the related statement of income, shareholders' equity and statement of cash flows furnished to each of the Lenders simultaneously herewith are fairly presented, prepared in accordance with GAAP, applied on a basis consistent with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries (subject to normal year-end adjustments).

Pursuant to Section 5.01(c) of the Credit Agreement, [ ], the duly authorized [Chief Financial Officer/Treasurer/Chief Accounting Officer] of The Valspar Corporation, hereby (i) certifies to the Administrative Agent and the Lenders that the information contained in the Compliance Check List attached hereto is true, accurate and complete as of [ ], and that no Default or Event of Default is in existence on and as of the date hereof and (ii) restates and reaffirms that the representations and warranties contained in Article III of the Credit Agreement are true on and as of the date hereof as though restated on and as of this date.

THE VALSPAR CORPORATION,

by _____
Name: [ ]
Title: [Chief Financial Officer/Treasurer/Chief Accounting Officer]

Date: _____

COMPLIANCE CHECK LIST
The Valspar Corporation

[_____ }

1. Subsidiaries (Section 3.08)

The Company has no Subsidiaries except for those Subsidiaries listed on Schedule 3.08, or as described in the Compliance Certificate furnished pursuant to Section 5.01(c), in each case which accurately sets forth each such Subsidiary's complete name and jurisdiction of incorporation.

New Subsidiaries not listed on Schedule 3.08 or in a prior Compliance Certificate:

Domestic Subsidiaries	Name	Jurisdiction of Incorporation
Foreign Subsidiaries	Name	Jurisdiction of Incorporation

2. Ratio of Consolidated Debt to Consolidated EBITDA (Section 5.03)

The ratio of Consolidated Debt at any date to Consolidated EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to such date will not exceed 3.50 to 1.00.

(a)	Consolidated Debt	Schedule - 2 $_____
(b)	Consolidated EBITDA	Schedule - 1 $_____
Actual Ratio of (a) to (b)		_____
Maximum Ratio for Applicable Period		3.50 to 1.00

3. Interest Coverage Ratio

The ratio of Consolidated EBITDA for the period of four consecutive Fiscal Quarters ended on or most recently prior to any date of determination to Consolidated Interest Expense at such date will not be less than the ratio of 4.00 to 1.00.

(a)	Consolidated EBITDA	Schedule - 1 $_____
(b)	Consolidated Interest Expense	Schedule - 3 $_____
(c)	Actual Ratio of (a) to (b)	_____
Minimum Ratio for Applicable Period		4.00 to 1.00

4. Loans or Advances (Section 5.06)

Neither the Company nor any of its Subsidiaries shall make loans or advances to any Person except: (i) loans or advances to employees not exceeding US$10,000,000 in the aggregate at any time outstanding made in the ordinary course of business; (ii) deposits required by government agencies or public utilities; (iii) loans or advances to any Borrower or Subsidiary Guarantor; (iv) Prepaid Rebates; and (v) loans, advances or deposits other than those permitted by clauses (i) through (iv) of this Section not exceeding 10% of Consolidated Total Assets in the aggregate at any time outstanding, provided that after giving effect to the making of any loans, advances or deposits permitted by clause (i), (ii), (iii), (iv) or (v) of this Section, no Default shall have occurred and be continuing.

(a)	loans and advances to employees	$_____
	Limitation	US$10,000,000
(b)	other loans and advances not permitted by clauses (i) through (iv), inclusive	$_____
	10% of Consolidated Total Assets	$_____

5. Negative Pledge (Section 5.08)

Neither the Company nor any Consolidated Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding US$10,000,000;

(b) any Lien existing on any asset of any corporation at the time such corporation becomes a Consolidated Subsidiary and not created in contemplation of such event;

(c) any Lien on any asset (other than Equity Interests, Indebtedness or inventory) securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring or constructing such asset, provided that such Lien attaches to such asset concurrently with or within 18 months after the acquisition or completion of construction thereof;

(d) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Company or a Consolidated Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any asset prior to the acquisition thereof by the Company or a Consolidated Subsidiary and not created in contemplation of such acquisition;

(f) Liens securing Debt owing by any Subsidiary to any Borrower or Subsidiary Guarantor;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Debt is not secured by any additional assets, and (ii) the amount of such Debt secured by any such Lien is not increased;

(h) Liens incidental to the conduct of its business or the ownership of its assets which (i) do not secure Debt and (ii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(i) any Lien on Excess Margin Stock;

(j) any Lien incurred with respect to Securitization Debt permitted under Section 5.21; and

(k) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt (other than Revolving Loans) in an aggregate principal amount at any time outstanding which, together with the amount of Debt secured by Liens permitted by the foregoing paragraphs (a) through (i), does not exceed 10% of Consolidated Total Assets.

Total Secured Debt	$_____
Consolidated Total Assets	$_____
10% of Consolidated Total Assets	$_____

6. Consolidations, Mergers and Sales of Assets (Section 5.11(d))

The Company will not, nor will it permit any Subsidiary to, consolidate or merge with or into, or sell, lease or otherwise transfer all or any substantial part of its assets (other than Excess Margin Stock) to, any other Person, or discontinue or eliminate any business line or segment, provided that the foregoing limitation on the sale, lease or other transfer of assets and on the discontinuation or elimination of a business line or segment shall not apply to loans or advances permitted by Section 5.06 or prohibit, during any Fiscal Quarter, a transfer of assets or the discontinuance or elimination of a business line or segment (in a single transaction or in a series of related transactions) unless the aggregate assets to be so transferred or utilized in a business line or segment to be so discontinued, when combined with all other assets transferred (other than inventory sold in the ordinary course of business), and all other assets utilized in all other business lines or segments discontinued, during such Fiscal Quarter and the immediately preceding three Fiscal Quarters contributed more than 20% of Consolidated Operating Profits during the four consecutive Fiscal Quarters immediately preceding such Fiscal Quarter.

(a)	Consolidated Operating Profits	$_____
(b)	20% of Consolidated Operating Profits	$_____
(c)	aggregate of assets transferred or utilized in discontinued business lines or segments	$_____

7. Limitation on Subsidiary Debt (Section 5.21)

The Company shall not permit the outstanding principal amount of Debt of the Subsidiaries (other than (i) Debt owed to any Borrower or Subsidiary Guarantor, (ii) $250,000,000 in Securitization Debt and (iii) Debt owed under this Agreement or any other Loan Document) at any time to exceed, in the aggregate, 10% of Consolidated Total Assets.

