INTERVIEW WITH

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SHERWIN-WILLIAMS

CLEVELAND, OHIO

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INTERVIEWED BY

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INT: We really talked mostly about your career in the Stores. So will you remind us when you first came to International and what's happened since.

WE: I came to International in the spring of 1981. I stayed on THE ~~my~~ job until August 1983 when I became a group vice president. But in that responsibility I had had International reporting to me. And then I left that job in July of 1986 to come back to the job of running International.

INT: And that was when? The group vice president?

WE: At that time we had no president of the company. The operating responsibility was HANDLED ~~operated~~ by two group vice presidents, and I was one. And then when Tom Commes was made president they eliminated a group vice president position.

INT: Can you give us some understanding of the way International was run before you were there? I remember, for instance, Dick Steudel.

WE: As best I can recall, historically in International, we had subsidiaries and licensees. And the responsibility reported to the treasurer of the company, Luther Schroeder. And the general managers of our overseas operations, ~~totally our subsidiaries~~, reported to Mr. Schroeder. And Dick Steudel ran something called

Foreign Company Service, which was in fact a service operation working with the overseas operations ~~But he did not have International responsibility for those~~. He did not have direct line responsibility for them. I'm not quite sure who Dick reported to. And then sometime during the time Colin Baldwin was chairman, he brought in a man named Sidney Lang who came ~~at some time~~ from Berger, ~~and they~~ who had been in Canada for awhile. I'm not sure. Brought him in and created a function of vice president of International and turned over that responsibility and the direct reports and the whole licensing service to Sidney Lang. And I believe Michael Welsh came along with him. I think Michael Welsh had been with ~~them~~ him at Berger. And then Michael had also been in Canada for awhile too, I think with Berger. Although maybe he worked with Sherwin-Williams. I really don't remember at this point. So Sidney became the vice president of International. And then I think he retired and/or I guess subsequently died. And then Michael Welsh took on that responsibility. And Tory Foster came in to work for him. And Michael was let go and Tory became V.P. of International. Then Chris Lawler, another executive, was assigned the International responsibility from another job within the company. And Tory Foster worked for him. And then Tory was let go. Then Lawler left the company and I took on the responsibility.

INT: This was in 1977 when we reorganized.

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WE: Yes.

INT: They list domestic subsidiaries as the Sherwin-Williams company of Europe and the Sherwin-Williams International.

WE: I don't know anything about that. You'd have to talk to the people who put together everything. Those are companies which may be paper companies for one purpose or another.

INT: When you took over the job in International, was Canada under International?

WE: As I recall, yes, Canada was under International. It had not been historically under International, but it had been put under International some time before I took over. At some time a few years prior to that, Canada had reported directly in to the president, I think. But sometime before I took over it was made part of International.

INT: There's a list in that same 1977 annual report of foreign companies and plants. I know a lot of them you don't know -- [tape interrupted]...

INT: What do you think is the most important event of the years you've been in International?

WE: I think the whole situation with S-W Canada is the most important activity. S-W Canada had been a problem for the Sherwin-Williams company for a long time. It lost money going back, as I recall, into the mid-sixties. And even some of the profits they showed during that period of time were as a result of no reinvestment of capital into the company. People before me and I had made changes in management, but it didn't seem to do a great deal of good ~~help~~. The fundamental problem was that the company had gone on without investment over a long period of time when other companies had been investing substantially ~~or heavily~~ in the paint business in Canada. As a result, we had ~~a factory with~~ an antiquated plant, a very expensive plant to operate, in Montreal. We were trying to service all of Canada from the east coast to the west coast out of this factory, which is always a problem in Canada because commercially ~~essentially~~ the country is 150 miles wide and 3,000 miles long. We were trying to service the automotive refinish business. We were trying to service the chemical coatings business, the decorative business, through dealers and through stores. And we didn't have really the size in any of these to do the most efficient job. Our most effective competition were primarily regional companies who had been more aggressive in their marketing, and in their investment over a period of years, and who had taken market share away from us. We looked at several ways of resolving this issue, one of which was to sell the company to someone else or to merge it. We considered a merger with a company called SICO in Quebec. And

