

VALSPAR CORP  
Form DEF 14A  
January 15, 2010

**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

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(Name of Registrant as Specified In Its Charter)

N/A

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

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- (1) Amount Previously Paid:
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- (3) Filing Party:
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## The Valspar Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

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February 18, 2010

The annual meeting of stockholders of The Valspar Corporation will be held at the Guthrie Theater, 818 South 2nd Street, Minneapolis, Minnesota 55415 on Thursday, February 18, 2010 at 11:00 A.M., for the following purposes:

1. To elect as directors (Class III) the four individuals nominated by the Board of Directors for a term of three years;
  2. To approve an increase in the shares reserved under the Corporation's 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 29, 2010; 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 28, 2009 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 30, 2009 also accompanies this Notice.

By Order of the Board of Directors,

ROLF ENGH,  
*Secretary*

Approximate Date of Mailing of Proxy Materials:  
January 15, 2010

**Important Notice Regarding the Availability of Proxy Materials for the  
Annual Meeting of Stockholders to be Held February 18, 2010**

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

- 1 Proxy Statement for the Annual Meeting of Stockholders
- 1 Annual Report to Stockholders, including Form 10-K, for the year ended October 30, 2009

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

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

**IMPORTANT  
NOTICE TO  
STREET NAME  
HOLDERS**

**IN CONNECTION WITH A CHANGE IN APPLICABLE RULES AS OF JANUARY 1, 2010, BENEFICIAL OWNERS OF SHARES HELD IN BROKER ACCOUNTS ARE ADVISED AS FOLLOWS: IF YOU DO NOT TIMELY PROVIDE VOTING INSTRUCTIONS TO YOUR BROKER, YOUR SHARES WILL NOT BE VOTED IN CONNECTION WITH THE ELECTION OF DIRECTORS.**

*Please refer to the enclosed proxy card and the attached proxy statement  
for information on voting options: Internet Telephone Mail*

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**The Valspar Corporation**

901 3rd Avenue South  
P.O. Box 1461  
Minneapolis, Minnesota 55440

**PROXY STATEMENT**  
**Annual Meeting of Stockholders**  
**February 18, 2010**

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 a stockholder delivers a proxy without giving any direction, the shares will be voted as recommended by the Corporation's Board of Directors. A stockholder delivering 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.

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 December 1, 2009, 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 delivers a proxy and 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 street name holder is the beneficial owner of shares held in a stock brokerage account or by a bank, trust or other nominee. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the voting instruction form provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If the broker or other nominee 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, this results in a broker non-vote. 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.

Street name holders of shares held in broker accounts should be aware of a change in voting rules, effective January 1, 2010, that will affect whether their shares will be voted in the election of directors. Under New York Stock Exchange Rule 452 relating to the discretionary voting of proxies by brokers, brokers will no longer be permitted to vote shares with respect to the election of directors without instructions from the beneficial owner. Similarly, brokers are not permitted to vote shares on the increase in the share reserve under the 2009 Omnibus Equity Plan without instructions. However, brokers will still be able to vote shares held in brokerage accounts with respect to the approval of the independent registered public accounting firm, even if they do not receive instructions from the beneficial owner. Therefore, street name holders of shares held in broker accounts are advised that, if they do not timely provide instructions to their broker, their shares will not be voted in connection with the election of directors or the increase in the share reserve.

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**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 twelve directors serving on the Board of Directors. The terms of Class

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III directors will expire at the Annual Meeting. The Board of Directors has nominated Charles W. Gaillard, Gary E. Hendrickson, Mae C. Jemison and Gregory R. Palen for re-election as Class III directors. Susan S. Boren, presently a Class II director, and Richard L. White, presently a Class I director, will retire from the Board following 19 years of service and 10 years of service, respectively, immediately prior to the 2010 Annual Meeting of Stockholders. 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 III below, to hold office until the annual meeting in 2013 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.