(a) outstanding principal amount of Debt of Subsidiaries (excluding (i) Debt owed to any Borrower or Subsidiary Guarantor, (ii)

	$250,000,000 in Securitization Debt and (iii) Debt owed under the Credit Agreement or any other Loan Document)	$_____
(b)	10% of Consolidated Total Assets	$_____
(c)	Outstanding amount of Securitization Debt	$_____

EBITDA

(1) Consolidated Net Income for:

_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
Total		$_____

(2) Additions to Consolidated Net Income, (to the extent taken into account in the calculation of Consolidated Net Income):

(A) Consolidated Interest Expense for:

_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
Total		$_____

(B) Taxes on income of the Company and its Consolidated Subsidiaries for:

_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
Total		$_____

(C) Sum of all depreciation expenses of the Company and its Consolidated Subsidiaries for:

_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
_____quarter_____-_____	$_____	
Total		$_____

(D) Amortization expenses of the Company and its Consolidated Subsidiaries for:

_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____

Total $_____

(E) Depletion expenses of the Company and its Consolidated Subsidiaries for:

_____quarter_____-_____ $_____
_____quarter_____-_____ $_____
_____quarter_____-_____ $_____
_____quarter_____-_____ $_____

Total $_____

(F) Extraordinary, unusual or non-recurring non-cash losses, including goodwill impairment or amortization expense and non-cash losses from the sale, exchange, transfer or other disposition of property of the Company or its Consolidated Subsidiaries and the related tax effects in accordance with GAAP for:

_____quarter_____-_____ $_____
_____quarter_____-_____ $_____
_____quarter_____-_____ $_____
_____quarter_____-_____ $_____

Total $_____

(G) Total Additions to Net Income (Sum of Lines 2(A) – 2(F)) $_____

(3) Net Income plus Additions (Sum of Line 1 and 2(G)) $_____

(4) Reductions from Consolidated Net Income (to the extent taken into account in the calculation of Consolidated Net Income).

(A) The income of any Person (other than a wholly owned Subsidiary of the Company) in which any Person other than the Company or any of its Consolidated Subsidiaries has a joint interest or a partnership interest or other ownership interest, except to the extent of the amount of dividends or other distributions actually paid to the Company or any of its Consolidated Subsidiaries by such Person for:

_____quarter_____-_____ $_____
_____quarter_____-_____ $_____
_____quarter_____-_____ $_____
_____quarter_____-_____ $_____

Total $_____

(B) Gains from the sale, exchange, transfer or other disposition of property or assets of the Company and its

Consolidated Subsidiaries (other than inventory sold in the ordinary course of business) during such period, and related tax effects in accordance with GAAP for:

_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
Total	$_____

(C) Any other extraordinary, unusual or non-recurring gains or other income not from the continuing operations of the Company and its Consolidated Subsidiaries during such period, and related tax effects in accordance with GAAP for:

_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
Total	$_____

(D) the income of any Subsidiary of the Company to the extent that the declaration or payment of dividends or similar distributions by that subsidiary of that income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that subsidiary for:

_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
_____quarter_____-_____	$_____
Total	$_____

(E) Total Reductions from Net Income (Sum of Lines 4(A) – 4(D)) $_____

(5) **Total Consolidated EBITDA** (Difference between Line 3 and Line 4(E) $_____

Consolidated Debt

Borrowed Money or Bonds, Debentures, Notes or Similar Instruments	TOTAL
	$
	$
	$
	$
Total Borrowed Money	$_____
Capital Leases	
	$
	$
	$
	$
Total Capital Leases	$_____
Reimbursement Obligations	
	$
	$
	$
Total Reimbursement Obligations	$_____
Guaranteed Obligations	
	$
	$
	$
	$
Total Guaranteed Obligations	$_____
Securitization Debt	
	$
	$
	$
	$
Total Securitization Debt	$_____

Other Debt

		$
		$
		$
		$
Total Other Debt		$_____
Consolidated Debt	**$_____**	

Consolidated Interest Expense

Interest	
	$
	$
	$
	$
Consolidated Interest Expense	$_____

EXHIBIT F

[FORM OF GUARANTEE AGREEMENT]

GUARANTEE AGREEMENT dated as of June __, 2009, among each of the subsidiaries listed on Schedule I hereto (each such subsidiary individually a "*Guarantor*", and collectively the "*Guarantors*") of THE VALSPAR CORPORATION, a Delaware corporation (the "*Company*"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (the "*Administrative Agent*") for the Lenders (each as defined in the Credit Agreement referred to below).

Reference is made to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Company, the Borrowing Subsidiaries from time to time party thereto, the lenders from time to time party thereto (the "*Lenders*"), Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders and the Issuing Bank, respectively, have agreed to make Revolving Loans to and issue Letters of Credit for the account of the Borrowers, pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. Each of the Guarantors is a subsidiary of the Company and acknowledges that it will derive substantial benefit from the making of the Revolving Loans by the Lenders and the issuance of Letters of Credit by the Issuing Bank. The obligations of the Lenders to make Revolving Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Guarantors of a Guarantee Agreement in the form hereof. As consideration therefor and in order to induce the Lenders to make Revolving Loans and the Issuing Bank to issue Letters of Credit, the Guarantors are willing to execute this Agreement.

Accordingly, the parties hereto agree as follows:

SECTION 1. *Guarantee*. Each Guarantor unconditionally guarantees, jointly with the other Guarantors and severally, as a primary obligor and not merely as a surety, the due and punctual payment of (i) the principal of and premium, if any, and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on the Revolving Loans made to each Borrower, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (ii) all payments required to be made by any Borrower under the Credit Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of LC Disbursements, interest thereon and obligations to provide cash collateral and (iii) all other monetary obligations, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of any Borrower or any other Guarantor to the Lenders under the Credit Agreement or any other Loan Document when and as due (all the obligations referred to in the preceding clause being collectively called the "*Obligations*"). Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its guarantee notwithstanding any extension or renewal of any Obligation.

