

HOLD SEPARATE TRUSTEE AGREEMENT

This Hold Separate Trustee Agreement (“Agreement”) entered into by and between Graco Inc. (“Respondent”) and Thomas R. VerHage (the “Hold Separate Trustee”) provides as follows:

WHEREAS, Respondent has executed with the United States Federal Trade Commission (the “Commission”) an Agreement Containing Consent Orders (“Consent Agreement”) incorporating a Decision and Order and an Order to Hold Separate and Maintain Assets (“Hold Separate Order”) (collectively, the “Orders”), which, among other things: (i) require Respondent to hold the Hold Separate Business separate, apart and independent from Respondent’s other businesses; (ii) require Respondent to maintain and assure the continued viability, marketability, and competitiveness of the Hold Separate Business; (iii) require Respondent to divest some or all of the Liquid Finishing Business Assets as the Commission deems necessary; and (iv) provide for the appointment of a Hold Separate Trustee to monitor the operations of the Hold Separate Business and ensure Respondent complies with its obligations as required by the Orders;

WHEREAS, the Commission has appointed Thomas R. VerHage as the Hold Separate Trustee pursuant to the Hold Separate Order;

WHEREAS, the Hold Separate Order further provides that Respondent shall execute a Hold Separate Trustee Agreement, subject to the prior approval of the Commission, that transfers and confers upon the Hold Separate Trustee all rights, powers, and authority necessary to permit the Hold Separate Trustee to perform the Hold Separate Trustee’s duties and responsibilities pursuant to the Orders; and

WHEREAS, this Agreement conforms with the requirements of the Orders and does not contradict and will not be interpreted or applied in a manner that varies or contradicts the requirements of the Orders; and

WHEREAS, the parties to this Agreement intend to be legally bound, subject only to the Commission’s approval of this Agreement.

NOW, THEREFORE, the parties agree as follows:

1. **Defined Terms.** Capitalized terms used in this Agreement and not specifically defined herein shall have the respective definitions given to them in the Orders.

2. **Hold Separate Trustee’s Areas of Responsibility.** The Hold Separate Trustee shall have all of the powers, responsibilities and protections conferred upon the Hold Separate Trustee by the Hold Separate Order, including but not limited to responsibility, consistent with the terms of the Orders, for:

- a. monitoring the organization of the Hold Separate Business;

- b. supervising the management of the Hold Separate Business by the Hold Separate Managers;
- c. maintaining the independence of the Hold Separate Business; and
- d. monitoring Respondent's compliance with its obligations pursuant to the Orders, including, without limitation, maintaining the viability, marketability, and competitiveness of the Hold Separate Business pending divestiture.

By the date required by the Hold Separate Order, Respondent shall transfer to the Hold Separate Trustee all rights, powers, and authorities necessary to permit the Hold Separate Trustee to perform the Hold Separate Trustee's duties and responsibilities pursuant to the Hold Separate Order and consistent with the purposes of the Orders.

3. **Access:** Subject to all applicable laws and regulations, the Hold Separate Trustee shall have full and complete access to all personnel, books, records, documents, and facilities of the Hold Separate Business, and to any other relevant information as the Hold Separate Trustee may reasonably request, including but not limited to all documents and records kept by Respondent in the ordinary course of business that relate to the Hold Separate Business. Respondent shall develop such financial or other information as the Hold Separate Trustee may reasonably request and shall cooperate with the Hold Separate Trustee. The Hold Separate Trustee shall give Respondent reasonable notice of any request for such access or such information. The Hold Separate Trustee shall attempt to schedule any access or requests for information in such a manner as will not unreasonably interfere with Respondent's operations. At the request of the Hold Separate Trustee, Respondent shall promptly arrange meetings and discussions, including tours of relevant facilities, at reasonable times and locations between the Hold Separate Trustee and employees of Respondent who have knowledge relevant to the proper discharge of the Hold Separate Trustee's responsibilities under the Hold Separate Order.

