

VALSPAR CORP  
Form DEF 14A  
January 16, 2009

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to 240.14a-12

The Valspar Corporation

---

(Name of Registrant as Specified In Its Charter)

N/A

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Edgar Filing: VALSPAR CORP - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
  
- (2) Aggregate number of securities to which transaction applies:
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
  
- (4) Proposed maximum aggregate value of transaction:
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
- (2) Form, Schedule or Registration Statement No.:
  
- (3) Filing Party:
  
- (4) Date Filed:

---

**The Valspar Corporation**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**February 25, 2009**

The annual meeting of stockholders of The Valspar Corporation will be held at the Guthrie Theater, 818 South 2nd Street, Minneapolis, Minnesota 55415 on Wednesday, February 25, 2009 at 11:00 A.M., for the following purposes:

1. To elect as directors (Class II) the four individuals nominated by the Board of Directors for a term of three years;
2. To approve The Valspar Corporation 2009 Omnibus Equity Plan;
3. To ratify the appointment of the independent registered public accounting firm to examine the Corporation's accounts for the fiscal year ending October 30, 2009; and
4. To transact such other business as may properly come before the meeting or any adjournments thereof.

Stockholders of record at the close of business on December 29, 2008 are entitled to notice of and to vote at the meeting.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement of the matters to be considered at the meeting. A copy of the Annual Report for the year ended October 31, 2008 also accompanies this Notice.

By Order of the Board of Directors,

ROLF ENGH,  
*Secretary*

Approximate Date of Mailing of Proxy Materials:  
January 16, 2009

**Important Notice Regarding the Availability of Proxy Materials for the**

**Annual Meeting of Stockholders to be Held February 25, 2009**

The following materials, also included with this Notice, are available for view on the Internet:

Proxy Statement for the Annual Meeting of Stockholders

Annual Report to Stockholders, including Form 10-K, for the year ended October 31, 2008

To view the Proxy Statement or Annual Report to Stockholders, visit:

<http://bnymellon.mobular.net/bnymellon/val>

*Please refer to the enclosed proxy card and the attached proxy statement*

*for information on voting options: Internet Telephone Mail*

---

# The Valspar Corporation

1101 Third Street South

P.O. Box 1461

Minneapolis, Minnesota 55440

## PROXY STATEMENT

**Annual Meeting of Stockholders**

**February 25, 2009**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of proxies in the accompanying form. Shares will be voted in the manner directed by the stockholders; provided, however, that if no direction is given by a stockholder, the shares will be voted as recommended by the Corporation's Board of Directors. A stockholder giving a proxy may revoke it at any time before it is exercised by (i) giving written notice of revocation to the Office of the Secretary of the Corporation, (ii) delivering a duly executed proxy bearing a later date, or (iii) voting in person at the Annual Meeting.

Registered stockholders may vote in one of three ways: By completing and returning the enclosed proxy card via regular mail or by voting via the Internet or telephone, as permitted by Delaware law. Specific instructions for using these methods are set forth on the enclosed proxy card. The Internet and telephone procedures are designed to authenticate the stockholder's identity and to allow stockholders to vote their shares and confirm that their instructions have been properly recorded.

## Edgar Filing: VALSPAR CORP - Form DEF 14A

Proxies are being solicited by mail, and, in addition, directors, officers and employees of the Corporation may solicit proxies personally, by telephone or letter at no additional compensation to them. The Corporation will pay the expense of soliciting proxies and will reimburse brokerage firms and others for their expenses in forwarding proxy materials to beneficial owners of our common stock. In addition, the Corporation has retained Morrow & Co., LLC ( Morrow ) as a proxy consultant and to act as a proxy solicitor in conjunction with the Annual Meeting. Under the terms of an agreement dated September 17, 2008, the Corporation has agreed to pay \$25,000, plus reasonable out-of-pocket expenses, to Morrow for its consulting and proxy solicitation services.

If a stockholder abstains from voting on any matter, the abstention will be counted for purposes of determining whether a quorum is present at the Annual Meeting of Stockholders for the transaction of business as well as shares entitled to vote on that matter. Under Section 216 of the Delaware General Corporation Law, on matters other than the election of directors, an action of the stockholders generally requires the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the matter. Accordingly, an abstention on any matter other than the election of directors will have the same effect as a vote against that matter. A non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter. Consequently, non-votes generally do not have the same effect as a negative vote on the matter.

### PROPOSAL NUMBER ONE

#### Election of Directors

In accordance with the Corporation's By-Laws, we may have up to twelve directors, divided into three classes. Each class consists of four seats, with each director serving a term of three years. There are currently ten directors serving on the Board of Directors. The terms of Class II directors will expire at the Annual Meeting. The Board of Directors has nominated John S. Bode, Susan S. Boren, Jeffrey H. Curler and Stephen D. Newlin for re-election as Class II directors. Unless otherwise directed by the stockholders, it is intended that shares represented by proxy will be voted in favor of the election of the four nominees listed in Class II below, to hold office until the annual meeting in 2012 and until their successors are elected and qualify. If any of the nominees is unable or unwilling to stand for election, it is intended that shares represented by proxy will be voted for a substitute nominee recommended by the Board of Directors, unless the stockholder otherwise directs. The Board is not aware that any of the nominees is unable or unwilling to stand for election.

1

---

#### Names, Principal Occupations for the Past Five Years and Selected

#### Other Information Concerning Nominees and Directors

##### CLASS I Directors Continuing in Office Until 2011

**William L. Mansfield**

Director since 2005

Age 60

Chairman and Chief Executive Officer,  
The Valspar Corporation

Mr. Mansfield has held his present position as Chairman since August 2007 and Chief Executive Officer since February 2005. Mr. Mansfield served as President from February 2005 through February 2008. Prior to 2005, Mr. Mansfield served as Executive Vice President and Chief

## Edgar Filing: VALSPAR CORP - Form DEF 14A

Operating Officer since April 2004. Prior to 2004, Mr. Mansfield served as Executive Vice President Architectural, Packaging and Specialty Coatings since January 2002.

**Janel S. Haugarth**

Director since 2007

Age 53

Ms. Haugarth has held her present positions as Executive Vice President; President and Chief Operating Officer, Supply Chain Services, of SUPERVALU INC., which operates retail food stores and provides food distribution and other supply chain services, since May 2006. Prior to 2006, Ms. Haugarth served as Senior Vice President; President and Chief Operating Officer, Supply Chain Services since May 2005. Prior to 2005, Ms. Haugarth served as Region President, Northern and Northwest Regions of SUPERVALU INC. since October 2000.

**Richard L. White, Ph.D.**

Director since 2000

Age 69

Dr. White retired as Executive Vice President of Bayer Corporation in November 1999. Prior to 1999, Dr. White served as Executive Vice President since July 1991.

**CLASS II Nominees for Term Expiring in 2012**

**John S. Bode**

Director since 2005

Age 60

Mr. Bode retired as Partner from KPMG LLP in January 2005. Mr. Bode was elected to the partnership in 1981. Prior to his retirement, Mr. Bode served as a Global Lead Partner. Mr. Bode currently provides various consulting services to certain companies and organizations.

Mr. Bode is also a director of Titan Machinery Inc.

**Susan S. Boren**

Director since 1991

Age 61

Ms. Boren has been a Managing Partner Minneapolis office of SpencerStuart, an executive search firm, since May 1998. Ms. Boren is also a director of SpencerStuart.

**Jeffrey H. Curler**

Director since 1997

Age 58

Mr. Curler has held his present position as Executive Chairman of Bemis Company, Inc., a manufacturer of flexible packaging products and pressure sensitive materials, since May 2005 and was Chief Executive Officer from May 2000 through January 2008. Mr. Curler previously served as President from May 1996 through July 2007. Mr. Curler is also a director of Bemis Company, Inc.

**Stephen D. Newlin**

Director since 2007

Age 55

Mr. Newlin has held his present positions as Chairman, President and Chief Executive Officer of PolyOne Corporation, a global provider of specialized polymer materials, services and solutions, since February 2006. Prior to 2006, Mr. Newlin served as President Industrial Sector of Ecolab, Inc., a global developer and marketer of cleaning and sanitizing specialty chemicals, products and services, since 2003. Mr. Newlin is also a director of PolyOne Corporation and Black Hills Corporation.

2

---

**CLASS III Directors Continuing in Office Until 2010**

**Charles W. Gaillard**

Director since 1999

Age 68

Mr. Gaillard retired as President of General Mills, Inc. in October 1999. Prior to 1999, Mr. Gaillard served as President since May 1995 and Vice Chairman since December 1993.

**Mae C. Jemison, M.D.**

Director since 2002

Age 52

Retired President, General Mills, Inc.

President, BioSentient Corporation

## Edgar Filing: VALSPAR CORP - Form DEF 14A

Dr. Jemison has been President and founder of BioSentient Corporation, a medical devices company specializing in ambulatory physiologic monitoring, since December 2000. She has also been President of The Jemison Group, Inc. since 1993. The Jemison Group is a technology consulting company that applies and integrates science and advanced technology considering the worldwide social and technological circumstances of the users. Dr. Jemison founded and directs The Earth We Share, an international science camp for students ages 12-16 worldwide. She was A.D. White Professor At-Large at Cornell University and Professor Environmental Studies at Dartmouth College. From 1987 to 1993, she was an astronaut with the National Aeronautics and Space Administration (NASA) and was a member of the Space Shuttle Endeavour Flight in September 1992. Dr. Jemison is also a director of Scholastic, Inc., a publishing company, and Kimberly-Clark Corporation and a member of the Institute of Medicine of the National Academy of Sciences.

**Gregory R. Palen**

Chairman, Spectro Alloys Corporation

Director since 1992

Age 53

Mr. Palen has held his present position as Chairman of Spectro Alloys Corporation, an aluminum recycler and manufacturing company, since 1989. Mr. Palen is also the non-executive Chairman of Polaris Industries Inc. and serves as a director of various private companies and non-profit organizations.