SECTION 2. *Obligations Not Waived*. To the fullest extent permitted by applicable law, each Guarantor waives presentment to, demand of payment from and protest to any Borrower or to any Guarantor of any of the Obligations, and also waives notice of acceptance of its guarantee and notice of protest for nonpayment (except notice to any Borrower to the extent required under Section 6.01 of the Credit Agreement). To the fullest extent permitted by applicable law, the obligations of each Guarantor

hereunder shall not be affected by (a) the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce or exercise any right or remedy against any Borrower or any other Guarantor under the provisions of the Credit Agreement, any other Loan Document or otherwise, (b) any rescission, waiver, amendment or modification of, or any release from any of the terms or provisions of this Agreement, any other Loan Document, any Guarantee or any other agreement, including with respect to any other Guarantor under this Agreement, (c) the failure of the Company or any Subsidiary to comply with Section 5.22 of the Credit Agreement and Section 19 hereof or (d) the release of any of the security held by or on behalf of the Administrative Agent or any Lender.

SECTION 3. *Guarantee of Payment*. Each Guarantor further agrees that its guarantee constitutes a guarantee of payment when due and not of collection, and waives any right to require that any resort be had by the Administrative Agent or any Lender to any of the security held for payment of the Obligations or to any balance of any deposit account or credit on the books of the Administrative Agent or any Lender in favor of any Borrower, any Guarantor or any other person.

SECTION 4. *No Discharge or Diminishment of Guarantee*. The obligations of each Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason (other than the indefeasible payment in full in cash of the Obligations), including any claim of waiver, release, surrender, alteration or compromise of any of the Obligations, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever by reason of the invalidity, illegality or unenforceability of the Obligations or otherwise. Without limiting the generality of the foregoing, the obligations of each Guarantor hereunder shall not be discharged or impaired or otherwise affected by the failure of the Administrative Agent or any Lender to assert any claim or demand or to enforce any remedy under the Credit Agreement, any other Loan Document or any other instrument or agreement, by any waiver or modification of any provision of any thereof, by any default, failure or delay, willful or otherwise, in the performance of the Obligations, or by any other act or omission that may or might in any manner or to any extent vary the risk of any Guarantor or that would otherwise operate as a discharge of any Guarantor as a matter of law or equity (other than the indefeasible payment in full in cash of all the Obligations).

SECTION 5. *Defenses of Borrower Waived*. To the fullest extent permitted by applicable law, each of the Guarantors waives any defense based on or arising out of any defense of any Borrower or any Guarantor, the unenforceability of the Obligations or any part thereof from any cause, or the cessation from any cause of the liability of any Borrower, other than the final and indefeasible payment in full in cash of the Obligations. The Administrative Agent may, at its election, foreclose on any security by one or more judicial or nonjudicial sales, accept an assignment of any such security in lieu of foreclosure, compromise or adjust any part of the Obligations, make any other accommodation with any Borrower or any other Guarantor or exercise any other right or remedy available to them against any Borrower or any Guarantor, without affecting or impairing in any way the liability of any Guarantor hereunder except to the extent the Obligations have been fully, finally and indefeasibly paid in cash. Pursuant to applicable law, each of the Guarantors waives any defense arising out of any such election even though such election operates, pursuant to applicable law, to impair or to extinguish any right of reimbursement or subrogation or other right or remedy of such Guarantor against any Borrower or any other Guarantor or guarantor, as the case may be, or any security.

SECTION 6. *Agreement to Pay; Subordination*.

(a) In furtherance of the foregoing and not in limitation of any other right that the Administrative Agent or any Lender has at law or in equity against any Guarantor by virtue hereof, upon the failure of any Borrower or any other Guarantor to pay any Obligation when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each

Guarantor hereby promises to and will forthwith pay, or cause to be paid, to the Administrative Agent in cash the amount of such unpaid Obligations. Upon payment by any Guarantor of any sums to the Administrative Agent as provided above, all rights of such Guarantor against the applicable Borrower or any Guarantor arising as a result thereof by way of right of subrogation, contribution, reimbursement, indemnity or otherwise shall in all respects be subordinate and junior in right of payment to the prior indefeasible payment in full in cash of all the Obligations. In addition, if there shall occur any Default or Event of Default under paragraph (g) or (h) of Section 6.01 of the Credit Agreement, any indebtedness of any Borrower or any Guarantor now or hereafter held by any Guarantor is hereby subordinated in right of payment to the prior payment in full of the Obligations. If any amount shall erroneously be paid to any Guarantor on account of (i) such subrogation, contribution, reimbursement, indemnity or similar right or (ii) any such indebtedness of any Borrower, such amount shall be held solely for the benefit of the Lenders (and the Guarantors shall have no legal, equitable or beneficial interest therein) and shall forthwith be paid to the Administrative Agent to be credited against the payment of the Obligations, whether matured or unmatured, in accordance with the terms of the Loan Documents.

(b) Each Guarantor further agrees that if payment in respect of any Obligation shall be due in a currency other than Dollars and/or at a place of payment other than San Francisco and if, by reason of any legal prohibition, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligation in such currency or at such place of payment shall be impossible or, in the judgment of any Lender, not consistent with the protection of its rights or interests, then, at the election of such Lender, such Guarantor shall make payment of such Obligation in Dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in San Francisco, and shall indemnify such Lender against any losses or expenses (including losses or expenses resulting from fluctuations in exchange rates) that it shall sustain as a result of such alternative payment.

SECTION 7. *Information*. Each of the Guarantors assumes all responsibility for being, and keeping, itself informed of the Borrowers' and the other Guarantors' financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that neither the Administrative Agent nor any Lender will have any duty to advise any of the Guarantors of information known to it or any of them regarding such circumstances or risks.

SECTION 8. *Representations and Warranties, Agreements*. Each of the Guarantors represents and warrants as to itself that all representations and warranties relating to it contained in any Loan Document to which it is a party are true and correct in all material respects. Each of the Guarantors agrees that the provisions of Section 2.17 of the Credit Agreement shall apply equally to each Guarantor with respect to payments made by it hereunder.