### **Names, Principal Occupations for the Past Five Years and Selected Other Information Concerning Nominees and Directors**

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

**Ian R. Friendly**  
Director since June 2009  
Age 49

Executive Vice President; Chief Operating Officer,  
U.S. Retail, General Mills, Inc.

Mr. Friendly has held his present position as Executive Vice President and Chief Operating Officer, U.S. Retail, General Mills, Inc., since June 2006. Prior to 2006, Mr. Friendly served as Chief Executive Officer, Cereal Partners Worldwide, a joint venture between General Mills and Nestle, from June 2004 to May 2006.

**Janel S. Haugarth**  
Director since 2007  
Age 54

Executive Vice President; President and Chief Operating  
Officer, Supply Chain Services, SUPERVALU INC.

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.

**William L. Mansfield**  
Director since 2005  
Age 61

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 Operating Officer since April 2004.

#### **CLASS II Directors Continuing in Office Until 2012**

**John S. Bode**  
Director since 2005  
Age 61

Retired Partner, KPMG LLP

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.

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**Jeffrey H. Curler**  
Director since 1997  
Age 59

Executive Chairman, Bemis Company, Inc.

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 56

Chairman, President and Chief Executive Officer,  
PolyOne Corporation

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.

**CLASS III Nominees for Term Expiring in 2013**

**Charles W. Gaillard**  
Director since 1999  
Age 69

Retired President, General Mills, Inc.

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.

**Gary E. Hendrickson**  
Director since August 2009  
Age 53

President and Chief Operating Officer  
The Valspar Corporation

Mr. Hendrickson has held his present position as President and Chief Operating Officer since February 2008. Mr. Hendrickson served as Senior Vice President from July 2005 through February 2008. Prior to 2005, Mr. Hendrickson served as Group Vice President-Global Wood since April 2004. Mr. Hendrickson is also a director of Stepan Company.

**Mae C. Jemison, M.D.**  
Director since 2002  
Age 53

President, BioSentient Corporation

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 Professor Environmental Studies at Dartmouth College from 1996 to 2002. 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**  
Director since 1992  
Age 54

Chairman, Spectro Alloys Corporation

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 2009 were as follows:

<u>Name of Committee</u>	<u>Membership</u>
Executive Committee	Susan S. Boren, William L. Mansfield Chair and Gregory R. Palen
Audit Committee	John S. Bode Chair, Susan S. Boren, Ian R. Friendly, 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 2009.

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 meet or act during the fiscal year.

The Audit Committee held four meetings during the fiscal year. The Audit Committee Chair also held four 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 beginning 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 2009, 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 P.O. Box 1461, Minneapolis, Minnesota 55440, 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.

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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 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.

Upon recommendation to the full Board by the Governance Committee, Mr. Friendly was elected in June 2009 after following the process described above. The candidate was originally identified through a search conducted by the Governance Committee.

#### **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.

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, Ian R. Friendly, 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.

#### **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 and other interested parties 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 at [www.valsparglobal.com](http://www.valsparglobal.com).

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). 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 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 30, 2009, 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:

- 1 *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.
- 1 *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).
- 1 *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 2009, PolyOne sold products to the Corporation with an aggregate purchase price of approximately \$6.6 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, General Counsel 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.

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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. 114 (The Auditor's Communication With Those Charged With Governance), 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 2010 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 30, 2009 for filing with the SEC.

The Charter adopted by the Audit Committee, as amended to date, appears as Appendix A to this Proxy Statement.

### SUBMITTED BY THE AUDIT COMMITTEE OF THE CORPORATION'S BOARD OF DIRECTORS

John S.	Janel S.
Bode, Chair	Haugarth
Susan S.	Mae C.
Boren	Jemison
Ian R.	Richard
Friendly	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 2009 and this Proxy Statement.

### SUBMITTED BY THE COMPENSATION COMMITTEE OF THE CORPORATION'S BOARD OF DIRECTORS

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

### 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 30, 2009 ( fiscal 2009 ). 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.