## CORPORATE GOVERNANCE

### Board Committees

The standing committees of the Board of Directors for 2008 were as follows:

**Name of Committee**

**Membership**

Executive Committee

Susan S. Boren, William L. Mansfield Chair and Gregory R. Palen

Audit Committee

John S. Bode Chair, Susan S. Boren, Janel S. Haugarth, Mae C. Jemison and Richard L. White

Compensation Committee

Susan S. Boren, Jeffrey H. Curler, Charles W. Gaillard, Stephen D. Newlin and Gregory R. Palen Chair

Nominating and Governance Committee

Susan S. Boren Chair, Jeffrey H. Curler, Charles W. Gaillard, Stephen D. Newlin and Gregory R. Palen

The Board of Directors met six times during fiscal 2008.

The Executive Committee, in accordance with the Principles of Corporate Governance generally meets or acts only in emergencies or when requested by the full Board. The Executive Committee did not take corporate action during the fiscal year.

The Audit Committee held four meetings during the fiscal year. The Audit Committee Chair also held one teleconference and three meetings with management and the Independent Auditors prior to quarterly earnings releases. The duties and activities of the Audit Committee are described in the Audit Committee Report on page 6. All members of the Audit Committee are independent under the applicable listing standards of the New York Stock Exchange (NYSE) and the requirements for audit committee independence under Rule 10A-3 under the Securities Exchange Act of 1934. The Board has determined that each Audit Committee member is financially literate and has determined that at least one member of the Audit Committee, John S. Bode, is an audit committee financial expert who is independent of management as defined in Item 401(h)(2) of Regulation S-K.

The Compensation Committee is responsible for all matters relating to compensation of senior management and directors and for adoption and administration of employee compensation and benefit plans. All members of the Compensation Committee are independent under the applicable listing standards of the NYSE. The Compensation Committee held five meetings during the fiscal year at which it reviewed and approved the compensation plans and arrangements or granted options for officers, employees and directors.

The Compensation Committee may not delegate its responsibility of overseeing executive officer and director compensation, but may, and has, delegated to management certain administrative aspects of the Corporation's compensation plans which do not involve setting compensation levels for executive officers and directors. Additional information on the role of management and compensation consultants in our compensation process is contained in the Compensation Discussion and Analysis beginning on page 7.

The Nominating and Governance Committee (the Governance Committee) held six meetings during the fiscal year at which it conducted Chief Executive Officer performance evaluations, reviewed succession plans, considered nominations for Board membership and considered other matters related to corporate governance. All members of the Governance Committee are independent under the applicable listing standards of the NYSE.

During fiscal 2008, each director attended 75% or more of the meetings of the Board and of the committees on which the director served.

#### **Director Nomination Process**

The Corporation's Board of Directors has adopted a formal process by which individuals are reviewed for possible nomination to the Corporation's Board of Directors. Under this process, the Governance Committee will consider nominees for Board membership submitted by stockholders. Any stockholder recommendation should be submitted in writing to the Corporation in care of the Corporate Secretary at 1101 Third Street South, Minneapolis, Minnesota 55415, along with the written consent of such nominee to serve as a director if so elected. Any such recommendation by a stockholder shall be referred to the Governance Committee, and the Governance Committee, in consultation with the Corporation's General Counsel, will review the nomination in accordance with the Corporation's Board Candidate Review and Nomination Process, certificate of incorporation, by-laws and applicable laws and regulations. The Governance Committee considers general business experience, industry experience, track record as a director of other companies, probable tenure if elected and other factors as relevant in evaluating Board nominees.

When the Board considers an individual for possible nomination to the Board, the Governance Committee, in consultation with the Corporation's Chief Executive Officer, will prepare a profile of a candidate expected to provide the most meaningful contribution to the Board as a whole. The Governance Committee (or a subcommittee designated by the Governance Committee) will normally consider all of the following: (a) the candidate's skills, experience and other relevant biographical information, (b) the candidate's general interest in serving a public corporation, (c) the candidate's ability to attend Board and committee meetings and (d) any potential concerns regarding independence or conflicts of interest.

Following the initial screening, if the Governance Committee approves a candidate for further review, the Governance Committee will establish an interview process for the candidate. It is expected that at least a majority of the members of the Governance Committee, along with the Corporation's Chief Executive Officer, would interview each candidate. At the same time, the Governance Committee, assisted by the Corporation's General Counsel, will conduct a comprehensive conflict-of-interest assessment for the candidate. The Governance Committee will then consider reports of the interviews and the conflicts-of-interest assessment and determine whether to recommend the candidate to the full



## Edgar Filing: VALSPAR CORP - Form DEF 14A

Board of Directors. A subcommittee of the Governance Committee, management representatives designated by the Governance Committee and a search firm selected by the Governance Committee may assist with the process. Any nominee recommended by a stockholder would be subject to the same process.

### **Director Independence**

The Board annually reviews all relationships that directors have with the Corporation to determine whether the directors are independent. Directors are considered independent as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from the Corporation, are not an affiliated person of the Corporation or its subsidiaries and are independent within the meaning of applicable laws, regulations and the NYSE listing requirements. The independent members of the Board meet regularly without any members of management present. In accordance with our Corporate Governance Guidelines, Ms. Boren, as Governance Chair and Lead Director, presides at executive sessions. Only independent directors serve on our Audit, Compensation and Governance Committees.

4

---

The Board has determined that a majority of the members of the Board are considered independent under applicable NYSE listing standards. The members of the Board deemed independent are John S. Bode, Susan S. Boren, Jeffrey H. Curler, Charles W. Gaillard, Janel S. Haugarth, Mae C. Jemison, Stephen D. Newlin, Gregory R. Palen and Richard L. White. Mr. Newlin is the Chairman, President and Chief Executive Officer of PolyOne Corporation, which supplies certain products to the Corporation. See Certain Relationships and Related Transactions. The Board considered this relationship in determining that Mr. Newlin is independent.

### **Stockholder Communications with Certain Directors**

The Chair of the Governance Committee, currently Ms. Boren, presides at regularly scheduled executive sessions of the non-management directors. Stockholders wishing to contact the presiding director or the non-management directors as a group may do so by writing to the Chairman of the Governance Committee in care of the Corporate Secretary at the Corporation's headquarters address.

### **Public Availability of Documents**

The charters of the Governance, Audit and Compensation Committees and the Principles of Corporate Governance are available on the Investors Corporate Governance section of the Corporation's website [www.valsparglobal.com](http://www.valsparglobal.com) and in print to any stockholder who requests a copy. Requests for copies should be directed to Corporate Secretary, The Valspar Corporation, 1101 Third Street South, Minneapolis, MN 55415.

The Corporation's Code of Ethics and Business Conduct is available on the Investors Corporate Governance section of our website at [www.valsparglobal.com](http://www.valsparglobal.com) and in print to any stockholder who requests a copy. Requests for copies should be directed to Corporate Secretary, The Valspar Corporation, 1101 Third Street South, Minneapolis, MN 55415. Our Code of Ethics and Business Conduct applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and to our directors. If our Board

## Edgar Filing: VALSPAR CORP - Form DEF 14A

of Directors grants any waivers of, or amendments to, the Code of Ethics and Business Conduct to any of our directors or executive officers, the Corporation will disclose these matters through its website.

The Corporation's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto, are available on the Investors Financial Information section of the Corporation's website at [www.valsparglobal.com](http://www.valsparglobal.com) the same day the reports are filed with the Securities and Exchange Commission (SEC).

### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended (the 1934 Act), requires the Corporation's directors, executive officers and beneficial owners of more than 10% of the common stock of the Corporation to file with the SEC certain reports regarding their ownership of common stock or any changes in such ownership. Officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Corporation with copies of all Section 16(a) forms that they file.

Based solely on its review of the copies of such reports received by it, and/or written representations from certain reporting persons that no Forms 5 were required for such persons, the Corporation believes that, during the year ended October 31, 2008, the reporting persons have complied with all filing requirements of Section 16(a) of the 1934 Act.

### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Board has adopted a written Related Person Transaction Policy. This policy is intended to supplement, and not to replace or supersede, the provisions of any other corporate policy, including but not limited to the Corporation's Principles of Corporate Governance and Code of Ethics and Business Conduct. The Related Person Transaction Policy is available on the Investors Corporate Governance section of our website at [www.valsparglobal.com](http://www.valsparglobal.com), as Exhibit 11 to the Principles of Corporate Governance. The Audit Committee is responsible for reviewing and approving all related person transactions and has additionally adopted standing pre-approvals for certain categories of transactions with related persons:

*Certain transactions with other companies.* Any transaction with another company in which a related person's only relationship is as an employee, director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$500,000 or 1% of that company's or the Corporation's total annual revenues.

---

*Transactions where all stockholders receive proportional benefits.* Any transaction where the related person's interest arises solely from the ownership of the Corporation's common stock, and all holders of the Corporation's common stock received the same benefit on a pro rata basis (e.g. dividends).

## Edgar Filing: VALSPAR CORP - Form DEF 14A

*Transactions not exceeding \$100,000.* Any transaction in the ordinary course of business in which the aggregate amount involved will not exceed \$100,000, when aggregated with all similar transactions.

Stephen D. Newlin, a member of the Board of Directors of the Corporation, is the Chairman, President and Chief Executive Officer of PolyOne Corporation ( PolyOne ), which supplies certain products to the Corporation. In fiscal 2008, PolyOne sold products to the Corporation with an aggregate purchase price of approximately \$7.7 million. The Board of Directors reviewed these transactions and determined that they did not affect Mr. Newlin's independence.

### AUDIT COMMITTEE REPORT

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to accounting, reporting practices and the quality and integrity of the financial reports and other publicly disseminated financial information of the Corporation. In this context, the Audit Committee has met with management (including the Chief Executive Officer, Chief Financial Officer and Director of Internal Audit) and Ernst & Young LLP, the Corporation's independent registered public accounting firm ( Independent Auditors ).

The Audit Committee held meetings with the Corporation's internal auditors and Independent Auditors, both in the presence of management and privately, to discuss the overall scope and plans for their respective audits, the results of their examinations, the evaluations of the Corporation's internal controls, the overall quality of the Corporation's financial reports, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The Audit Committee has reviewed and discussed the audited consolidated financial statements with management and the Independent Auditors. The Audit Committee also discussed with the Independent Auditors the matters required by Statement on Auditing Standards No. 61 (Communication With Audit Committees) (as amended), other standards of the Public Company Accounting Oversight Board (United States), rules of the SEC, and other applicable regulations.

With respect to independence, the Audit Committee has received the written disclosures from the Independent Auditors required under Rule 3526 of the Public Company Accounting Oversight Board (Communications with Audit Committees Concerning Independence) and has discussed with the Independent Auditors their independence.