SECTION 9. *Termination*. The Guarantees made hereunder (a) shall terminate when all the Obligations have been indefeasibly paid in full, no Letters of Credit are outstanding and the Lenders have no further commitment to lend under the Credit Agreement and (b) shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Administrative Agent or any Lender upon the bankruptcy or reorganization of any Borrower or any Guarantor or otherwise. The Guarantees hereunder will also be released as provided in Section 9.15 of the Credit Agreement.

SECTION 10. *Binding Effect; Several Agreement; Assignments*. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party; and all covenants, promises and agreements by or on behalf of the Guarantors that are contained in this Agreement shall bind and inure to the benefit of each party hereto and their respective successors and permitted assigns. This Agreement shall become effective as to any

Guarantor when a counterpart hereof executed on behalf of such Guarantor shall have been delivered to the Administrative Agent, and a counterpart hereof shall have been executed on behalf of the Administrative Agent, and thereafter shall be binding upon such Guarantor and the Administrative Agent and their respective successors and permitted assigns, and shall inure to the benefit of such Guarantor, the Administrative Agent and the Lenders, and their respective successors and permitted assigns, except that no Guarantor shall have the right to assign its rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void). This Agreement shall be construed as a separate agreement with respect to each Guarantor and may be amended, modified, supplemented, waived or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

SECTION 11. *Waivers; Amendment*.

(a) No failure or delay of the Administrative Agent or any Lender in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent and of the Lenders hereunder and under the Credit Agreement are cumulative and are not exclusive of any rights or remedies that such parties would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) below, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Guarantor in any case shall entitle such Guarantor to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Guarantors with respect to which such waiver, amendment or modification relates and the Administrative Agent, with the prior written consent of the Lenders or the Required Lenders, as the case may be, if required under the Credit Agreement.

SECTION 12. ***GOVERNING LAW.*** **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

SECTION 13. *Notices*. All communications and notices hereunder shall be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to each Guarantor shall be given in care of the Company.

SECTION 14. *Survival of Agreement; Severability*.

(a) All covenants, agreements, representations and warranties made by the Guarantors herein and in the certificates or other instruments prepared or delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Administrative Agent, the Issuing Bank and the Lenders and shall survive the making by the Lenders of the Revolving Loans and the issuance by the Issuing Bank of Letters of Credit regardless of any investigation made by the Administrative Agent, the Issuing Bank or any Lender or on their behalf, and shall continue in full force and effect as long as the principal of or any accrued interest on any Revolving Loan or any other fee or amount payable under this Agreement or any other Loan Document or in respect of any Letter of Credit is outstanding and unpaid, the Revolving Commitments have not been terminated or any Letter of Credit is outstanding.

(b) In the event any one or more of the provisions contained in this Agreement or in any other Loan Document should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 15. *Counterparts*. This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract, and shall become effective as provided in Section 10. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement.

SECTION 16. *Rules of Interpretation*. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 17. *Jurisdiction; Consent to Service of Process*.

(a) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or the other Loan Documents, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or the other Loan Documents against any Guarantor or its properties in the courts of any jurisdiction.

(b) Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or the other Loan Documents in any such New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 13. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 18. ***WAIVER OF JURY TRIAL.*** **EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS**

REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 18.

SECTION 19. *Additional Guarantors*. Pursuant to Section 5.22 of the Credit Agreement, each Domestic Material Subsidiary of the Company that was not in existence or was not such a Domestic Material Subsidiary on the date of the Credit Agreement is required to enter into this Agreement as a Guarantor upon becoming a Domestic Material Subsidiary. Upon execution and delivery after the date hereof by the Administrative Agent and a Subsidiary of an instrument in the form of Annex 1, such Subsidiary shall become a Guarantor hereunder with the same force and effect as if originally named as a Guarantor herein. The execution and delivery of any instrument adding an additional Guarantor as a party to this Agreement shall not require the consent of any other Guarantor hereunder. The rights and obligations of each Guarantor hereunder shall remain in full force and effect notwithstanding the addition of any new Guarantor as a party to this Agreement.

SECTION 20. *Right of Setoff*. If an Event of Default shall have occurred and be continuing, the Administrative Agent, the Issuing Bank and each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Debt at any time owing by the Administrative Agent, the Issuing Bank or such Lender to or for the credit or the account of any Guarantor against any or all the obligations of such Guarantor now or hereafter existing under this Agreement and the other Loan Documents held by the Administrative Agent, the Issuing Bank or such Lender, irrespective of whether or not the Administrative Agent, the Issuing Bank or such Lender shall have made any demand under this Agreement (except to the extent required under Section 6.01 of the Credit Agreement) or any other Loan Document and although such obligations may be contingent or unmatured or are owed to a branch or office of the Administrative Agent, the Issuing Bank or such Lender different from the branch or office holding such deposits or owing such Debt, and in the event of any such set-off, the Administrative Agent, the Issuing Bank or such Lender shall promptly give such Guarantor notice thereof. The rights of the Administrative Agent and each Lender under this Section 20 are in addition to other rights and remedies (including other rights of setoff) which the Administrative Agent, the Issuing Bank or such Lender may have.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

ENGINEERED POLYMER SOLUTIONS, INC.,
as a Guarantor,

by _____
Name:
Title:

VALSPAR FINANCE CORPORATION,
as a Guarantor,

by _____
Name:
Title:

VALSPAR COATINGS FINANCE CORPORATION,
as a Guarantor,

by _____
Name:
Title:

VALSPAR SOURCING, INC., as a Guarantor,

by _____
Name:
Title:

VALSPAR CREDIT CORPORATION, as a Guarantor,

by _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

by _____
Name:
Title:

SCHEDULE I to the
Guarantee Agreement

INITIAL GUARANTORS

Name of Guarantor	Jurisdiction of Organization
Engineered Polymer Solutions, Inc.	Delaware
Valspar Finance Corporation	Minnesota
Valspar Coatings Finance Corporation	Minnesota
Valspar Sourcing, Inc.	Minnesota
Valspar Credit Corporation	Minnesota

ANNEX 1 to the
Guarantee Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the Guarantee Agreement dated as of June __, 2009, among each of the subsidiaries of THE VALSPAR CORPORATION, a Delaware corporation (the "*Company*"), party thereto (each such subsidiary individually a "*Guarantor*", and collectively the "*Guarantors*"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (the "*Administrative Agent*") for the Lenders (each as defined in the Credit Agreement referred to below).