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that fell through. We finally ended up merging our decorative paint business -- that is the trade sales paint business sold through dealers and stores -- with a company called CIL. CIL stood for Canadian Industries Limited. They were the decorative paint division of CIL, CIL being a chemical company with many chemical lines. CIL at that time was 73% owned by ICI, which of course is the large British chemical company. They were also losing money in decorative paints. So we merged our money-losing decorative paint business with their money-losing decorative paint business. And we threw in some of our chemical coatings business to them as part of the deal because their business was larger than ours. Anyway, we equalized the investment that way. We transferred our automotive refinish business to the United States, actually to a Canadian subsidiary controlled by the United States. And in fact, the AUTOMOTIVE product from that time on was manufactured ~~out~~ IN of the United States. In any event, we invested about $17 million Canadian dollars in the joint venture, which was called BAPCO, which is an old name that CIL owned standing for British American Paint Company. ~~We merged the company~~. We merged the management from the two organizations. The general manager was Dennis Wright who came from CIL. He had been on SECONDMENT ~~(unclear)~~ from ICI in the U.K. The joint venture was put together in the form of a partnership which was to expire at the end of five years. It was a partnership rather than a corporation because this was advantageous to Sherwin-Williams under the U.S. tax laws. The intention was that the partnership would run for five years and then one of the companies would buy the other one out or it would be converted to a corporation or something of that nature. At the time we did it we thought the most likely scenario was that Sherwin-Williams would buy out CIL, because at that time Sherwin-Williams had more interest in the decorative paint business than CIL did. CIL was essentially a division of ICI. And at that time ICI was interested in various chemicals and in industrial and automotive paint, but not in decorative paint. ~~Prior to~~ PART OF the partnership agreement was a divorce clause which specified a method whereby one partner could force a sale from one party to the other in the event no amicable solution could be reached. BAPCO operated for five years. It operated as a partnership run by Canadian management reporting to a partnership committee made up of three people from Sherwin-Williams and three from CIL. I was sort of the major representative on the Sherwin-Williams side. We would meet at least once a month and sometimes more often. CIL contributed to the partnership some of their expertise. And Sherwin-Williams contributed a lot of our expertise in operations and running stores, etc. The partnership lasted for five years and took a company that had lost a substantial amount of money and turned it into a respectable profit and it started out with a debt of $39 million which was liquidated. At the end of the period we entered into negotiations with CIL. By that time ICI had purchased the remaining shares of CIL on the open market and had complete control of CIL, so we really negotiated with ICI. In the interim, ICI had purchased Glidden, who was a major competitor of Sherwin-Williams in the United States, which resulted in a somewhat difficult situation. We proposed that we merge Glidden Canada into the company, that we merge our RUBBERSET BRUSH ~~(unclear) paint~~ division into the company and continue on, since the company now had the major market share in Canada and was operating profitably and looked like it had a very good future. ICI refused to do this, primarily, I think, because the management of Glidden in the U.S. refused to do it. I should point out that Glidden Canada previously had reported to Glidden U.S. And as a result, we reached an agreement whereby ICI bought out Sherwin-Williams for fifty million U.S. dollars with the understanding that Sherwin-Williams U.S. would not go back into Canada in the decorative business for two years. ~~But,~~ However, during that two years Sherwin-Williams U.S. received royalties from ICI for THEIR ~~the~~ use of OUR ~~their~~ name and the trade MARKS ~~rights~~ in Canada.

INT: So where do our prospects in Canada stand now?

WE: Actually, we sold our decorative business. There is still a company called Sherwin-Williams ~~in~~ Canada. And the only actual asset it has is the [rubber set] factory in [illegible] (~~unclear~~), Ontario. That's still somewhat of a problem since we have a few outside shareholders representing less than 1% of the total stock outstanding. ~~But one of those shareholders in particular is~~

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~~suing us at the present time~~. ~~So~~ There is still a need to maintain S-W Canada as an entity. And there are probably advantages to keeping it as a corporation because if we could ever put profitable units into it there are some big advantages because there are some tax loss carry forwards ~~(unclear)...~~. ~~The Sherwin-Williams domestic operations~~, Now that the two year moratorium is up, the Sherwin-Williams domestic operations will be going into Canada with their own particular units. Rather than considering Canada as a subsidiary now, we'll open stores which will come under the Stores Division, we'll open dealers which will come under the Consumer Division, etc. We'll really run it as part of the United States. And of course, this has become possible because of the free trade agreement between the U.S. and Canada.