Based upon the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, (i) the selection of the Independent Auditors for the 2009 fiscal year and (ii) that the audited financial statements be included in the Corporation's Annual Report on Form 10-K for the year ended October 31, 2008 for filing with the SEC.

SUBMITTED BY THE AUDIT COMMITTEE

OF THE CORPORATION'S BOARD OF DIRECTORS

John S. Bode, Chair  
Susan S. Boren  
Janel S. Haugarth

Mae C. Jemison  
Richard L. White

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed the following Compensation Discussion and Analysis section with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for 2008 and this Proxy Statement.

SUBMITTED BY THE COMPENSATION COMMITTEE

OF THE CORPORATION'S BOARD OF DIRECTORS

Susan S. Boren  
Jeffrey H. Curler  
Charles W. Gaillard

Stephen D. Newlin  
Gregory R. Palen, Chair

6

---

**EXECUTIVE AND DIRECTOR COMPENSATION**

**Compensation Discussion and Analysis**

**Overview**

This discussion and analysis describes our compensation objectives and the elements of our compensation program for executive officers for the year ended October 31, 2008 ( fiscal 2008 ). The broad objectives of our executive compensation program are to:

*1 Pay for objective financial performance*

*2 Align the interests of executives and stockholders*

*3 Attract and retain qualified, experienced executives*

We seek to achieve these objectives by providing an executive compensation program with short and long term compensation elements, including a competitive base salary, stock option grants, a performance based annual cash bonus and performance based restricted stock.

### **Compensation Program Objectives**

**Pay for Performance.** A significant portion of the compensation for each executive is based on performance against financial objectives established by the Committee. Key elements of compensation that depend on performance include:

*Annual Incentive Bonus* based on performance against goals for financial measures (such as growth in net sales, net income and pre-tax return on capital) established in the first quarter of the fiscal year.

*Restricted Stock* based on performance against the same goals for financial measures established for the annual incentive bonus.

**Alignment with Stockholder Interests.** We want our executives to have a significant personal financial stake in the value of the common stock of the company. The stock options and restricted stock we grant align directly the interests of our executives and stockholders, as these grants to executives increase in value as our stock price increases.

Other types of awards increase this alignment indirectly. Annual incentive bonuses and restricted stock awards to named executives are earned based on achievement of financial performance measures (such as growth in net sales, net income and pre-tax return on capital). We believe that superior performance on these measures increases stockholder value over the long term.

We have agreements with the five executives identified in the 2008 Summary Compensation Table on page 15 (referred to as our named executives ) that would provide for their continued employment for, or compensation in the event their employment is terminated during, the two-year period after a change in control, such as an acquisition or merger in which Valspar is not the surviving company. These agreements reduce the likelihood of an executive leaving the company due to uncertainty surrounding an acquisition, which could serve to reduce management disruption and increase the value of the company to a potential acquirer. These agreements also help the named executives stay focused on maximizing stockholder value, without the distraction caused by the prospect of losing their compensation upon a change in control. In addition, outstanding stock options and restricted stock awards vest immediately upon a change in control.

**Attract and Retain Management.** Our compensation program is intended to attract qualified executives and to promote retention of our experienced management team. The named executives have a combined total of more than 100 years of service with Valspar, during which they have held different positions and have been promoted to increasing levels of responsibility.

The Committee performs periodic assessments of the competitive nature of the different elements of our compensation program. We use benchmark studies to help determine whether the total compensation of our executive officers is competitive with compensation offered by comparable companies. In addition to compensation opportunities, we believe that our severance pay policies and change in control agreements help us hire and retain qualified executives.

The vesting features of our long-term incentives promote retention by encouraging executives to remain employed by the company. Generally, stock options and restricted stock fully vest over three or more years.

7

---

Mr. Mansfield, our CEO, has a supplemental executive retirement plan (SERP) that will provide him with benefits upon his retirement that increase in value with each year that he remains actively employed by us through age 65.

### **Compensation Program Elements Awarded in Fiscal 2008**

In August 2007, in order to align better the executive compensation program with our compensation objectives, the Committee adopted a number of amendments to the executive compensation program and corresponding amendments to the Key Employee Annual Bonus Plan (the Key Employee Plan ). These amendments changed the formulas for awarding stock options and restricted stock to executives and eliminated new awards under the prior long-term incentive plan ( LTIP ). These amendments were effective for fiscal 2008 stock option awards and for fiscal 2008 restricted stock received by executives in January 2009. Restricted stock received by executives in January 2008 for performance in fiscal 2007, and LTIP payments received by executives in January 2008 for earnings per share performance for fiscal 2005 – 2007, were earned under our prior executive compensation program. For further information about awards earned under our prior executive compensation program, please refer to Prior Long-Term Incentive Plan and Restricted Stock Awards on page 14.

Consistent with our overall compensation objectives, we seek to provide a market-competitive mix of annual bonus and long-term incentive opportunities, remove the direct link between long-term incentive opportunities and short-term compensation, and to simplify the program design to ensure that program participants understand the drivers of incentive opportunities available to them. As before, the program places a significant portion of compensation at risk each fiscal year and rewards strong performance and long-term value creation.

**Base Salary.** Salary adjustments for executive officers are generally considered in April of each year, close to the middle of the fiscal year. As described on pages 12 and 13 under Competitive Assessments, in setting each named executive's base salary, the Committee periodically reviews compensation studies provided by an independent compensation consultant to help determine whether the compensation of our executive officers is competitive with compensation offered by comparable companies to individuals in comparable positions. The Committee also considers each executive's experience and responsibilities and relative internal pay equity. In making annual salary adjustments, the Committee also considers financial performance of the Corporation.

In April 2008, the Committee considered the results of a compensation study conducted by an independent compensation consultant and approved an increase in the base salaries of the named executives. The base salary of the named executives increased by an average of 13.1% from fiscal 2007 to fiscal 2008, reflecting promotions of Mr. Hendrickson and Ms. Walker within the group and also the fact that base salaries were not increased in fiscal 2007.

**Annual Incentive Bonus.** The Committee establishes incentive bonus targets for each officer, expressed as a percentage of his or her respective base salary. In establishing the incentive bonus targets, the Committee considers annual bonus targets compiled periodically for corresponding positions at peer group companies, last evaluated in 2008, and internal pay equity among Valspar executives. The annual incentive bonus for

## Edgar Filing: VALSPAR CORP - Form DEF 14A

each of the executive officers for 2008 was based upon (1) an incentive bonus target for the executive, equal to a predetermined percentage of base salary, and (2) our actual corporate performance on financial performance goals established by the Committee.

In the first quarter of fiscal 2008, the Committee established each executive's incentive bonus target as a percentage of base salary based on position, ranging from 65.0% to 110.0% of base salary for the named executives. In establishing the target percentages, the Committee considers several factors including the scope and responsibilities of each position, bonus target percentages for similar roles at peer group companies as established through recent benchmark studies, and relative internal equity.

In the first quarter, the Committee also established specific performance goals for the named executives. The performance goals for executives are based on financial measures (such as gross or net sales, expenses as a percentage of net sales, inventory turns, profits, return on average equity and cash flow), either on an absolute basis or a comparative basis with other fiscal years, with minor individual variations based on duties. Payouts for fiscal 2008 were based on corporate financial performance relative to the following financial measures—growth in net income, net sales and pre-tax return on capital. At the end of the fiscal year, if the executive remained employed by us, the executive was entitled to receive a cash bonus based on achievement of each of the performance goals. Potential payouts range from zero for performance less than or equal to the previous fiscal year's results to 200% of the incentive bonus target for exceptional performance. In prior years, the executive's potential incentive bonus payout as a percentage of target ranged from zero to 125% of the target. The Committee increased the range to provide a greater incentive for current year financial performance and to adopt an annual bonus structure considered more typical of practices at peer group companies.

8

---

We established fiscal 2008 performance goals for the named executives in two tiers:

basic performance goals based on three financial measures: net income growth (weighted 40% as a component of the bonus), net sales growth (weighted 20%) and growth in pre-tax return on capital (a variant of return on equity) (weighted 40%), with a payout of up to 100% of the named executive's incentive bonus target for performance equal to these basic goals; and

additional goals for exceptional corporate performance based on two financial measures: net income growth (weighted 50%) and growth in pre-tax return on capital (weighted 50%), with an additional payout of up to 100% of the named executive's incentive bonus target for performance equal to these additional goals. Payout for additional goals would only apply if performance on these two measures exceeded the 100% payout level against the basic performance goals.

In the first quarter of fiscal 2008, the Committee established the following performance goals for each of the financial performance measures:

### Basic Performance Goals 100% Potential Maximum Payout

	<b>Entry Point:</b>	<b>Basic Goal:</b>	
<b>USD (000s)</b>	<b>0% Payout</b>	<b>100% Payout</b>	<b>Weighting</b>
Net Income	\$ 161,874	\$ 173,790	40%
Net Sales	\$ 3,249,287	\$ 3,584,480	20%

Edgar Filing: VALSPAR CORP - Form DEF 14A

Pre-Tax Return on Capital 12.4 % 12.8 % 40%

**Additional Incentive Performance Goals 100% Potential Additional Payout**

USD (000s)	Entry Point:		Additional Goal:	
	No Additional Bonus		100% Payout	Weighting
Net Income	\$ 173,790		\$ 185,000	50%
Pre-Tax Return on Capital	12.8	%	13.4	% 50%

The basic performance goals were established so that achievement of the 100% payout would represent strong performance in each of the financial measures, based on prior year performance and general economic conditions, and be difficult, but achievable. The additional incentive performance goals were established to incent and reward exceptional performance in net income and pre-tax return on capital. As an indication of the difficulty of achieving our performance goals, the average payout for achievement of corporate performance goals (including payouts for achievement of the additional incentive performance goals where applicable) for the past five years was 55.5% of the total targeted incentive bonus levels.

In fiscal 2008, we achieved net income of \$150.8 million, net sales of \$3.48 billion and pre-tax return on capital (a variation of return on equity) of 11.8% (excluding restructuring charges, as noted below). The Committee excluded after-tax restructuring charges of \$15.7 million incurred in the second half of fiscal 2008 from determination of the performance goals so as not to penalize employees for taking restructuring actions in the long-term best interests of Valspar and its stockholders. Based on our 2008 financial performance, the company partially achieved the basic goal for net income (excluding the restructuring charges) and for net sales, but there was no incentive bonus payout for pre-tax return on capital (excluding the restructuring charges). Therefore, the incentive bonus payouts represented 29.2% to 29.6% of the incentive bonus target, with the resulting bonuses representing a range of 19.0% to 32.6% of base salary for the named executives.