A. Reference is made to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Company, the Borrowing Subsidiaries from time to time party thereto, the lenders from time to time party thereto (the "*Lenders*"), Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

B. The Guarantors have entered into the Guarantee Agreement in order to induce the Lenders to make Revolving Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.22 of the Credit Agreement, each Domestic Material Subsidiary of the Company that was not in existence or not a Domestic Material Subsidiary on the date of the Credit Agreement is required to enter into the Guarantee Agreement as a Guarantor upon becoming a Domestic Material Subsidiary. Section 19 of the Guarantee Agreement provides that additional Subsidiaries of the Company may become Guarantors under the Guarantee Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Company (the "*New Guarantor*") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Guarantee Agreement in order to induce the Lenders to make additional Revolving Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Revolving Loans previously made and Letters of Credit previously issued.

Accordingly, the Administrative Agent and the New Guarantor agree as follows:

SECTION 1. In accordance with Section 19 of the Guarantee Agreement, the New Guarantor by its signature below becomes a Guarantor under the Guarantee Agreement with the same force and effect as if originally named therein as a Guarantor and the New Guarantor hereby (a) agrees to all the terms and provisions of the Guarantee Agreement applicable to it as a Guarantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Guarantor thereunder are true and correct on and as of the date hereof. Each reference to a "Guarantor" in the Guarantee Agreement shall be deemed to include the New Guarantor. The Guarantee Agreement is hereby incorporated herein by reference.

SECTION 2. The New Guarantor represents and warrants to the Administrative Agent and the Lenders that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3. This Supplement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Administrative Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Administrative Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Guarantee Agreement shall remain in full force and effect.

SECTION 5. **THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

SECTION 6. In case any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and in the Guarantee Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision hereof in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 13 of the Guarantee Agreement. All communications and notices hereunder to the New Guarantor shall be given to it in care of the Company.

SECTION 8. The New Guarantor agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, disbursements and other charges of counsel for the Administrative Agent.

IN WITNESS WHEREOF, the New Guarantor and the Administrative Agent have duly executed this Supplement to the Guarantee Agreement as of the day and year first above written.

[NAME OF NEW GUARANTOR], as a Guarantor,

by _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

by _____
Name:
Title:

EXHIBIT G

[FORM OF INDEMNITY, SUBROGATION AND CONTRIBUTION AGREEMENT]

INDEMNITY, SUBROGATION AND CONTRIBUTION AGREEMENT, dated as of June __, 2009, among THE VALSPAR CORPORATION, a Delaware corporation (the "*Company*"), each of the subsidiaries of the Company listed on Schedule I hereto (each such subsidiary individually a "*Guarantor*", and collectively the "*Guarantors*"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (the "*Administrative Agent*") for the Lenders (each as defined in the Credit Agreement referred to below).

Reference is made to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Company, the Borrowing Subsidiaries from time to time party thereto, the lenders from time to time party thereto (the "*Lenders*"), Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent. Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement.

The Lenders and the Issuing Bank, respectively, have agreed to make Revolving Loans to and issue Letters of Credit for the account of the Borrowers pursuant to, and upon the terms and subject to the conditions specified in, the Credit Agreement. The Guarantors have guaranteed such Revolving Loans and the other Obligations (as defined in the Guarantee Agreement) of the Borrowers under the Credit Agreement or any other Loan Document pursuant to the Guarantee Agreement. The obligations of the Lenders to make Revolving Loans and of the Issuing Bank to issue Letters of Credit are conditioned on, among other things, the execution and delivery by the Company and the Guarantors of an agreement in the form hereof.

Accordingly, the Company, each Guarantor and the Administrative Agent agree as follows:

SECTION 1. *Indemnity and Subrogation*. In addition to all such rights of indemnity and subrogation as the Guarantors may have under applicable law (but subject to Section 3), the Company agrees that in the event a payment shall be made on behalf of the Company (or on behalf of any other Borrower) by any Guarantor under the Guarantee Agreement, the Company shall indemnify such Guarantor for the full amount of such payment and the Company shall be subrogated to the rights of such Guarantor to whom such payment shall have been made to the extent of such payment.

SECTION 2. *Contribution and Subrogation*. Each Guarantor (a "*Contributing Guarantor*") agrees (subject to Section 3) that, in the event a payment shall be made by any other Guarantor under the Guarantee Agreement to satisfy a claim of the Administrative Agent or any Lender and such other Guarantor (the "*Claiming Guarantor*") shall not have been fully indemnified by the Company as provided in Section 1, the Contributing Guarantor shall indemnify the Claiming Guarantor in an amount equal to the amount of such payment multiplied by a fraction of which the numerator shall be the net worth of the Contributing Guarantor on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 12, the date of the Supplement hereto executed and delivered by such Guarantor) and the denominator shall be the aggregate net worth of all the Guarantors on the date hereof (or, in the case of any Guarantor becoming a party hereto pursuant to Section 12, the date of the Supplement hereto executed and delivered by such Guarantor). Any Contributing Guarantor making any payment to a Claiming Guarantor pursuant to this Section 2 shall be subrogated to the rights of such Claiming Guarantor under Section 1 to the extent of such payment.

SECTION 3. *Subordination*. Notwithstanding any provision of this Agreement to the contrary, all rights of the Guarantors under Sections 1 and 2 and all other rights of indemnity, contribution or

subrogation under applicable law or otherwise shall be fully subordinated to the indefeasible payment in full in cash of the Obligations. No failure on the part of the Company or any other Guarantor to make the payments required by Sections 1 and 2 (or any other payments required under applicable law or otherwise) shall in any respect limit the obligations and liabilities of any Guarantor with respect to its obligations hereunder, and each Guarantor shall remain liable for the full amount of the obligations of such Guarantor hereunder.

SECTION 4. *Termination*. This Agreement shall survive and be in full force and effect so long as any Obligation is outstanding and has not been indefeasibly paid in full in cash, any Lender has a further commitment to lend under the Credit Agreement or any Letter of Credit is outstanding, and shall continue to be effective or be reinstated, as the case may be, if at any time payment, or any part thereof, of any Obligation is rescinded or must otherwise be restored by the Administrative Agent, any Lender or any Guarantor upon the bankruptcy or reorganization of any Borrower, any other Guarantor or otherwise. Any Guarantor shall cease to be a party to this Agreement and to be bound hereby at such time as it shall be released from its Guarantee in accordance with the provisions of the Guarantee Agreement.