In fiscal 2009, we achieved net income of \$172.9 million and pre-tax return on capital of 12.0% (excluding restructuring charges). Sales declined in fiscal 2009 to \$2.88 billion. We exceeded our fiscal 2009 financial performance goals for net income and pre-tax return on capital, but not for sales.

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## 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:

1 **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.

1 **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 2009 Summary Compensation Table beginning 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.

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 2009

Consistent with our overall compensation objectives, we seek to provide a market-competitive mix of annual bonus and long-term incentive opportunities and to ensure that program participants understand the drivers of incentive opportunities available to them. The elements of this program are set forth in the Key Employee Annual Bonus Plan (the Key Employee Plan ), and the formulas for these elements were generally established in August 2007. 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 annually. As described on page 13 under Competitive Assessments, in setting each named executive s base salary, the Committee reviews compensation studies periodically 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,

responsibilities relative internal pay equity and the financial performance of the Corporation. In April 2009, the Committee considered current officer salaries and business conditions and decided not to adjust officer salaries for fiscal 2009.

**Bonus.** The Committee establishes annual 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 each of the executive officers for 2009 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 with respect to financial performance goals established by the Committee.

In the first quarter of fiscal 2009, 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. Payouts for fiscal 2009 were based on corporate financial performance relative to the following financial measures—growth in net income, pre-tax return on capital and net sales. 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 year's results, adjusted for the cost of restructuring and the 2008 gain on the sales of assets, 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. In 2008, the Committee increased the payout 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.

The Committee established fiscal 2009 performance goals for the named executives in two tiers:

- 1 basic performance goals based on three financial measures: net income growth (weighted 50% as a component of the bonus), growth in pre-tax return on capital (a variant of return on equity) (weighted 40%) and net sales growth (weighted 10%), with a payout of up to 100% of the named executive's incentive bonus target for performance equal to these basic goals; and
- 1 additional incentive performance 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 2009, the Committee established the following performance goals for each of the financial performance measures:

**Basic Performance Goals    100% Potential Maximum Payout**

USD (000s)	Entry Point: 0% Payout	Basic Goal: 100% Payout	Weighting
Net Income	\$ 157,490	\$ 165,000	50%
Pre-Tax Return on Capital	11.2%	11.5%	40%
Net Sales	\$ 3,482,378	\$ 3,482,380	10%

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

USD (000s)	Entry Point: No Additional Bonus	Additional Goal: 100% Payout	Weighting
Net Income	\$ 165,000	\$ 185,000	50%
Pre-Tax Return on Capital	11.5%	12.9%	50%

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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. Based on expected challenging economic conditions in fiscal 2009, particularly with respect to demand for our products, the Committee emphasized growth in net income and pre-tax return on capital over growth in net sales, as better measures of operational discipline and performance. 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 has been 67.7% of the total targeted incentive bonus levels.

In fiscal 2009, we achieved net income of \$172.9 million, pre-tax return on capital (a variation of return on equity) of 12.0% and net sales of \$2.88 billion (excluding restructuring charges, as noted below). The Committee excluded after-tax restructuring charges of \$12.8 million from the performance goals. These charges were incurred in 2009 and were excluded from 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 2009 financial performance, the company achieved the basic goals and partially achieved the additional incentive goals for net income and for pre-tax return on capital (both exclude the above restructuring charges), but not the performance goal for net sales. Therefore, the incentive bonus payouts represented 124.9% to 127.6% of the incentive bonus target, with the resulting bonuses representing a range of 81.2% to 140.4% of base salary for the named executives.

In recognition of Valspar's strong fiscal 2009 performance relative to its peers and the overall market during a challenging economic period the Committee awarded discretionary bonuses after the end of the fiscal year of \$99,000 to Mr. Mansfield; \$24,500 to Ms. Walker; \$42,000 to Mr. Hendrickson; \$31,500 to Mr. Erdahl; and \$29,000 to Mr. Eng.

**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 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 and the potential long-term incentive opportunities that had been provided to 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 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.

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.

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.