**Stock Options and Restricted Stock (Long-Term Incentives).** Long-term incentive opportunities are provided in the form of stock options and performance based restricted stock.

Under our amended executive compensation program, the Committee establishes a Long-Term Incentive Target Value ( LTI Target ) for each participant annually. In setting the individual LTI Targets, the Committee considers the long-term incentive levels for like positions at peer group companies, last evaluated in 2008, as well as relative internal pay equity. In determining LTI Targets for fiscal 2008, the Committee also considered potential long-term incentive opportunities provided to incumbent Valspar executives under our former executive compensation program. Half of the LTI Target for each year is granted in the form of a stock option. The other half of the LTI Target represents a targeted level of restricted stock that can be earned, contingent on achievement of financial performance goals for the fiscal year.

The annual stock option grant under the amended executive compensation program is calculated so that the estimated economic value of the stock option grant equals one-half of the LTI Target for each individual. Through use of the LTI Targets, the Committee can maintain the stock option component of compensation at levels that are competitive with peer group levels.



For restricted stock grants under the amended compensation program, the target level of each participant's restricted stock grant is equal to one-half of his or her LTI Target. The actual value of the restricted stock award will range from zero to 125% of the target level, depending on performance during the fiscal year against the goals set by the Committee. The performance goals for the restricted stock grant are the same as the performance goals established for the annual incentive bonus. Under the amended program, restricted stock grants are based on LTI Targets and not on a multiple of the annual incentive cash bonus. Through the use of the LTI Targets, the Committee can maintain the restricted stock component of compensation at levels that are competitive with peer group levels.

Restricted stock grants are made after the end of the fiscal year based on achievement of the performance goals established in the first quarter of the year. Restricted stock grants are subject to forfeiture for three years from the date of grant if the participant's employment with Valspar terminates for any reason other than death, disability, retirement or a change in control of Valspar.

In addition to the formula grants described above, certain named executives also received grants in fiscal 2008 as additional compensation for services and for purposes of internal pay equity. Mr. Erdahl received a restricted stock grant of 22,046 shares with a market value of \$500,000. Ms. Walker, Mr. Erdahl and Mr. Hendrickson received a stock option grant of 50,000 shares, 84,034 shares and 75,000 shares, respectively. Mr. Erdahl's restricted stock and stock option grants were made as additional compensation for services and for purposes of internal pay equity. Ms. Walker's and Mr. Hendrickson's stock option grants were made in recognition of their promotions during the year and to raise their compensation to levels competitive for their new positions.

The future value of these stock options and restricted stock grants depends on the value of Valspar's common stock, thus aligning the interests of the named executives with stockholder interests. By linking the amounts of these incentives to the amounts of long-term incentives granted to executives at competitive companies, the amended program assists Valspar to attract and retain talented executives. Further, the amount of restricted stock grants is designed to reward performance based on objective financial measures, which are considered by the Committee to enhance stockholder value.

**LTIP.** As previously discussed, in adopting the amendments to the Key Employee Plan in August 2007, additional awards under the prior LTIP were discontinued. Prior LTIP awards will continue to mature over their respective performance periods, namely the 2006 - 2008 award which was paid in January 2009 (as disclosed in the 2008 Summary Compensation Table on page 15), and the 2007 - 2009 awards which, subject to achievement of the performance objectives, would be paid in January 2010. Under the LTIP, payouts are based on performance against three-year earnings per share goals established by the Committee.

**No Employment Agreements.** We do not have employment agreements with any of the named executives. Our named executives serve at the will of the Board of Directors, which enables us to terminate their employment at any time. However, we have entered into change in control agreements as described below. Also, the Committee has adopted a policy of making severance payments equal to one year's salary, and certain other benefits, to executive officers whose employment is terminated without cause as described in more detail under "Severance Policy for Officers" on page 21. This policy is intended to assist in establishing standardized benefits for termination without cause and to induce all terminated officers to enter into three-year non-compete agreements with Valspar.

**No Pensions.** None of the named executives is eligible for a Valspar pension, but we have established an unfunded executive retirement plan for Mr. Mansfield as described below under "SERP for Chief Executive Officer."

**Change in Control Agreements.** We have entered into agreements with certain key employees, including the named executives, providing for the continued employment or compensation of the employees, and for the payment of other benefits, after a change in control of Valspar. The

## Edgar Filing: VALSPAR CORP - Form DEF 14A

Key Employee Plan, the 1991 Stock Option Plan, the 2001 Stock Incentive Plan and the 2009 Omnibus Equity Plan all provide that stock options and restricted stock granted under such plans all vest immediately upon a change in control of Valspar. The change in control agreements for the named executives provide for a two-year employment term with the Corporation after the change in control, and a lump sum payment equal to three times an executive's annual base salary and target annual bonus (plus three years of continued benefits) if such employment is terminated by the Corporation without cause or by the executive for good reason during the two-year employment term. In addition, outstanding LTIP awards made prior to fiscal 2008 and having remaining performance periods will, by their terms, vest immediately, with a cash payment equal to the value calculated to include actual financial results for fiscal years already completed and assuming achievement of target results for each fiscal year remaining in any performance period.

10

---

**Retirement.** Under the Key Employee Plan and the 1991 Stock Option Plan, stock options and restricted stock granted to the named executives vest immediately upon retirement after age 60, or early retirement after age 55 with an executed non-compete agreement. Future stock options and restricted stock granted to executives under the 2009 Omnibus Equity Plan will vest in the same circumstances.

**SERP for Chief Executive Officer.** We established an unfunded supplemental executive retirement plan (a SERP) for Mr. Mansfield in connection with his promotion to Chief Executive Officer in 2005, at age 56. We adopted a restated SERP for Mr. Mansfield in December 2008 to comply with Section 409A of the Internal Revenue Code and changes to Minnesota income tax laws. The restated SERP benefits will consist of a lump sum payment following termination of employment, equal to the actuarial equivalent of a monthly annuity for Mr. Mansfield's life expectancy based on percentages of the average of Mr. Mansfield's highest five years of compensation over the ten years prior to termination, with such percentages ranging from 25% of the average compensation upon normal retirement at age 60 to 40% of the average compensation upon retirement at age 65. This plan is a valuable retention tool because, although Mr. Mansfield first became eligible for benefits under the SERP during fiscal 2008 (when he reached the age of 60), his benefits under the SERP increase each year he remains with Valspar through age 65.

**Other Compensation.** We provide perquisites and other benefits, as reflected in the table titled "2008 Components of All Other Compensation," on page 16, to our named executives. The perquisites may include physical examinations, a car allowance, financial counseling and tax preparation services, club dues, premium equivalent value for life insurance or other items. We believe these benefits help the company attract and retain qualified executives and are reasonable in amount. Other benefits include dividends paid on restricted stock grants that are subject to a risk of forfeiture, an annual contribution by Valspar to The Valspar Savings and Retirement Plan and a cash payment in lieu of retirement contributions that the named executives do not receive due to plan limitations.

### **Tying Fiscal 2008 Compensation Programs and Elements to Compensation Objectives**

We rely on common sense and good judgment in making compensation decisions, based on our overall performance and the performance and responsibilities of the named executives. We try to achieve a balance among our objectives of pay for performance, alignment with stockholders and management attraction and retention by offering a variety of compensation elements, each with specific goals or emphasis. We work to achieve an appropriate mix of short and long-term compensation, as well as equity and cash compensation, to meet our objectives. We establish performance goals for objective financial measures at the beginning of each year as a basis for the annual incentive bonus, and those performance goals are also used for restricted stock grants. We maintain sufficient flexibility to allow us to retain and motivate our named executives to deliver long-term performance and value to stockholders and to align their interests with stockholder interests.

## Edgar Filing: VALSPAR CORP - Form DEF 14A

The chart below indicates how each element of our fiscal 2008 executive compensation program was intended to achieve our stated compensation objectives of paying for objective financial performance, aligning the interests of executives and stockholders and attracting and retaining qualified, experienced executives.

2008 Compensation Element	Performance	Alignment	Attract and Retain	Comments
<b>Base Salary</b>			ü	Salary is based on experience and responsibilities, with market review compared to peer group to maintain salary at competitive levels.  Corporate financial performance can affect the timing and amount of adjustments.
<b>Annual Incentive Bonus</b>	ü	ü	ü	Annual incentive bonus is based on objective financial performance measures and aligned with stockholder value measures.  Bonus target is based on a competitive assessment of comparable positions.
<b>Stock Options</b>				Three-year vesting has retention value.  Future option value is based on share appreciation, which provides alignment with stockholder interests.  Option amount based on competitive assessment of long-term incentive value for comparable positions.
		ü	ü	

11

2008 Compensation Element	Performance	Alignment	Attract and Retain	Comments
<b>Restricted Stock</b>	ü	ü	ü	Direct ownership creates immediate alignment, and three year vesting has retention value.  Restricted stock is earned by the named executives, based on performance against objective financial measures.
<b>Change in Control</b>		ü	ü	Provides alignment in change of control situation by removing job loss concern and has retention value.
<b>Mansfield SERP</b>			ü	Benefits increase each year Mr. Mansfield remains employed by Valspar through age 65.
<b>Other Compensation</b>			ü	Perquisites and other compensation are at competitive levels to attract and retain talented executives.

**2008 Performance.** With sales of \$3.48 billion in fiscal 2008, we achieved net sales growth of 7.2%. Our reported net income was \$150.8 million. Excluding after-tax restructuring charges of \$15.7 million, net income was 2.9% higher than the entry point for fiscal 2008 performance goals. We also generated operating cash flow of \$264.5 million, an increase of \$73.8 million from last year. Our 2008 pre-tax return on capital, a

## Edgar Filing: VALSPAR CORP - Form DEF 14A

variation of return on equity, was 11.8% (excluding the restructuring charges), which was below the entry point for any payout for this performance goal. The base salary of the named executives was increased in 2008 from 2007, and the bonus earned for corporate performance averaged 24.5% of salary (ranging from 19.0% to 32.6% of base salary for the named executives). As a result of our fiscal 2008 performance with respect to net income (excluding restructuring charges) and net sales against the 2008 performance goals, the annual incentive bonus and restricted stock awards for each of the named executives were higher for 2008 than for 2007.