SECTION 5. ***GOVERNING LAW.*** **THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

SECTION 6. *No Waiver; Amendment*.

(a) No failure on the part of the Administrative Agent, any Lender or any Guarantor to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy by the Administrative Agent, any Lender or any Guarantor preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law. None of the Administrative Agent, any Lender and the Guarantors shall be deemed to have waived any rights hereunder unless such waiver shall be in writing and signed by such parties.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to a written agreement entered into between the Company, the Guarantors and the Administrative Agent, with the prior written consent of the Lenders or the Required Lenders if required under the Credit Agreement.

SECTION 7. *Notices*. All communications and notices hereunder shall be in writing and given as provided in the Guarantee Agreement and addressed as specified therein.

SECTION 8. *Binding Agreement; Assignments*. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and permitted assigns of such party; and all covenants, promises and agreements by or on behalf of the parties that are contained in this Agreement shall bind and inure to the benefit of their respective successors and permitted assigns. No Guarantor may assign or transfer any of its rights or obligations hereunder (and any such attempted assignment or transfer shall be void) without the prior written consent of the Required Lenders. Notwithstanding the foregoing, at the time any Guarantor is released from its obligations under the Guarantee Agreement in accordance with such Guarantee Agreement and the Credit Agreement, such Guarantor will cease to have any rights or obligations under this Agreement.

SECTION 9. *Survival of Agreement; Severability*.

(a) All covenants and agreements made by the Company and each Guarantor herein and in the certificates or other instruments prepared or delivered in connection with this Agreement or the other Loan Documents shall be considered to have been relied upon by the Administrative Agent, the Issuing Bank, the Lenders and each Guarantor and shall survive the making by the Lenders of the Revolving Loans and the issuance by the Issuing Bank of Letters of Credit and shall continue in full force and effect as long as the principal of or any accrued interest on any Revolving Loans or any other fee or amount payable under the Credit Agreement or this Agreement or under any of the other Loan Documents or in respect of any Letter of Credit is outstanding and unpaid, the Revolving Commitments have not been terminated or any Letter of Credit is outstanding.

(b) In case any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, no party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 10. *Counterparts*. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall be effective with respect to any Guarantor or the Company when a counterpart bearing the signature of such Guarantor or the Company, as the case may be, shall have been delivered to the Administrative Agent. Delivery of an executed signature page to this Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 11. *Rules of Interpretation*. The rules of interpretation specified in Section 1.03 of the Credit Agreement shall be applicable to this Agreement.

SECTION 12. *Additional Guarantors*. Pursuant to Section 5.22 of the Credit Agreement, each Domestic Material Subsidiary of the Company that was not in existence or was not such a Domestic Material Subsidiary on the date of the Credit Agreement is required to enter into this Agreement as a Guarantor upon becoming a Domestic Material Subsidiary. Upon execution and delivery, after the date hereof, by the Administrative Agent and such a Subsidiary of an instrument in the form of Annex 1 hereto, such Subsidiary shall become a party hereto with the same force and effect as if originally named as a party hereto. The execution and delivery of any instrument adding an additional Domestic Material Subsidiary as a party to this Agreement shall not require the consent of any other party hereto. The rights and obligations of each party hereto shall remain in full force and effect notwithstanding the addition of any new Domestic Material Subsidiary as a party to this Agreement.

SECTION 13. *Jurisdiction; Consent to Service of Process.*

(a) The Company and each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by

law, in such Federal court. Each of the parties hereto agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Loan Document shall affect any right that the Administrative Agent, the Syndication Agent or any other Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against any Guarantor or its properties in the courts of any jurisdiction.

(b) The Company and each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any such New York State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(c) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 7. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement or any other Loan Document to serve process in any other manner permitted by law.

SECTION 14. ***WAIVER OF JURY TRIAL.*** **EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first appearing above.

THE VALSPAR CORPORATION

by _____
Name:
Title:

ENGINEERED POLYMER SOLUTIONS, INC.,
as a Guarantor,

by _____
Name:
Title:

VALSPAR FINANCE CORPORATION,
as a Guarantor,

by _____
Name:
Title:

VALSPAR COATINGS FINANCE CORPORATION,
as a Guarantor,

by _____
Name:
Title:

VALSPAR SOURCING, INC., as a Guarantor,

by _____
Name:
Title:

VALSPAR CREDIT CORPORATION, as a Guarantor,

by _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

by _____
Name:
Title:

SCHEDULE I
to the Indemnity, Subrogation
and Contribution Agreement

INITIAL GUARANTORS

Name of Guarantor	Jurisdiction of Organization
Engineered Polymer Solutions, Inc.	Delaware
Valspar Finance Corporation	Minnesota
Valspar Coatings Finance Corporation	Minnesota
Valspar Sourcing, Inc.	Minnesota
Valspar Credit Corporation	Minnesota

ANNEX 1 to
the Indemnity, Subrogation and
Contribution Agreement

SUPPLEMENT NO. [ ] dated as of [ ], to the Indemnity, Subrogation and Contribution Agreement dated as of June __, 2009 (as the same may be amended, supplemented or otherwise modified from time to time, the "*Indemnity, Subrogation and Contribution Agreement*"), among THE VALSPAR CORPORATION, a Delaware corporation (the "*Company*"), each of the subsidiaries of the Company party thereto (each such subsidiary individually a "*Guarantor*", and collectively the "*Guarantors*"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as administrative agent (the "*Administrative Agent*") for the Lenders (each as defined in the Credit Agreement referred to below).

A. Reference is made to the Three-Year Credit Agreement dated as of June __, 2009 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Company, the Borrowing Subsidiaries from time to time party thereto, the lenders from time to time party thereto (the "*Lenders*"), Wells Fargo Bank, National Association, as Administrative Agent and an Issuing Bank, Wachovia Bank, National Association, as an Issuing Bank and Bank of America, N.A., as Syndication Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indemnity, Subrogation and Contribution Agreement and the Credit Agreement.