**Prior LTIP.** Prior to August 2007, we had in effect a long-term incentive plan (the LTIP ). Under the LTIP, executive officers received annual awards with three year performance period. Payouts under the LTIP were based on performance against three-year earnings per share goals established by the Committee. 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, with corresponding amendments to the Key Employee Plan. These amendments changed the formulas for awarding stock options and restricted stock to executives, and additional awards under the LTIP were discontinued. The final, remaining LTIP award for the 2007 - 2009 performance period was paid in January 2010 (and included in the 2009 amounts shown in the Summary Compensation Table beginning on page 15).

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**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

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Officers on page 22. 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 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.

**Retirement.** Under Valspar's Prior Plans, 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. Effective for fiscal year 2009 stock options and fiscal year 2010 restricted stock granted to executives under the 2009 Omnibus Equity Plan will vest upon retirement after age 55 with an executed non-compete agreement.

**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 2009 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 2009 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.

The chart below indicates how each element of our fiscal 2009 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.

2009 Compensation Element	Performance	Alignment	Attract and Retain	Comments
Base Salary			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.

**Bonus**

Annual incentive bonus is based on objective financial performance measures and aligned with stockholder value measures.

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Bonus target is based on a competitive assessment of comparable positions.

For 2009, an additional discretionary bonus was also paid after the end of the fiscal year to reflect strong performance relative to the Corporation's peers and the overall market during a challenging economic period.

**Stock Options**

Three-year vesting has retention value.

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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.

**Restricted Stock**

Direct ownership creates immediate alignment, and three year vesting has retention value.

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Restricted stock is earned by the named executives, based on performance against objective financial measures.

**Change in Control**

Provides alignment in change of control situation by removing job loss concern and has retention value.

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**SERP**

Benefits increase each year Mr. Mansfield remains employed by Valspar through age 65.

ü

**Other Compensation**

Perquisites and other compensation are at competitive levels to attract and retain talented executives.

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**2009 Performance.** Our reported net income was \$160.2 million. Excluding after-tax restructuring charges of \$12.8 million, net income was 9.8% higher than the entry point for fiscal 2009 performance goals. Our 2009 pre-tax return on capital, a variation of return on equity, was 12.0% (excluding the restructuring charges), which was 80 basis points higher than the entry point for fiscal 2009 performance goals. Sales of \$2.88 billion in fiscal 2009 represented a decline of 17.3% from fiscal 2008. We also generated operating cash flow of \$337.7 million, an increase of \$73.2 million from last year. The base salaries of the named executives were not increased in 2009, and the bonus earned for corporate performance averaged 96.9% of salary (ranging from 81.2% to 140.4% of base salary for the named executives). As a result of our fiscal 2009 performance with respect to net income and pre-tax return on capital (both excluding restructuring charges) against the 2009 performance goals, the annual incentive bonus and restricted stock awards for each of the named executives were higher for 2009 than for 2008. Based on Valspar's strong performance in fiscal 2009 relative to its peers and the overall market, the Committee also awarded a discretionary bonus to each of the named executives.

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**Competitive Assessments.** The Committee engages outside compensation consultants from time to time. 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 does 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.

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

Hewitt also made the same comparisons in April 2008 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 considers internal pay equity among Valspar executives.

### 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.

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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

To more closely align their interests with those of shareholders, our stock ownership guidelines for our officers, including the named executives, are as follows: 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).

### Prior Long-Term Incentive Plan

As stated above, the LTIP awards were discontinued in 2007. The final remaining LTIP award for the 2007-2009 performance period was paid in January 2010.

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 were 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 2007-2009, in an amount equal to 40% 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 to be awarded in the form of a stock option. These payouts are reflected in the 2009 Summary Compensation Table beginning on page 15 under the column "Non-Equity Incentive Plan Compensation" and the corresponding footnote. The amount of the LTIP target award was equal to a percentage of 2006 base salary (30% for Mr. Mansfield and Mr. Hendrickson, 26% for Ms. Walker, 23% for Mr. Erdahl and Mr. Engh).