**Competitive Assessments.** In 2008, the Committee engaged Hewitt Associates LLC (Hewitt), as the Committee's outside compensation consultant to provide executive compensation advisory services, which included reviewing the effectiveness and competitiveness of our executive and director compensation programs and policies. Hewitt did not provide any other services to Valspar. We use compensation studies provided by Hewitt as a benchmark to help determine whether the compensation of our named executives is competitive with compensation offered to executive officers at comparable companies. To attract and retain experienced, qualified executives, we target the 50th percentile within our peer group to compensate the named executives with respect to base salary and the 50th to 75th percentile for total compensation, contingent on achievement of our financial performance goals.

In April 2008, Hewitt compared the compensation of our executives to those of a peer group consisting of 53 manufacturing, specialty chemical and consumer product companies with sales generally in the range of \$1 billion to \$8 billion. For comparative purposes, pay data for peer group companies used to estimate the competitive market values for our executives was size adjusted by Hewitt to ensure correlation to their individual revenue responsibilities. The companies included in the peer group are listed below.

Air Products and Chemicals, Inc.	General Mills, Inc.	PolyOne Corporation
Avery Dennison Corporation	H. B. Fuller Company	Potash Corporation of Saskatchewan Inc.
Avon Products, Inc.	Harley-Davidson Motor Company Inc.	PPG Industries, Inc.
Ball Corporation	Hercules Incorporated	Praxair, Inc.
Becton Dickinson and Company	The Hershey Company	Rockwell Automation
The Black & Decker Corporation	ITT Corporation	Rohm and Haas Company
BorgWarner Inc.	Kohler Company	RPM International Inc.
Brunswick Corporation	Lafarge North America	S.C. Johnson Consumer Products
Chemtura Corporation	Lennox International Inc.	The Scotts Miracle-Gro Company
The Clorox Company	Martin Marietta Materials, Inc.	The Sherwin-Williams Company
Cooper Industries, Inc.	Masco Corporation	Teradyne, Inc.
Corn Products International Inc.	Molson Coors Brewing Company	Thomas & Betts Corporation
Del Monte Foods Company	The Mosaic Company	The Timken Company
Donaldson Company, Inc.	Olin Corporation	Vulcan Materials Company
Dover Corporation	Pactiv Corporation	W. R. Grace & Co.
Eastman Chemical Company	Parker Hannifin Corporation	W.W. Grainger, Inc.

## Edgar Filing: VALSPAR CORP - Form DEF 14A

Ecolab Inc.

Polaris Industries Inc.

Waters Corporation

FMC Technologies

Wm. Wrigley Jr. Company

12

---

Hewitt also made the same comparisons against a smaller group of nine companies considered to be industry peers of Valspar: Chemtura Corporation, Ecolab Inc., Hercules Incorporated, Olin Corporation, PolyOne Corporation, PPG Industries, Inc., Rohm and Haas Company, RPM International, Inc. and The Sherwin-Williams Company. Eighteen executive positions at Valspar were included in this benchmark study comparing base salary, annual incentives and long-term incentives with the peer groups. This study concluded that in aggregate our base salaries were within a competitive range of base salaries at peer group companies. This study also provided data to help determine market competitive levels for our executive compensation program.

In addition to comparing compensation levels of our executives with compensation levels of executives in comparable positions at peer group companies, the Committee also reviews internal pay equity among Valspar executives. Hewitt periodically compares compensation ratios among different levels of Valspar executives to the ratios at peer group companies. The Committee uses this comparison as a factor in setting the base or target levels of various elements of compensation for the executive positions.

### **Roles of Compensation Committee and CEO**

The Compensation Committee of our board of directors is responsible for all matters relating to compensation of senior management, including the named executives, adoption and administration of compensation and benefit plans and programs and determination and approval of compensation for the named executives, including the CEO.

The Committee has the authority to, retain, manage and dismiss compensation consultants or other professionals, as it deems necessary or appropriate.

To assist the Committee, the CEO and Senior Vice President, Human Resources, provide information and recommendations about compensation, programs and policies when requested by the Committee or its Chair. The other named executives have no related involvement with the Committee.

As requested by the Committee or its Chair, the CEO and other management personnel attend Committee meetings, but are excused at such times as the Committee deems appropriate.

### **Stock Ownership Guidelines**

We do not impose stock ownership requirements on our officers, but our stock ownership guidelines encourage officers, including the named executives, to own company stock. For the CEO, the guidelines specify stock ownership representing five times his base salary within five years after becoming CEO. For the other named executives, the guidelines specify stock ownership representing three times their base salary within five years after becoming an executive officer. The officers who do not meet the guidelines have not yet been in their positions for five years.

### **Stock Option Grant Practices**

Valspar's annual stock option awards are granted in October of each year. The company does not time its annual grants to coordinate with the release of material non-public information and does not coordinate or time the release of company information with grant dates. On occasion, the company grants options outside of the annual grant cycle for new hires and promotions. Grants to executive officers are approved by the Committee with an effective date of grant on the date of approval or, if later, the effective date of the new hire or promotion.

### **Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code generally limits to \$1 million the tax deductibility of compensation paid by a public company to its chief executive and four other most highly compensated executive officers. Certain performance based compensation is not subject to the limitation. The Compensation Committee considers the deductibility of compensation arrangements as one factor in executive compensation decisions for the named executives. However, deductibility is not the sole factor used to determine appropriate levels or types of compensation. The provisions of our equity and annual incentive bonus plans are intended to permit tax deductibility of compensation income of the named executives received under those plans. Since corporate objectives may not always be consistent with the requirements for full deductibility, it is conceivable that we may enter into compensation arrangements under which compensation in excess of \$1 million is not deductible under Section 162(m).

13

---

### **Prior Long-Term Incentive Plan**

The Corporation maintains a Long-Term Incentive Plan ( LTIP ) under which it granted awards to provide incentives for long-term performance. As stated above, the LTIP was discontinued in 2007, but payouts will still be made under existing awards, if earned.

To be eligible to receive the LTIP payout, the named executive must be an active employee of Valspar on the last day of the three-year performance period, provided that the executive would receive a prorated amount if his or her employment is terminated during the performance period due to death, disability or retirement. The payout at the end of the period is based on achievement of the earnings per share goals established within a range in the first quarter of the three-year period, with the payout ranging from a minimum of 40% of the LTIP target award to a maximum of 160% of the LTIP target award. The earnings per share goals are intended to represent strong earnings growth based on prior year performance and prevailing business conditions, and to be difficult, but achievable.

The named executives received cash payouts under their LTIP awards granted for fiscal 2006 - 2008, in an amount equal to 150% of the LTIP target awards. This amount was based on a formula under which one-half of a long-term incentive target amount was awarded in the form of the LTIP target award and one-half was awarded in the form of a stock option. These payouts are reflected in the 2008 Summary Compensation Table on page 15 under the column Non-Equity Incentive Plan Compensation and the corresponding footnote. The amount of the LTIP award was equal to a percentage of 2005 base salary (112.5% for Mr. Mansfield and Mr. Hendrickson, 98.4% for Ms. Walker and Mr. Reyelts and 84.4% for Mr. Erdahl). The percentage of base salary for Mr. Hendrickson and Ms. Walker was increased to reflect their promotions in 2008.

In fiscal 2007, the named executives were each granted an LTIP award for fiscal 2007 - 2009 that provides for a future cash bonus based on the achievement of a specified range of earnings per share for the three-year period ending October 30, 2009 and is payable in January 2010. The amount of the LTIP target award was equal to a percentage of 2006 base salary and based on earnings per share performance over a three-year period (75% for Mr. Mansfield and Mr. Hendrickson, 66% for Ms. Walker and Mr. Reyelts and 56% Mr. Erdahl).

### Restricted Stock Awards

As stated above under Compensation Program Elements Awarded in Fiscal 2008 Stock Options and Restricted Stock (Long-Term Incentives), each of the named executives received a restricted stock grant in January 2009 relating to the achievement of financial performance goals for fiscal 2008 that were established under the Key Employee Plan. The target value of the restricted stock was equal to one-half of the executive's LTI Target. The actual value of the restricted stock earned based on achievement of the fiscal 2008 performance goals ranged from 29.2% to 29.6% of the target values.

Our fiscal 2008 awards of restricted stock are reflected in the 2008 Summary Compensation Table on page 15 under the column Stock Awards and the corresponding footnote. The awards are also reflected in the 2008 Grants of Plan-Based Awards table on page 17 and the Outstanding Equity Awards at Fiscal Year-End table on page 18. Restricted stock granted to our executives for fiscal 2008 will vest over a three-year period from the date of grant (January 2009) through January 2012, subject to forfeiture upon termination of employment for any reason other than death, disability, retirement or a change in control of Valspar.

14

### 2008 SUMMARY COMPENSATION TABLE

The following table presents information concerning compensation paid to or earned by our named executives for the fiscal year ended October 31, 2008 and, to the extent an officer was named a named executive in the prior year, for the fiscal year ended October 26, 2007.