C. The Company and the Guarantors have entered into the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make Revolving Loans and the Issuing Bank to issue Letters of Credit. Pursuant to Section 5.22 of the Credit Agreement, each Domestic Material Subsidiary of the Company that was not in existence or was not a Domestic Material Subsidiary on the date of the Credit Agreement is required to enter into this Agreement as a Guarantor upon becoming a Domestic Material Subsidiary. Notwithstanding the foregoing, a Domestic Material Subsidiary shall not be required to become a Guarantor under this Indemnity, Subrogation and Contribution Agreement if it would be a violation of applicable law for such Domestic Material Subsidiary to take such action or if, in the judgment of the Administrative Agent, in consultation with the Company, the expense, tax or regulatory consequences or difficulty of taking such action would not, in light of the benefits to accrue to the Lenders, justify taking such action. Section 12 of the Indemnity, Subrogation and Contribution Agreement provides that additional Subsidiaries of the Company may become Guarantors under the Indemnity, Subrogation and Contribution Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary of the Company (the "*New Guarantor*") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Guarantor under the Indemnity, Subrogation and Contribution Agreement in order to induce the Lenders to make additional Revolving Loans and the Issuing Bank to issue additional Letters of Credit and as consideration for Revolving Loans previously made and Letters of Credit previously issued.

Accordingly, the Administrative Agent and the New Guarantor agree as follows:

SECTION 1. In accordance with Section 12 of the Indemnity, Subrogation and Contribution Agreement, the New Guarantor by its signature below becomes a Guarantor under the Indemnity, Subrogation and Contribution Agreement with the same force and effect as if originally named therein as a Guarantor and the New Guarantor hereby agrees to all the terms and provisions of the Indemnity, Subrogation and Contribution Agreement applicable to it as a Guarantor thereunder. Each reference to a "Guarantor" in the Indemnity, Subrogation and Contribution Agreement shall be deemed to include the New Guarantor. The Indemnity, Subrogation and Contribution Agreement is hereby incorporated herein by reference.

SECTION 2. The New Guarantor represents and warrants to the Administrative Agent and the Lenders that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Supplement shall become effective when the Administrative Agent shall have received counterparts of this Supplement that, when taken together, bear the signatures of the New Guarantor and the Administrative Agent. Delivery of an executed signature page to this Supplement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Supplement.

SECTION 4. Except as expressly supplemented hereby, the Indemnity, Subrogation and Contribution Agreement shall remain in full force and effect.

SECTION 5. **THIS SUPPLEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

SECTION 6. In the event that any one or more of the provisions contained in this Supplement should be held invalid, illegal or unenforceable in any respect, neither party hereto shall be required to comply with such provision for so long as such provision is held to be invalid, illegal or unenforceable, but the validity, legality and enforceability of the remaining provisions contained herein and in the Indemnity, Subrogation and Contribution Agreement shall not in any way be affected or impaired thereby (it being understood that the invalidity of a particular provision in a particular jurisdiction shall not in and of itself affect the validity of such provision in any other jurisdiction). The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 7. All communications and notices hereunder shall be in writing and given as provided in Section 7 of the Indemnity, Subrogation and Contribution Agreement. All communications and notices hereunder to the New Guarantor shall be given to it at the address set forth under its signature.

SECTION 8. The New Guarantor agrees to reimburse the Administrative Agent for its reasonable out-of-pocket expenses in connection with this Supplement, including the reasonable fees, other charges and disbursements of counsel for the Administrative Agent.

IN WITNESS WHEREOF, the New Guarantor and the Administrative Agent have duly executed this Supplement to the Indemnity, Subrogation and Contribution Agreement as of the day and year first above written.

[NAME OF NEW GUARANTOR],

by _____
Name:
Title:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Administrative Agent,

by _____
Name:
Title:

Exhibit 10.2

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT, dated as of the 17th day of August, 2009 (this "First Amendment"), is entered into among The Valspar Corporation, a Delaware corporation (the "Company"), the Lenders (as defined in the hereinafter defined Credit Agreement) party hereto, and Wells Fargo Bank, National Association, as administrative agent for the Lenders (the "Administrative Agent").

RECITALS

A. The Company, the Borrowing Subsidiaries party thereto, the Lenders and the Administrative Agent are parties to that certain Three-Year Credit Agreement dated as of June 30, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein without definition shall have the meanings given to them in the Credit Agreement as they may be amended pursuant to this First Amendment.

B. The Company, the Administrative Agent and the Required Lenders have agreed to make certain amendments to the Credit Agreement on the terms and conditions set forth herein.

STATEMENT OF AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

AMENDMENTS TO CREDIT AGREEMENT

1.1 Amendments to Section 1.1 Consisting of New Definitions. The following definitions are hereby added to Section 1.1 of the Credit Agreement in appropriate alphabetical order:

> "'First Amendment' shall mean the First Amendment to Credit Agreement, dated as of August 17, 2009, among the Company, the Lenders party thereto, and the Administrative Agent."
>
> "'First Amendment Effective Date' has the meaning given to such term in Article III to the First Amendment."

1.2 Amendments to Section 1.1 Consisting of Modifications to Existing Definitions. The following definition in Section 1.1 of the Credit Agreement is hereby amended in its entirety as follows:

> "'Lenders' means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to either a joinder agreement pursuant to Section 2.23(c)(i) or an Assignment and Assumption, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Assumption."

1.3 Amendments to Section 2.23 (Increase in Revolving Commitments).

(a) The introductory clause in Section 2.23(a) of the Credit Agreement is hereby amended in its entirety as follows:

"From time to time on and after the Effective Date and prior to the date of termination of the Revolving Commitments but not more than 2 times during any 12-month period,"

(b) Section 2.23(a) of the Credit Agreement is hereby amended by replacing the figure "$15,000,000" on the 5th line thereof, and substituting therefor the figure "$10,000,000".