4. **Hold Separate Trustee's Obligations.** The Hold Separate Trustee shall:

- a. carry out the Hold Separate Trustee's duties and responsibilities within the Hold Separate Trustee's areas of responsibility set forth in Section 2 above, including submission of written reports to the Commission thirty (30) days after the Acquisition Date and every thirty (30) days thereafter until the Hold Separate Order terminates concerning the efforts to accomplish the purposes of the Hold Separate Order and Respondent's compliance with its obligations under the Orders. Included within that report shall be the Hold Separate Trustee's assessment of the extent to which the businesses comprising the Hold Separate Business are meeting (or exceeding) their projected goals as are reflected in operating plans, budgets, projections, or any other regularly prepared financial statements.
- b. maintain the confidentiality of all confidential information, including Confidential Business Information and any other information provided to the Hold Separate

Trustee by Respondent, any Prospective Acquirer or Commission-approved Acquirer of the Held Separate Business or any portion thereof, any supplier or customer of the Respondent, or the Commission, and shall use such information only for the purpose of performing the Hold Separate Trustee's duties and responsibilities as Hold Separate Trustee and not for any other purpose, including, without limitation, any other business, technological or personal purpose. The Hold Separate Trustee may disclose Confidential Business Information only to:

- i. persons engaged by, employed by or working with the Hold Separate Trustee under this Agreement;
 - ii. any Prospective Acquirer or Commission-approved Acquirer of the Hold Separate Business or any part thereof; and
 - iii. persons employed at the Commission who are working on this matter.
- c. require any consultants, accountants, attorneys, and other representatives and assistants retained by the Hold Separate Trustee to assist in carrying out the Hold Separate Trustee's duties and responsibilities as Hold Separate Trustee to execute a confidentiality agreement that requires such persons to treat confidential information, including any Confidential Business Information, with the same standards of care and obligations of confidentiality to which the Hold Separate Trustee must adhere under this Agreement. The Hold Separate Trustee shall maintain a record of persons engaged by the Hold Separate Trustee under this Agreement to whom Confidential Business Information has been disclosed;
 - d. maintain the confidentiality, for a period of five (5) years after the termination of this Agreement, of all other aspects of the performance of the Hold Separate Trustee's duties and responsibilities under this Agreement, and not disclose any confidential or proprietary information relating thereto; and
 - e. upon the termination of the Hold Separate Trustee's duties and responsibilities under this Agreement, promptly return to Respondent all materials provided to the Hold Separate Trustee by Respondent that are confidential and that it is entitled to have returned to it under the Orders, and destroy any materials prepared by the Hold Separate Trustee that contain or reflect any confidential information of Respondent provided that the Commission does not require the Hold Separate Trustee to maintain such materials or deliver same to the Commission.
5. **Fees and Expenses.** Respondent will pay the Hold Separate Trustee for the performance of the Hold Separate Trustee's duties and responsibilities under this Agreement in accordance with the fee schedule attached hereto as Confidential Exhibit A. In addition, Respondent will: (i) reimburse the Hold Separate Trustee for actual and reasonable pre-approved travel expenses (to include airfare, ground transportation, parking, meals and lodging) incurred in the performance of the Hold Separate Trustee's duties and

responsibilities under this Agreement in accordance with the travel expense reimbursement policy attached hereto as Confidential Exhibit B; and (ii) pay all reasonable fees and disbursements incurred by such consultants, accountants, attorneys, and other representatives and assistants as are reasonably necessary to carry out the Hold Separate Trustee's duties and responsibilities under this Agreement. The Hold Separate Trustee shall be solely responsible for compliance with all applicable laws, regulations and requirements pertaining to work permits, income and social security taxes, unemployment insurance, worker's compensation, disability insurance, and the like.

6. **Indemnification.** Respondent shall indemnify the Hold Separate Trustee and hold the Hold Separate Trustee harmless against any losses, claims, damages, liabilities or expenses arising out of, or in connection with, the performance of the Hold Separate Trustee's duties, including all reasonable fees of counsel and other expenses incurred in connection with the preparation for or defense of any claim, whether or not resulting in any liability, except to the extent that such liabilities, losses, damages, claims, or expenses result from gross negligence or willful misconduct by the Hold Separate Trustee.
7. **Disputes.** In the event of a disagreement or dispute between Respondent and the Hold Separate Trustee concerning Respondent's obligations under the Hold Separate Order, and in the event that such disagreement or dispute cannot be resolved by the parties, either party may seek the assistance of the Commission's Compliance Division.
8. **Conflicts of Interest.** If the Hold Separate Trustee becomes aware during the term of this Agreement that the Hold Separate Trustee has or may have a conflict of interest that may affect or could have the appearance of affecting performance by the Hold Separate Trustee of any of the Hold Separate Trustee's duties or responsibilities under this Agreement, the Hold Separate Trustee shall promptly inform Respondent and the Commission of any such conflict.
9. **Termination.** This Agreement shall terminate upon the earlier of: (i) the day after the Divestiture Date; (ii) Respondent's receipt of written notice from the Commission that the Commission has determined that the Hold Separate Trustee has ceased to act or failed to act diligently and consistent with the purposes of the Hold Separate Order, or is unwilling or unable to continue to serve as Hold Separate Trustee; and (iii) with at least thirty (30) days advance written notice to be provided by the Hold Separate Trustee to Respondent and to the Commission, upon resignation of the Hold Separate Trustee. If this Agreement is terminated for any reason, the confidentiality obligations set forth in this Agreement will remain in full force and effect.
10. **Relationship of Parties.** It is understood that the Hold Separate Trustee will be serving under this Agreement in a fiduciary capacity for the benefit of the Commission and that the relationship of employer and employee shall not exist between the Hold Separate Trustee and Respondent.