### Restricted Stock Awards

As stated above under "Compensation Program Elements Awarded in Fiscal 2009 - Stock Options and Restricted Stock (Long-Term Incentives)", each of the named executives received a restricted stock grant in

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January 2010 relating to the achievement of financial performance goals for fiscal 2009 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 2009 performance goals ranged from 112.5% to 113.8% of the target values.

Our fiscal 2009 awards of restricted stock are reflected in the 2009 Summary Compensation Table beginning on page 15 under the column "Stock Awards" and the corresponding footnote. The awards are also reflected in the 2009 Grants of Plan-Based Awards table on page 17 and the Outstanding Equity Awards at Fiscal Year-End table beginning on page 18. Restricted stock granted to our executives for fiscal 2009 will vest over a three-year period from the date of grant (January 2010) through January 2013, subject to forfeiture upon termination of employment for any reason other than death, disability, retirement or a change in control of Valspar.

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The following table presents information concerning compensation paid to or earned by our named executives for the fiscal years ended October 30, 2009, October 31, 2008 and October 26, 2007.

Name and Principal Position*	Year	Salary (\$)	Bonus (\$) <sup>1</sup>	Stock Awards (\$) <sup>2</sup>	Option Awards (\$) <sup>3</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>4</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>5</sup>	All Other Compensation (\$) <sup>6</sup>	Total (\$) <sup>7</sup>
W.L. Mansfield Chairman and CEO <sup>8</sup>	2009	\$ 900,000	\$ 99,000	\$ 1,763,900	\$ 1,794,000	\$ 1,518,600	\$ 1,350,000	\$ 201,107	\$ 7,626,607
	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>8</sup>	2009	375,000	24,500	528,125	304,224	375,375		62,125	1,669,349
	2008	349,039		126,650	196,737	322,255		56,489	1,051,170
	2007 <sup>9</sup>								
G.E. Hendrickson President and COO <sup>8</sup>	2009	525,000	42,000	776,200	528,228	646,575		113,147	2,631,150
	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
S.L. Erdahl Executive Vice President	2009	483,000	31,500	615,807	587,792	495,696		109,104	2,322,899
	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
R. Engh Executive Vice President, General Counsel and Secretary	2009	442,000	29,000	406,688	517,913	453,629		77,501	1,926,731
	2008	449,227		105,568	565,739	435,509		96,459	1,652,502
	2007	421,000		53,046	250,420	285,142		102,768	1,112,376

\* as of October 30, 2009

- (1) This column represents a discretionary cash bonus awarded by the Committee for fiscal 2009 (awarded and paid in December 2009).
- (2) This column represents the dollar amount recognized for financial reporting purposes under FASB ASC 715 Compensation Retirement Benefits 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. Specifically, 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.
- (3) This column represents the dollar amount recognized for financial reporting purposes under FASB ASC 715 Compensation Retirement Benefits with respect to stock options granted in the years 2006 through 2009. In addition to the annual formula stock option grants during this period, in fiscal 2005, as additional compensation for his services, Mr. Mansfield received a stock option grant of 250,000 shares; 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.
- (4) This column represents the cash bonuses earned in fiscal years 2007 and 2008 (and paid in the following January) and fiscal year 2009 (and paid in December 2009) 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 2007 through 2009. In fiscal 2009, Mr. Mansfield received an Annual Incentive Bonus of \$1,263,600 and an LTIP payment of \$255,000. 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 2009, Ms. Walker received an Annual Incentive Bonus of \$304,500 and an LTIP payment of \$70,875. In fiscal 2008, Ms. Walker

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received an Annual Incentive Bonus of \$66,317 and an LTIP payment of \$255,938. In fiscal 2009, Mr. Hendrickson received an Annual  
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Incentive Bonus of \$526,575 and an LTIP payment of \$120,000. 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. In fiscal 2009, Mr. Erdahl received an Annual Incentive Bonus of \$392,196 and an LTIP payment of \$103,500. 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 2009, Mr. Engh received an Annual Incentive Bonus of \$358,904 and an LTIP payment of \$94,725. In fiscal 2008, Mr. Engh received an Annual Incentive Bonus of \$85,353 and an LTIP payment of \$350,156. In fiscal 2007, Mr. Engh received an Annual Incentive Bonus of \$35,364 and an LTIP payment of \$249,778.