ARTICLE II

WAIVER

The Company has notified the Administrative Agent that Chang Hwa Commercial Bank, Ltd., Los Angeles Branch desires to join the Credit Agreement as a Lender with a Revolving Commitment of $10,000,000, and the Required Lenders, by their execution hereof, hereby waive the requirement in Section 2.23(a) of the Credit Agreement of at least 30 days prior notice of the increase of the aggregate amount of the Revolving Commitment resulting from the joinder of Chang Hwa Commercial Bank, Ltd., Los Angeles Branch to the Credit Agreement. Except as expressly set forth herein, this waiver shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Lenders, the Issuing Banks, the Administrative Agent or the Borrowers under the Credit Agreement or any other Loan Document, and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle the Borrowers to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances.

ARTICLE III

CONDITIONS OF EFFECTIVENESS

This First Amendment shall become effective as of the date (such date being referred to as the "First Amendment Effective Date") on which the Administrative Agent shall have received, dated as of the First Amendment Effective Date, an executed counterpart hereof from the Company and the Required Lenders.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Company (on behalf of itself and its Subsidiaries) represents and warrants to the Administrative Agent, the Issuing Banks and the Lenders that (i) the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the First Amendment Effective Date, both immediately before and after giving effect to this First Amendment (except to the extent any such representation or warranty is expressly stated to have been made as of a specific date, in which case such representation or warranty shall be true and correct in all material respects as of such date), (ii) this First Amendment has been duly authorized, executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company and the Borrowing Subsidiaries enforceable against them in accordance with its terms, and (iii) no Default or Event of Default shall have occurred and be continuing on the First Amendment Effective Date, both immediately before and after giving effect to this First Amendment.

ARTICLE V

ACKNOWLEDGEMENT AND CONFIRMATION OF THE COMPANY

The Company hereby confirms and agrees, on behalf of itself and the Borrowing Subsidiaries, that after giving effect to this First Amendment, the Credit Agreement and the other Loan Documents remain in full force and effect and enforceable against each Borrower in accordance with their respective terms and shall not be discharged, diminished, limited or otherwise affected in any respect, and the amendments contained herein shall not, in any manner, be construed to constitute payment of, or impair, limit, cancel or extinguish, or constitute a novation in respect of, the Obligations of any Borrower evidenced by or arising under the Credit Agreement and the other Loan Documents, which shall not in any manner be impaired, limited, terminated, waived or released, but shall continue in full force and effect. The Company represents and warrants to the Lenders on behalf of itself and the Borrowing Subsidiaries that it has no knowledge of any claims, counterclaims, offsets, or defenses to or with respect to its obligations under the Loan Documents, or if any Borrower has any such claims, counterclaims, offsets, or defenses to the Loan Documents or any transaction related to the Loan Documents, the same are hereby waived, relinquished, and released in consideration of the execution of this First Amendment. This acknowledgement and confirmation by the Company is made and delivered to induce the Administrative Agent and the Lenders to enter into this First Amendment, and the Company acknowledges that the Administrative Agent and the Lenders would not enter into this First Amendment in the absence of the acknowledgement and confirmation contained herein.

ARTICLE VI

MISCELLANEOUS

6.01 Governing Law. This First Amendment shall be governed by and construed and enforced in accordance with the laws of the State of New York.

6.02 Full Force and Effect. Except as expressly amended hereby, the Credit Agreement shall continue in full force and effect in accordance with the provisions thereof on the date hereof. As used in the Credit Agreement, “hereinafter,” “hereto,” “hereof,” and words of similar import shall, unless the context otherwise requires, mean the Credit Agreement after amendment by this First Amendment. Any reference to the Credit Agreement or any of the other Loan Documents herein or in any such documents shall refer to the Credit Agreement and Loan Documents as amended hereby. This First Amendment is limited as specified and shall not constitute or be deemed to constitute an amendment, modification or waiver of any provision of the Credit Agreement except as expressly set forth herein. This First Amendment shall constitute a Loan Document under the terms of the Credit Agreement.

6.03 Expenses. The Company agrees on demand (i) to pay all reasonable fees and expenses of counsel to the Administrative Agent, and (ii) to reimburse the Administrative Agent for all reasonable out-of-pocket costs and expenses, in each case, in connection with the preparation, negotiation, execution and delivery of this First Amendment and the other Loan Documents delivered in connection herewith.

6.04 Severability. To the extent any provision of this First Amendment is prohibited by or invalid under the applicable law of any jurisdiction, such provision shall be ineffective only to the extent of such prohibition or invalidity and only in any such jurisdiction, without prohibiting or invalidating such provision in any other jurisdiction or the remaining provisions of this First Amendment in any jurisdiction.

6.05 Successors and Assigns. This First Amendment shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6.06 Construction. The headings of the various sections and subsections of this First Amendment have been inserted for convenience only and shall not in any way affect the meaning or construction of any of the provisions hereof.

6.07 Counterparts. This First Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this First Amendment by telecopy or by electronic mail in a .pdf or similar file shall be effective as delivery of a manually executed counterpart of this First Amendment. A complete set of counterparts shall be lodged with the Company and the Administrative Agent.

[THE BALANCE OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

THE VALSPAR CORPORATION

by

Name: Tyler Treat
Title: Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent, an Issuing Bank, and a Lender

By: _____

Name:
Title:

BANK OF AMERICA, N.A.

By: _____

Name: _____

Title: _____

Deutsche Bank AG New York Branch

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

THE BANK OF TOKYO-MITSUBISHI UFJ,
LTD., as a Lender

By: _____

Name: _____

Title: _____

PNC Bank, National Association

By: _____

Name: _____

Title: _____

Commonwealth Bank of Australia

By: _____

Name: _____

Title: _____

Comerica Bank

By: _____

Name: _____

Title: _____

Exhibit 31.1

SECTION 302 CERTIFICATION

I, William L. Mansfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Valspar 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.

Date: March 10, 2010

/s/William L. Mansfield
William L. Mansfield
Chairman and Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Lori A. Walker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Valspar 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.

Date: March 10, 2010

/s/Lori A. Walker
Lori A. Walker
Senior Vice President and
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Valspar Corporation (the "Company") on Form 10-Q for the quarter ended January 29, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William L. Mansfield, Chief Executive Officer of the Company and I, Lori A. Walker, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities 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.

/s/William L. Mansfield
William L. Mansfield
Chairman and Chief Executive Officer

March 10, 2010

/s/Lori A. Walker
Lori A. Walker
Senior Vice President and
Chief Financial Officer

March 10, 2010