Name and Principal Position*	Year	Salary (\$)	Stock Awards (\$) <sup>1</sup>	Option Awards (\$) <sup>2</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>3</sup>	Change in Pension Value and Nonqualified	All Other Compensation (\$) <sup>5</sup>	Total (\$) <sup>6</sup>
------------------------------	------	-------------	--------------------------------	---------------------------------	--	--	--	-------------------------

Edgar Filing: VALSPAR CORP - Form DEF 14A

						Deferred Compensation Earnings (\$) <sup>4</sup>		
W.L. Mansfield Chairman and CEO <sup>7</sup>	2008	\$911,346	\$465,452	\$1,380,097	\$1,197,099	\$723,000	\$242,713	\$4,919,708
	2007	850,000	294,693	1,936,651	736,350	309,000	210,938	4,337,632
L.A. Walker Senior Vice President and CFO <sup>7</sup>	2008	349,039	126,650	196,737	322,255		56,489	1,051,170
	2007 <sup>8</sup>							
P.C. Reyelts Executive Vice President <sup>7</sup>	2008	566,896	150,429	501,275	633,011		136,079	1,987,690
	2007	531,000	70,889	812,901	415,907		118,732	1,949,429
S.L. Erdahl Executive Vice President	2008	490,873	229,635	412,226	472,953		126,307	1,731,995
	2007	460,000	57,960	638,466	309,484		108,048	1,573,958
G.E. Hendrickson President and COO <sup>7</sup>	2008	497,115	247,000	361,091	476,822		109,439	1,691,468
	2007	400,000	147,400	250,721	224,200		102,058	1,124,379

\* as of October 31, 2008

- (1) This column represents the dollar amount recognized for financial reporting purposes under SFAS 123R with respect to restricted stock grants to all named executives under annual formula grants and the following additional grants as additional compensation for their services: a restricted stock grant in 2008 for Mr. Erdahl; a restricted stock grant in 2006 for Ms. Walker and Mr. Hendrickson; and a restricted stock grant in 2005 for Mr. Mansfield. Mr. Erdahl received a restricted stock grant of 22,046 shares on February 27, 2008 with a market value of \$500,000; Ms. Walker received a restricted stock grant of 8,983 shares on April 19, 2006 with a market value of \$250,000; Mr. Hendrickson received a restricted stock grant of 17,966 shares on April 19, 2006 with a market value of \$500,000; and Mr. Mansfield received a restricted stock grant of 20,000 shares on February 23, 2005 with a market value of \$459,500.
- (2) This column represents the dollar amount recognized for financial reporting purposes under SFAS 123R with respect to stock options granted in the years 2005 through 2008. In addition to the annual formula stock option grants during this period, in fiscal 2005, as additional compensation for their services, Mr. Mansfield and Mr. Reyelts received a stock option grant of 250,000 shares and 100,000 shares, respectively; in fiscal 2006, as additional compensation for their services; Ms. Walker and Mr. Hendrickson received a stock option grant of 35,932 shares and 71,865 shares respectively; and in fiscal 2008, as additional compensation for their services, Ms. Walker, Mr. Erdahl and Mr. Hendrickson received a stock option grant of 50,000 shares, 84,034 shares and 75,000 shares, respectively. The fair value was estimated using the Black-Scholes option-pricing model. The amount reported has been adjusted to eliminate service-based forfeiture assumptions used for financial reporting purposes. See Note 9, Stock-Based Compensation, to our consolidated financial statements for a discussion of our accounting for stock options and the assumptions used.
- (3) This column represents the cash bonuses earned in a particular fiscal year (and paid in the following January) under the Annual Incentive Bonus Plan, based on the achievement of specified financial measures, and under the Long-Term Incentive Plan ( LTIP ), based on the achievement by Valpar of a specified range of earnings per share for a three-year period, fiscal 2006 through 2008. In fiscal 2008, Mr. Mansfield received an Annual Incentive Bonus of \$297,099 and an LTIP payment of \$900,000. In fiscal 2007, Mr. Mansfield received an Annual Incentive Bonus of \$94,350 and an LTIP payment of \$642,000. In fiscal 2008, Ms. Walker received an Annual Incentive Bonus of \$66,317 and an LTIP payment of \$255,938. In fiscal 2008, Mr. Reyelts received an Annual Incentive Bonus of \$116,214 and an LTIP payment of \$516,797. In fiscal 2007, Mr. Reyelts received an Annual Incentive Bonus of \$47,259 and an LTIP payment of \$368,648. In fiscal 2008, Mr. Erdahl received an Annual Incentive Bonus of \$93,266 and an LTIP payment of \$379,688. In fiscal 2007, Mr. Erdahl received an Annual Incentive Bonus of \$38,640 and an LTIP payment of \$270,844. In fiscal 2008, Mr. Hendrickson received an Annual Incentive Bonus of \$116,822 and an LTIP payment of \$360,000. In fiscal 2007, Mr. Hendrickson received an Annual Incentive Bonus of \$31,600 and an LTIP payment of \$192,600.
- (4) This amount reflects the aggregate annual increase in the actuarial present value of Mr. Mansfield's SERP from October 26, 2007 to October 31, 2008, and from October 27, 2006 to October 26, 2007.



## Edgar Filing: VALSPAR CORP - Form DEF 14A

- (5) This column represents perquisites and other personal benefits; dividends on restricted stock grants; and contributions or allocations by Valspar to defined contribution or savings plans (tax qualified and supplemental), all as shown in 2008 Components of All Other Compensation table below.
- (6) The amount shown represents the sum of all columns of the Summary Compensation Table. Additional information about the elements of compensation paid to the named executives can be found in Compensation Program Elements Awarded in Fiscal 2008, beginning on page 8.
- (7) Mr. Mansfield has been Chief Executive Officer since February 2005 and served as President from February 2005 through February 2008; Ms. Walker has been Senior Vice President and Chief Financial Officer since February 2008 and

15

---

served as Vice President, Treasurer and Controller from October 2004 through February 2008; Mr. Reyelts has been Executive Vice President since February 2005 and served as Chief Financial Officer from November 1998 through February 2008; and Mr. Hendrickson has been President and Chief Operating Officer since February 2008 and served as Senior Vice President from July 2005 through February 2008.

- (8) Ms. Walker was not a named executive in fiscal year 2007.

The following table presents information concerning components of All Other Compensation referenced in the Summary Compensation Table paid to or earned by our named executives for the fiscal year ended October 31, 2008. This table is not required; however, we believe it may be helpful to readers in understanding certain components of other compensation paid to our named executives.

### 2008 Components of All Other Compensation

	Perquisites and Other Personal Benefits <sup>1</sup>	Restricted Stock Dividends <sup>2</sup>	Valspar Contribution to Defined Contribution Plans <sup>3</sup>	Lost ERISA <sup>4</sup>	Total
W.L. Mansfield.	\$24,863	\$18,830	\$21,562	\$177,458	\$242,713
L.A. Walker	4,690	8,111	21,562	22,126	56,489
P.C. Reyelts	26,687	7,787	21,562	80,043	136,079
S.L. Erdahl	25,811	16,519	21,562	62,415	126,307
G.E. Hendrickson	26,289	14,869	21,562	46,719	109,439

- (1) W.L. Mansfield \$12,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$3,863 for premium equivalent value for life insurance

L.A. Walker \$1,300 paid by Valspar for tax preparation; \$2,100 for personal use of company car; \$1,290 for life insurance

Edgar Filing: VALSPAR CORP - Form DEF 14A

P.C. Reyelts \$12,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$1,028 for annual physical; \$3,701 for life insurance; \$958 for personal use of country club

S.L. Erdahl \$12,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$1,225 for annual physical; \$3,586 for premium equivalent value for life insurance

G.E. Hendrickson \$8,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$1,290 for life insurance; \$7,999 for personal use of country club

- (2) Dividends paid on restricted stock grants that were subject to a risk of forfeiture during fiscal year 2008.
- (3) Annual contribution by the company to qualified 401(k) Plan and Profit Sharing Retirement Plans.
- (4) Discretionary cash payment for the dollar amounts that would have been contributed to defined contribution plans but for the limitations imposed by U.S. income tax regulations on the amount of compensation that an employee may save under the company's defined contribution plans, and consequently the amount of matching contributions the company can make under the plans.

16

The following table presents information regarding the grants of annual incentive bonus compensation, stock options and restricted stock during fiscal 2008 to our executive officers named in the Summary Compensation Table.

**2008 GRANTS OF PLAN-BASED AWARDS**

Name	Type of Award <sup>1</sup>	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>2</sup>			Estimated Possible Payouts Under Equity Incentive Plan Awards <sup>3</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options(#) <sup>4</sup>	Exercise or Base Price of Option Awards (\$/Sh.) <sup>5</sup>	Grant Date Fair Value of Stock and Option Awards <sup>3,6,7</sup>
			Threshold	Target	Maximum	Threshold	Target	Maximum				
W.L. Mansfield	AIB		\$ 0	\$ 1,002,481	\$ 2,004,962							
	RS	01/08/09 <sup>8</sup>				\$ 0	\$ 1,400,000	\$ 1,750,000			\$ 414,400	
	SO	10/15/08							260,000	\$ 18.01	1,092,000	
L.A. Walker	AIB		\$ 0	226,875	453,750							
	RS	01/08/09 <sup>8</sup>				\$ 0	262,500	328,125			76,650	
	SO	02/27/08							50,000	\$ 22.68	253,000	
P.C. Reyelts	SO	10/15/08							71,500	\$ 18.01	300,300	
	AIB		\$ 0	396,827	793,654							

Edgar Filing: VALSPAR CORP - Form DEF 14A

	RS	01/08/09 <sub>s</sub>			\$0	513,411	641,764			150,429
	SO	10/15/08						86,500	\$ 18.01	363,300
S.L. Erdahl	AIB		\$0	319,067	638,134					
	RS	02/27/08					22,046			500,000
	RS	01/08/09 <sub>s</sub>			\$0	395,025	493,781			115,347
	SO	02/27/08						84,034	\$ 22.68	390,758
	SO	10/15/08						66,500	\$ 18.01	279,300
G.E. Hendrickson	AIB		\$0	397,692	795,384					
	RS	01/08/09 <sub>s</sub>			\$0	500,000	625,000			147,000
	SO	02/27/08						75,000	\$ 22.68	379,500
	SO	10/15/08						101,000	\$ 18.01	424,200