- (5) This amount reflects the aggregate annual increase in the actuarial present value of Mr. Mansfield's SERP from October 31, 2008 to October 30, 2009, October 26, 2007 to October 31, 2008, and from October 27, 2006 to October 26, 2007.
- (6) 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 the 2009 Components of All Other Compensation table below.
- (7) 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 2009, beginning on page 8.
- (8) 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 served as Vice President, Treasurer and Controller from October 2004 through February 2008; Mr. Hendrickson has been President and Chief Operating Officer since February 2008 and served as Senior Vice President from July 2005 through February 2008.
- (9) 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 30, 2009. 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.

### 2009 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	\$ 62,338	\$ 17,635	\$ 26,888	\$ 94,246	\$ 201,107
L.A. Walker	5,842	8,644	26,888	20,751	62,125
G.E. Hendrickson	29,662	16,718	26,888	39,879	113,147
S.L. Erdahl	24,720	19,090	26,888	38,406	109,104
R. Engh	12,825	5,221	26,888	32,567	77,501

- (1) W.L. Mansfield \$8,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$3,720 for premium equivalent value for life insurance; \$28,624 for annual physical; \$12,994 for personal use of aircraft by spouse.

L.A. Walker \$2,500 paid by Valspar for tax preparation; \$2,100 for personal use of company car; \$1,242 for life insurance.

G.E. Hendrickson \$10,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$1,242 for life insurance; \$1,278 for annual physical; \$8,142 for personal use of country club.

S.L. Erdahl \$12,000 paid by Valspar for tax preparation; \$9,000 for automobile allowance; \$3,720 for premium equivalent value for life insurance.

R. Engh \$9,000 for automobile allowance; \$2,322 for life insurance; \$1,278 for annual physical; \$225 for personal use of country club.

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- (2) Dividends paid on restricted stock grants that were subject to a risk of forfeiture during fiscal year 2009.
- (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.

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The following table presents information regarding the grants of annual incentive bonus compensation, stock options and restricted stock during fiscal 2009 to our executive officers named in the Summary Compensation Table.

**2009 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 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	\$ 990,000	\$ 1,980,000						
	RS	01/07/10 <sup>8</sup>				\$ 0	\$ 1,550,000	\$ 1,937,500		\$ 1,763,900	
	SO	10/21/09							260,000	\$ 26.37	1,794,000
L.A. Walker	AIB		\$ 0	243,750	487,500						
	RS	01/07/10 <sup>8</sup>				\$ 0	425,000	531,250		478,125	
	SO	10/21/09							71,500	\$ 26.37	493,350
G.E. Hendrickson	AIB		\$ 0	420,000	840,000						
	RS	01/07/10 <sup>8</sup>				\$ 0	600,000	750,000		676,200	
	SO	10/21/09							151,000	\$ 26.37	1,041,900
S.L. Erdahl	AIB		\$ 0	313,950	627,900						
	RS	01/07/10 <sup>8</sup>				\$ 0	395,000	493,750		444,375	
	SO	10/21/09							66,500	\$ 26.37	458,850
R. Engh	AIB		\$ 0	287,300	574,600						
	RS	01/07/10 <sup>8</sup>				\$ 0	361,500	451,875		406,688	
	SO	10/21/09							61,000	\$ 26.37	420,900