11. **Governing Law.** This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by the substantive laws of the State of Minnesota, including all matters of construction, validity, and performance. The Hold Separate Order shall govern this Agreement and any provisions herein which conflict with or are inconsistent with the Hold Separate Order may be declared null and void by the Commission and any provision not in conflict shall survive and remain a part of this Agreement.
12. **Disclosure of Information.** Nothing in this Agreement shall require Respondent to disclose any material information that is subject to a legally recognized privilege or that Respondent is prohibited from disclosing by reason of law or an agreement with a third party.
13. **Assignment.** This Agreement may not be assigned or otherwise transferred by Respondent or the Hold Separate Trustee without the prior written consent of the other party and the prior approval of the Commission. Any such assignment or transfer shall be consistent with the terms of the Hold Separate Order.
14. **Modification.** No amendment, modification, termination or waiver of any provision of this Agreement shall be effective unless made in writing, signed by all parties, and approved by the Commission. Any such amendment, modification, termination or waiver shall be consistent with the terms of the Hold Separate Order.
15. **Approval by the Commission.** This Agreement shall have no force or effect until approved by the Commission.
16. **Entire Agreement.** This Agreement, and those portions of the Hold Separate Order incorporated herein by reference, constitute the entire agreement of the parties and supersedes any and all prior agreements and understandings between the parties, written or oral, with respect to the subject matter hereof.
17. **Notices.** All notices permitted or required under this Agreement shall be in writing and shall be by personal delivery, a nationally recognized overnight courier service (*e.g.* Federal Express or UPS), e-mail or facsimile transmission, or certified or registered United States mail, return receipt requested. Notices shall be deemed given upon actual receipt of a personal delivery, the earlier of actual receipt or one (1) day after deposit with the courier service, upon receipt by sender of confirmation of any facsimile or e-mail transmission, or five (5) days after deposit with the U.S. Postal Service. Notices shall be sent to the addresses listed below, or to such other address as either party may specify in writing.
18. **Headings.** The headings in the sections of this Agreement are inserted for convenience only and shall not affect the meaning or interpretation of this Agreement.

19. **Severability.** If any provision of this Agreement shall be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any of the remaining provisions of this Agreement, and this Agreement shall be enforced as if such invalid or unenforceable provision had not been contained herein and such invalid or unenforceable provision shall be reformed and enforced to the maximum extent permitted under applicable law.

20. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by delivery of a facsimile copy of an executed signature page, or delivery via email of PDF or other electronic copy of an executed signature page, with the same force and effect as the delivery of an originally executed signature page.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of March __, 2012.

HOLD SEPARATE TRUSTEE
Thomas R. VerHage

RESPONDENT
Graco Inc.

By: _____

By: _____

Address:

Name:

Title:

Address:

Fax:

E-Mail:

Fax:

E-Mail:

19. Severability. If any provision of this Agreement shall be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any of the remaining provisions of this Agreement, and this Agreement shall be enforceable as if such invalid or unenforceable provision had not been contained herein and such invalid or unenforceable provision shall be retained and enforced to the maximum extent permitted under applicable law.

20. Counterparts. This Agreement may be executed by one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by delivery of a true and correct copy of an executed signature page, or delivery via email of PDF or other electronic copy of an executed signature page, with the same force and effect as the delivery of an originally executed signature page.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of March 19, 2012.

HOLD SEPARATE TRUSTEE
Thomas R. Verhage

RESPONDENT
Grade Inc.

Thomas R. Verhage
Name: Thomas R. Verhage
Title: CEO, Grade Inc.
Address: 8518 Lee Ave N, Suite 100, Minneapolis, MN 55412
Fax:
E-Mail: tom.verhage@gmail.com

CONFIDENTIAL EXHIBITS A AND B

[Redacted From the Public Record Version, But Incorporated By Reference]