INT: Two of the other major parts of the International business that I can think of are Puerto Rico and Mexico. Both of them have been parts of International since you were there.

WE: Yes. Mexico has been a very strong subsidiary for a long period of time. It's very well managed. It's very profitable. It has been unconsolidated for the last several years. I'm not sure when it was deconsolidated. ~~But you notice, that list you show there, it shows Brazil as being unconsolidated, but Brazil is consolidated~~. All I can say about it is it's an excellent operation which returns a very high return on investment in terms of PBT, etc. And it continues to pay ~~well in~~ dividends to the

U.S. The history of ~~Puerto Rico~~, Sherwin-Williams Puerto Rico, goes back a long way. Initially it was an export market handled by the export department. And Sherwin-Williams had an exclusive distributor in Puerto Rico NAMED MAYOL whose name ~~I've forgotten right now.~~ ~~But~~ They HAD ~~were in~~ a CHAIN ~~series~~ of stores. And in order to supply them Sherwin-Williams put a small factory in Puerto Rico. I don't remember exactly when this was. However, the takings from the distributor were never adequate to really utilize the factory. ~~So that arrangement was really sort of a problem.~~ ~~And~~ Eventually Sherwin-Williams bought out the distributor, because they had exclusivity, for a quarter of a million dollars. And PUERTO RICO ~~it~~ was turned over to the Consumer Division and THEY set ~~it~~ up as ~~a~~ commercial store. ~~And~~ The CONSUMER DIV ~~they~~ were having problems with that, so they wanted to go back and set up an exclusive distributorship again. And we got involved and said that's not the right thing to do, and we took over Puerto Rico.

INT: We being International.

WE: We being International. And we ran it with the one main store for awhile, and ~~operating~~ with dealers. WE HAD A DIFFERENT [illegible] ~~with a separate product line~~ that we had manufactured partly in the U.S., partly in Haiti, and all over the place. We subsequently changed our strategy and opened stores similar to the U.S. and import~~ing~~ the product line from the U.S. And that's where we stand now. It's still a problem. It should really be part of our Stores

Division. And I imagine once we get it straightened out -- which we will -- it will be incorporated into the Stores Division.

INT: The one other thing -- do you want to say anything about Brazil, which is the one other plant.

WE: Well, Brazil is a company we bought I think somewhere between 1944 and 1946. We bought an operating paint company in Brazil and called it Sherwin-Williams Brazil. And it was operated out of the United States. The general manager reported to Luther Schroeder. Apparently, at some time in the late forties and early fifties, it developed a very high market share. I've been told it had almost 50% of the Brazilian market. It deteriorated over a long period of time primarily, I guess, because as best I know, it WAS sort of OPERATED IN ~~operated in~~ a colonial manner. The management was not aggressive, did not really get involved, and more aggressive European and Brazilian companies took the market away from us. When I first became involved we had a very small percentage of the market. We have a larger percentage now, but it's still a relatively small percentage; Although, we do have a substantially better percentage in certain segments of the market. I've been involved with Brazil and Latin America only since the beginning of the 1980s which has been a difficult decade following a really good decade in Latin America. So during that ten years Brazil has had its ups and downs in the country and we've had our ups and downs in the company. At the present time, Brazil is under very difficult circumstances and we're doing our best to see that the company survives during this difficult period.

INT: Is there anything I should have asked you about International?

WE: ~~Well~~, in addition to these subsidiaries we have a company in Panama which has never been a really good operation, except that we were showing significant improvement until the Noriega problem started. Then it began to deteriorate and our factory was sacked during the civil unrest by the ~~[Dignity of Italians]~~ DIGNITY BATTALIONS following the U.S. invasion. And now we're attempting to get that company back on its feet again. In addition, we have joint ventures in Saudi Arabia and Ireland. WE ALSO HAVE A RATHER EXTENSIVE LICENSING OPERATION WITH OUR 40 LICENSEES IN 35 [illegible]. IT IS QUITE PROFITABLE.

INT: Thank you very much.

WE HAVE A CONSOLIDATED SUBSIDIARY IN JAMAICA WHICH IS TURNING INTO A VERY PROFITABLE OPERATION [illegible] DISTRIBUTING FOR DUNKIN' DONUTS AND [illegible]