- (1) Type of Award: AIB Annual Incentive Bonus; RS Restricted Stock; SO Non-Qualified Stock Option.
- (2) The amounts shown for the AIB for 2009 represent estimated possible payouts under the Annual Incentive Bonus for fiscal 2009 depending on Valspar's financial performance. The actual amounts earned for fiscal 2009 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 2009 were as follows: Mr. Mansfield, \$1,263,600; Ms. Walker, \$304,500; Mr. Hendrickson, \$526,575; Mr. Erdahl, \$392,196; Mr. Engh, \$358,904.
- (3) The amounts shown for RS represent estimated possible payouts under restricted stock grants for fiscal 2009 depending on Valspar's financial performance. Based on fiscal 2009 performance, the dollar values of these RS awards actually earned for fiscal 2009 were as follows: Mr. Mansfield, \$1,763,900; Ms. Walker, \$478,125; Mr. Hendrickson, \$676,200; Mr. Erdahl, \$444,375; Mr. Engh, \$406,688. Fiscal 2009 awards are made in January 2010, 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 2009 have a ten-year term and vest in equal installments over three years.
- (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.

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- (6) In addition to the awards described in the table, each named executive also received a grant of restricted stock on January 8, 2009, based on partial achievement of performance goals for fiscal 2008 under the company's previous compensation program. The dollar values and numbers of shares of the actual restricted stock awards on January 8, 2009 were as follows: Mr. Mansfield, \$414,400, 23,399 shares; Ms. Walker, \$76,650, 4,328 shares; Mr. Hendrickson, \$147,000, 8,300 shares; Mr. Erdahl, \$115,347, 6,513 shares; Mr. Engh, \$105,568, 5,961 shares.
- (7) The amount shown for stock options is the market value of the option grant calculated in accordance with FASB ASC 715 Compensation - Retirement Benefits 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 7, 2010, the RS awards for fiscal 2009 performance were granted. The Estimated Possible Payouts listed in the table were based on the LTI values and performance goals established on December 10, 2008 for each individual for fiscal 2009. Additional information about the elements of compensation paid to the named executives can be found in Compensation Program Elements Awarded in Fiscal 2009, beginning on page 8.

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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 30, 2009 for our executive officers named in the Summary Compensation Table.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Grant Date	Option Awards <sup>1</sup>			Stock Awards <sup>2</sup>			
		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	01/10/08	6,471	\$ 164,169
	01/02/02	20,000		19.80	01/02/12	01/08/09	23,399	593,633
	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	65,000		26.87	10/18/16			
	10/17/07	133,334	66,666	25.48	10/17/17			
	10/15/08	86,667	173,333	18.01	10/15/18			
10/21/09	0	260,000	26.37	10/21/19				
L.A. Walker	12/12/00	8,000		14.96	12/12/10	04/19/06	8,983	227,899
	10/17/01	17,000		16.80	10/17/11	01/10/08	1,259	31,941
	10/16/02	12,000		20.65	10/16/12	01/08/09	4,328	109,801
	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	13,000	0	26.87	10/18/16			
	10/17/07	25,000	12,500	25.48	10/17/17			
	02/27/08	0	50,000	22.68	02/27/18			
10/15/08	23,834	47,666	18.01	10/15/18				
10/21/09	0	71,500	26.37	10/21/19				
G.E. Hendrickson	10/17/01	30,000		16.80	10/17/11	04/19/06	17,966	455,797
	10/16/02	25,000		20.65	10/16/12	01/10/08	2,167	54,977
	01/09/03	27,200		22.10	01/09/13	01/08/09	8,300	210,571

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	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	24,000	0	26.87	10/18/16		
	10/17/07	47,667	23,833	25.48	10/17/17		
	02/27/08	0	75,000	22.68	02/27/18		
	10/15/08	33,667	67,333	18.01	10/15/18		
	10/21/09	0	151,000	26.37	10/21/19		
S.L. Erdahl	12/15/99	48,000		20.125	12/15/09	01/10/08	2,650 67,231
	10/18/00	84,106		11.82	10/18/10	02/27/08	22,046 559,307
	12/12/00	51,000		14.96	12/12/10	01/08/09	6,513 165,235
	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	26,000	0	26.87	10/18/16		
	10/17/07	37,667	18,833	25.48	10/17/17		
	02/27/08	0	84,034	22.68	02/27/18		
	10/15/08	22,167	44,333	18.01	10/15/18		
	10/21/09	0	66,500	26.37	10/21/19		
R. Engh	12/12/00	49,000	0	14.96	12/12/10	01/10/08	2,425 61,522
	10/17/01	57,000	0	16.80	10/17/11	01/08/09	5,961 151,231
	10/16/02	32,000	0	20.65	10/16/12		
	10/15/03	32,000	0	23.94	10/15/13		
	10/13/04	32,000	0	23.34	10/13/14		
	10/19/05	30,000	0	21.57	10/19/15		
	10/18/06	24,000	0	26.87	10/18/16		
	10/17/07	34,334	17,166	25.48	10/17/17		
	10/15/08	20,334	40,666	18.01	10/15/18		
	10/21/09	0	61,000	26.37	10/21/19		