- (1) Type of Award: AIB Annual Incentive Bonus; RS Restricted Stock; SO Non-Qualified Stock Option.
- (2) The amounts shown for the AIB for 2008 represent estimated possible payouts under the Annual Incentive Bonus for fiscal 2008 depending on Valspar's financial performance. The actual amounts earned for fiscal 2008 are reported in the Summary Compensation Table as Non-Equity Incentive Plan Compensation. The amount that can be earned ranges from zero to 200% of the target payout amount. The dollar values for the AIB actually earned for fiscal 2008 were as follows: Mr. Mansfield, \$297,099; Ms. Walker, \$66,317; Mr. Reylets, \$116,214; Mr. Erdahl, \$93,266; Mr. Hendrickson, \$116,822.
- (3) The amounts shown for RS represent estimated possible payouts under restricted stock grants for fiscal 2008 depending on Valspar's financial performance. Based on fiscal 2008 performance, the dollar values of these RS awards actually earned for fiscal 2008 were as follows: Mr. Mansfield, \$414,400; Ms. Walker, \$76,650; Mr. Reylets, \$150,429; Mr. Erdahl, \$115,347; Mr. Hendrickson, \$147,000. Fiscal 2008 awards are made in January 2009, with the number of shares equal to the dollar value of the award, divided by the average closing price of one share of stock on the NYSE for the ten business days immediately prior to the date the restricted stock is issued.
- (4) Non-qualified stock options granted in October 2008 have a ten-year term and vest in equal installments over three years. Non-qualified stock options granted in February 2008 have five-year cliff vesting for Ms. Walker and Mr. Hendrickson, and Mr. Erdahl's grant vests entirely on 1/31/11.
- (5) Exercise price is the fair market value of Valspar's common stock, defined as the closing price on the NYSE on the date of grant.
- (6) In addition to the awards described in the table, each named executive also received a grant of restricted stock on January 10, 2008, based on partial achievement of performance goals for fiscal 2007 under the company's previous compensation program. The dollar values and numbers of shares of the actual restricted stock awards on January 10, 2008 were as follows: Mr. Mansfield, \$141,525, 6,471 shares; Ms. Walker, \$27,540, 1,259 shares; Mr. Reylets, \$70,889, 3,241 shares; Mr. Erdahl, \$57,960, 2,650 shares; Mr. Hendrickson, \$47,400, 2,167 shares.
- (7) The amount shown for stock options is the market value of the option grant calculated in accordance with FAS 123R using the Black-Scholes value multiplied by the number of options awarded. For restricted stock, the amount shown is the market value of the actual grant.
- (8) On January 8, 2009, the RS awards for fiscal 2008 performance were granted. The Estimated Possible Payouts listed in the table were based on the LTI Values and performance goals established on December 12, 2007 for each individual for fiscal 2008.

Additional information about the elements of compensation paid to the named executives can be found in Compensation Program Elements Awarded in Fiscal 2008, starting on page 8.

The following table presents information regarding the number of shares of unexercised stock options and the number of shares and value of unvested restricted stock outstanding on October 31, 2008 for our executive officers named in the Summary Compensation Table.

#### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards <sup>1</sup>					Stock Awards <sup>2</sup>		
	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>3</sup>
W.L. Mansfield	10/17/01	60,000		16.80	10/17/11	01/12/06	21,488	\$439,430
	01/02/02	20,000		19.80	01/02/12	01/10/08	6,471	132,332
	10/16/02	36,000		20.65	10/16/12			
	10/15/03	36,000		23.94	10/15/13			
	10/13/04	40,000		23.34	10/13/14			
	02/23/05	250,000		22.935	02/23/15			
	10/19/05	68,000		21.57	10/19/15			
	10/18/06	43,334	21,666	26.87	10/18/16			
	10/17/07	66,667	133,333	25.48	10/17/17			
	10/15/08	0	260,000	18.01	10/15/18			
L.A. Walker	04/04/00	10,000		18.06	04/04/10	01/12/06	3,675	\$ 75,154
	12/12/00	8,000		14.96	12/12/10	04/19/06	8,983	183,702
	10/17/01	17,000		16.80	10/17/11	01/10/08	1,259	25,747
	10/16/02	12,000		20.65	10/16/12			
	10/15/03	10,000		23.94	10/15/13			
	10/13/04	12,000		23.34	10/13/14			
	10/19/05	14,000		21.57	10/19/15			
	04/19/06	0	35,932	27.83	04/19/16			
	10/18/06	8,667	4,333	26.87	10/18/16			
	10/17/07	12,500	25,000	25.48	10/17/17			
	02/27/08	0	50,000	22.68	02/27/18			
	10/15/08	0	71,500	18.01	10/15/18			
	P.C. Reyelts	12/16/98	35,000		17.50	12/16/08	01/12/06	9,554
12/15/99		55,000		20.125	12/15/09	01/10/08	3,241	66,278
10/18/00		78,160		11.82	10/18/10			
12/12/00		59,000		14.96	12/12/10			
10/17/01		70,000		16.80	10/17/11			
10/16/02		26,000		20.65	10/16/12			
10/15/03		38,000		23.94	10/15/13			
10/13/04		40,000		23.34	10/13/14			
02/23/05		100,000		22.935	02/23/15			
10/19/05		40,000		21.57	10/19/15			
10/18/06		23,334	11,666	26.87	10/18/16			

Edgar Filing: VALSPAR CORP - Form DEF 14A

	10/17/07	24,500	49,000	25.48	10/17/17			
	10/15/08	0	86,500	18.01	10/15/18			
S.L. Erdahl	12/16/98	35,000		17.50	12/16/08	01/12/06	8,952	\$183,068
	12/15/99	48,000		20.125	12/15/09	01/10/08	2,650	54,193
	10/18/00	84,106		11.82	10/18/10	02/27/08	22,046	450,841
	12/12/00	51,000		14.96	12/12/10			
	10/17/01	60,000		16.80	10/17/11			
	01/02/02	20,000		19.80	01/02/12			
	10/16/02	36,000		20.65	10/16/12			
	10/15/03	32,000		23.94	10/15/13			
	10/13/04	32,000		23.34	10/13/14			
	10/19/05	30,000		21.57	10/19/15			
	10/18/06	17,334	8,666	26.87	10/18/16			
	10/17/07	18,834	37,666	25.48	10/17/17			
	02/27/08	0	84,034	22.68	02/27/18			
	10/15/08	0	66,500	18.01	10/15/18			
G.E. Hendrickson	10/18/00	42,332		11.82	10/18/10	01/12/06	6,026	\$123,232
	10/17/01	30,000		16.80	10/17/11	04/19/06	17,966	367,405
	10/16/02	25,000		20.65	10/16/12	01/10/08	2,167	44,315
	01/09/03	27,200		22.10	01/09/13			
	10/15/03	20,000		23.94	10/15/13			
	10/13/04	20,000		23.34	10/13/14			
	10/19/05	25,000		21.57	10/19/15			
	04/19/06	0	71,865	27.83	04/19/16			
	10/18/06	16,000	8,000	26.87	10/18/16			
	10/17/07	23,834	47,666	25.48	10/17/17			
	02/27/08	0	75,000	22.68	02/27/18			
	10/15/08	0	101,000	18.01	10/15/18			

18

(1) Option Vesting grants dated 12/16/98 and subsequent grants vest in equal annual installments over three years, starting one year from date of grant, with the exceptions of grants dated 10/18/00 which were 100% vested at date of grant; Ms. Walker's and Mr. Hendrickson's grants dated 4/19/06 and 2/27/08 which features cliff vesting five years from date of grant; and Mr. Erdahl's grant dated 2/27/08 which vests entirely on 1/31/11.

(2) Stock Awards all grants of restricted stock feature cliff vesting for three years from the date of grant, with the exception of Ms. Walker's and Mr. Hendrickson's restricted stock grant dated 4/19/06, which features cliff vesting for five years from the date of grant; and Mr. Erdahl's restricted stock grant dated 2/27/08 which vests entirely on 1/31/11.

(3) The market value of stock reported is based on the closing price of Valspar's stock on the NYSE at fiscal year-end of \$20.45.

The following table presents information regarding the number of shares acquired and the value realized on the exercise of stock options in fiscal 2008 and the number of shares acquired and the value realized on vesting in fiscal 2008 for our executive officers named in the Summary Compensation Table.

**2008 Option Exercises and Stock Vested**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>1</sup>	Number of Shares Acquired on Vesting (#) <sup>2</sup>	Value Realized on Vesting (\$) <sup>2</sup>
W.L. Mansfield			9,136	\$ 181,350
			20,000	443,000
L.A. Walker			3,530	70,070
P.C. Reyelts	30,000	\$ 199,350	7,682	152,488
S.L. Erdahl	22,000	116,380	8,098	160,745
G.E. Hendrickson	9,000	19,665	3,738	74,199

- (1) The value realized on the exercise of options is based on the difference between the exercise price and the fair market value of Valspar's common stock on the date of exercise.
- (2) The amount of shares reported are restricted stock earned for fiscal year 2004 under the Key Employee Annual Bonus Plan that vested in January 2008. The value realized on the vesting of stock awards is based on the fair market value of Valspar's common stock on the vesting date. Mr. Mansfield's restricted stock grant of February 23, 2005 vested in February 2008.

**2008 Pension Benefits**

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During Last Fiscal Year (\$)
W.L. Mansfield	The Valspar Corporation Supplemental Executive Retirement Plan for William L. Mansfield <sup>1</sup>		\$3,015,000 <sup>2</sup>	N/A
L.A. Walker	None			
P.C. Reyelts	None			
S.L. Erdahl	None			
G.E. Hendrickson	None			

- (1) The terms of the Supplemental Executive Retirement Plan (SERP) for Mr. Mansfield are described below under Potential Payments Upon Termination or Change in Control.
- (2) This amount reflects the present value of accumulated benefits of Mr. Mansfield's SERP. The following assumptions were applied to obtain the present value of accumulated benefit: Lump-Sum Discount Rate 4.0%; and Retirement Date October 31, 2008 as well as the provisions found in Potential Payments Upon Termination or Change In Control SERP for Chief Executive Officer, starting on page 21.

**Potential Payments Upon Termination or Change in Control**

**Termination Other Than Upon Change in Control**

Upon a termination of employment (other than upon a change in control), the executive officers are entitled to payments and other benefits under a variety of Valspar plans and programs. We believe these agreements help the company hire and retain qualified executives. Benefits and payments are maintained if termination is due to retirement, death or disability, but benefits and payments are limited or forfeited if termination is voluntary or for cause.

19

---

### *Stock Options*

Stock options granted under the 1991 Stock Option Plan and to be granted under the 2009 Omnibus Equity Plan (subject to stockholder approval under Proposal Number Two at the Annual Meeting), have the following attributes:

Early retirement after age 55 with an executed three-year non-compete agreement options vest immediately and are exercisable for the remainder of their term (subject to a three-year limitation for options granted before October 2007).

Retirement after age 60 options vest immediately and are exercisable for the remainder of their term (subject to a three-year limitation for options granted before October 2007).

Death and disability options vest immediately with one year to exercise, not to exceed original option term.

Termination only the portion vested is exercisable within 30 days of termination, not to exceed original option term.

Termination for cause forfeit of all outstanding grants (to the extent not previously exercised).

### *Restricted Stock*

Restricted stock grants made under the Key Employee Annual Bonus Plan, the 2001 Stock Incentive Plan, and to be made under the 2009 Omnibus Equity Plan (subject to stockholder approval under Proposal Number Two at the Annual Meeting), have the following attributes:

Death and disability outstanding restricted stock grants vest immediately.

Termination forfeit of all outstanding restricted stock grants.

## Edgar Filing: VALSPAR CORP - Form DEF 14A

Termination for cause    forfeit of all outstanding restricted stock grants.

The compensation plans treat retirement differently. Under the 2001 Stock Incentive Plan, all shares remaining subject to restrictions are forfeited upon retirement. Under the Key Employee Bonus Plan, all restricted shares vest immediately upon retirement over the age of 55, subject to the requirement that an executive retiring under the age of 60 must enter into a three-year non-compete agreement. Under the 2009 Omnibus Equity Plan, each particular restricted stock agreement governs the vesting and forfeiture of restricted shares upon retirement.

### *Long-Term Incentive Bonus Program (LTIP) (no further awards after fiscal 2007)*

Retirement after age 55 with an executed non-compete agreement    cash payment is pro rated for that portion of the performance period(s) during which the officer is employed.

Retirement after age 60    cash payment is pro rated for that portion of the performance period(s) during which the officer is employed.

Death and disability    cash payment is pro rated for the portion of the performance period(s) during which the officer is employed.

### *Officer Retiree Medical Program*

Retirement after age 55    the officer is entitled to receive retiree medical if he or she has served three consecutive years as an officer and is not in competition with Valspar at any time after termination of employment.

Included dependents    the spouse and any eligible dependents of the retiree who, immediately prior to the retiree's termination of employment, are covered under the retiree medical plan are eligible for coverage.

Coverage    the eligible persons are covered from the date of termination, at the same coverage available to an active employee for the retiree's and spouse's life. Eligible dependents are covered until the dependent ceases to be eligible under the plan. The coverage becomes secondary to Medicare coverage.

Premiums    the company charges the retiree (or his or her spouse) for the full cost of the coverage premiums, but the company reimburses the retiree for that portion of the coverage premiums that the company would have paid if the retiree were an active employee, and also provides a gross-up payment for taxes that relate to the medical benefit.

20

---

*SERP for Chief Executive Officer*



## Edgar Filing: VALSPAR CORP - Form DEF 14A

Effective June 22, 2005, Valspar established an unfunded supplemental executive retirement plan (the SERP ) for William L. Mansfield, Valspar's President and Chief Executive Officer. The SERP was amended and restated effective December 31, 2008, to comply with Section 409A of the Internal Revenue Code and changes to Minnesota income tax laws.

The SERP was designed to provide additional benefits upon retirement of Mr. Mansfield at or after age 60, tied to a fixed percentage of his average base salary and annual cash incentive bonus over the five highest compensation years out of the most recent ten-year period of employment prior to termination.

Mr. Mansfield will be entitled to receive the benefits under the SERP if his employment terminates due to death, disability, change in control of Valspar, normal retirement at or after age 60 or involuntary termination by Valspar other than for cause.

Valspar's obligation to pay the SERP benefit is unfunded and unsecured.

The SERP benefit will consist of a lump sum payment following termination of employment, equal to the actuarial equivalent of a monthly annuity for Mr. Mansfield's life expectancy based on percentages of the average of Mr. Mansfield's highest five years of compensation over the ten years prior to termination, with such percentages ranging from 25% of his average compensation upon normal retirement at age 60 to 40% of his average compensation upon retirement at age 65.

### Determination of SERP Benefit:

- The payment is equal to the target pension (described below), less an offset for benefits received under The Valspar Savings and Retirement Plan and the Lost ERISA plan.
- The target pension level is determined 90 days prior to the payment of the SERP benefit, and the benefit offset is determined on the date of separation, death or disability.

### Target Pension

Age at Separation of Service	Percentage of Average Monthly Compensation
60	25%
61	28%
62	31%
63	34%
64	37%
65	40%

### *Severance Policy for Officers*

The Compensation Committee has approved a severance policy for officers, providing for certain severance benefits in the event of termination without cause, but only if the officer signs a three-year non-compete agreement:

One year's base pay

Immediate vesting of LTIP benefits, pro rata for the portion of the performance period(s) during which the officer was employed, with the payout increased as if the officer completed one year's additional service (no further LTIP awards to be granted after fiscal 2007)

Immediate vesting of all stock options

Retiree medical benefits if the officer has reached age 55

***Hypothetical Termination Payments***

The following tables provides information on the potential payments that would have been payable to each of the named executives under existing contracts, agreements, plans or arrangements, for various scenarios involving termination of employment (other than a change in control) if the triggering events for the payments had each occurred on October 31, 2008. The tables use the closing price of our common stock of \$20.45 as of October 31, 2008. These benefits are in addition to benefits available prior to the occurrence of any termination of employment to all salaried employees, such as distributions under The Valspar's Savings and Retirement Plan.

21

	<b>Voluntary Termination</b>	<b>Early Retirement Age 55 w/non-compete</b>	<b>Normal Retirement Age 60</b>	<b>Involuntary not for Cause Termination</b>	<b>Involuntary for Cause Termination</b>	<b>Death</b>	<b>Disability</b>
<b>W.L. Mansfield</b>							
Cash Severance.	0	0	0	\$ 900,000	0	0	0
Cash Bonus	\$ 297,099	\$ 297,099	\$ 297,099	297,099	0	\$ 297,099	\$ 297,099
Unvested Stock Options	0	634,400	634,400	634,400	0	634,400	634,400
Unvested Restricted Stock	0	571,762	571,762	0	0	571,762	571,762
LTIP	1,155,000	1,155,000	1,155,000	1,155,000	0	1,155,000	1,155,000
Retiree Medical	0	94,000	94,000	94,000	0	50,000	50,000
SERP	0	0	3,015,000	3,015,000	0	3,015,000	3,015,000
Perquisites	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 1,452,099</b>	<b>\$ 2,752,261</b>	<b>\$ 5,767,261</b>	<b>\$ 6,095,499</b>	<b>0</b>	<b>\$ 5,723,261</b>	<b>\$ 5,723,261</b>

	<b>Voluntary Termination</b>	<b>Early Retirement Age 55 w/non-compete</b>	<b>Normal Retirement Age 60</b>	<b>Involuntary not for Cause Termination</b>	<b>Involuntary for Cause Termination</b>	<b>Death</b>	<b>Disability</b>
<b>L.A. Walker</b>							
Cash Severance.	0	0	0	\$ 375,000	0	0	0
Cash Bonus	\$ 66,317	\$ 66,317	\$ 66,317	66,317	0	\$ 66,317	\$ 66,317
Unvested Stock Options	0	174,460	174,460	174,460	0	174,460	174,460
Unvested Restricted Stock	0	100,901	100,901	0	0	284,603	284,603
LTIP	326,813	326,813	326,813	326,813	0	326,813	326,813
Retiree Medical	0	0	0	0	0	0	0
Perquisites	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 393,130</b>	<b>\$ 668,491</b>	<b>\$ 668,491</b>	<b>\$ 942,590</b>	<b>0</b>	<b>\$ 852,193</b>	<b>\$ 852,193</b>

Edgar Filing: VALSPAR CORP - Form DEF 14A

	<b>Voluntary</b>	<b>Early Retirement</b>	<b>Normal</b>	<b>Involuntary</b>	<b>Involuntary</b>		
	<b>Termination</b>	<b>Age 55</b>	<b>Retirement</b>	<b>not for Cause</b>	<b>for Cause</b>	<b>Death</b>	<b>Disability</b>
<b>P.C. Reyelts</b>		<b>w/non-compete</b>	<b>Age 60</b>	<b>Termination</b>	<b>Termination</b>		
Cash Severance.	0	0	0	\$ 558,000	0	0	0
Cash Bonus	\$ 116,214	\$ 116,214	\$ 116,214	116,214	0	\$ 116,214	\$ 116,214
Unvested Stock Options	0	211,060	211,060	211,060	0	211,060	211,060
Unvested Restricted Stock	0	261,657	261,657	0	0	261,657	261,657
LTIP	656,185	656,185	656,185	656,185	0	656,185	656,185
Retiree Medical	0	119,000	119,000	119,000	0	100,000	100,000
Perquisites	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 772,399</b>	<b>\$ 1,364,116</b>	<b>\$ 1,364,116</b>	<b>\$ 1,660,459</b>	<b>0</b>	<b>\$ 1,345,116</b>	<b>\$ 1,345,116</b>

	<b>Voluntary</b>	<b>Early Retirement</b>	<b>Normal</b>	<b>Involuntary</b>	<b>Involuntary</b>		
	<b>Termination</b>	<b>Age 55</b>	<b>Retirement</b>	<b>not for Cause</b>	<b>for Cause</b>	<b>Death</b>	<b>Disability</b>
<b>S.L. Erdahl</b>		<b>w/non-compete</b>	<b>Age 60</b>	<b>Termination</b>	<b>Termination</b>		
Cash Severance.	0	0	0	\$ 483,000	0	0	0
Cash Bonus	\$ 93,266	\$ 93,266	\$ 93,266	93,266	0	\$ 93,266	\$ 93,266
Unvested Stock Options	0	162,260	162,260	162,260	0	162,260	162,260
Unvested Restricted Stock	0	237,260	237,260	0	0	688,101	688,101
LTIP	483,188	483,188	483,188	483,188	0	483,188	483,188
Retiree Medical	0	140,000	140,000	140,000	0	72,000	72,000
Perquisites	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 576,454</b>	<b>\$ 1,115,974</b>	<b>\$ 1,115,974</b>	<b>\$ 1,361,714</b>	<b>0</b>	<b>\$ 1,498,815</b>	<b>\$ 1,498,815</b>

	<b>Voluntary</b>	<b>Early Retirement</b>	<b>Normal</b>	<b>Involuntary</b>	<b>Involuntary</b>		
	<b>Termination</b>	<b>Age 55</b>	<b>Retirement</b>	<b>not for Cause</b>	<b>for Cause</b>	<b>Death</b>	<b>Disability</b>
<b>G.E. Hendrickson</b>		<b>w/non-compete</b>	<b>Age 60</b>	<b>Termination</b>	<b>Termination</b>		
Cash Severance.	0	0					