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- (1) Option Vesting grants dated 12/15/99 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 grants dated 4/19/06, which feature 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 \$25.37.

The following table presents information regarding the number of shares acquired and the value realized on the exercise of stock options in fiscal 2009 and the number of shares acquired and the value realized on vesting in fiscal 2009 for our executive officers named in the Summary Compensation Table.

**2009 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			21,488	\$ 389,148

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L.A. Walker	10,000	\$ 91,875	3,675	66,554
G.E. Hendrickson	42,332	600,268	6,026	109,131
S.L. Erdahl			8,952	162,121
R. Engh	124,118	1,110,364	7,228	130,899

- (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 2005 under the Key Employee Annual Bonus Plan that vested in January 2009. 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.

**2009 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>		\$4,365,000 <sup>2</sup>	N/A
L.A. Walker	None			
G.E. Hendrickson	None			
S.L. Erdahl	None			
R. Engh	None			

- (1) The terms of the Supplemental Executive Retirement Plan (SERP) for Mr. Mansfield are described below under Potential Payments Upon Termination.
- (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 3.75%; and Retirement Date October 30, 2009 as well as the provisions found in Potential Payments Upon Termination or Change In Control SERP for Chief Executive Officer, 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.

**Stock Options**

Stock options granted under the 1991 Stock Option Plan and under the 2009 Omnibus Equity Plan have the following attributes:

*1991 Stock Option Plan:*

- 1 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).
- 1 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).
- 1 Death and disability options vest immediately with one year to exercise, not to exceed original option term.

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

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

*2009 Omnibus Equity Plan (effective with fiscal year 2009):*

1 Retirement after age 55 with an executed three-year non-compete agreement options vest immediately and are exercisable for the remainder of their term.

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

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

1 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, have the following attributes:

*Key Employee Annual Bonus Plan:*

1 Retirement after age 55 with an executed three-year non-compete agreement outstanding restricted stock grants vest immediately.

1 Retirement after age 60 outstanding restricted stock grants vest immediately.

1 Death and disability outstanding restricted stock grants vest immediately.

1 Termination forfeit of all outstanding restricted stock grants.

1 Termination for cause forfeit of all outstanding restricted stock grants.

*2001 Stock Incentive Plan:*

1 Retirement forfeit if prior to lapse of restrictions.

1 Death and Disability outstanding restricted stock grants vest immediately.

1 Termination forfeit of all outstanding restricted stock grants.

1 Termination for cause forfeit of all outstanding restricted stock grants.

*2009 Omnibus Equity Plan (effective with fiscal year 2010):*

1 Retirement after age 55 with an executed three-year non-compete agreement outstanding restricted stock grants vest immediately.

1 Death and Disability outstanding restricted stock grants vest immediately.

1 Termination forfeit of all outstanding restricted stock grants.

1 Termination for cause forfeit of all outstanding restricted stock grants.

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

1 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.



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- 1 Retirement after age 60 cash payment is pro rated for that portion of the performance period(s) during which the officer is employed.
- 1 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**

- 1 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.
- 1 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.
- 1 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.
- 1 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.

**SERP for Chief Executive Officer**

- 1 Effective June 22, 2005, Valspar established an unfunded supplemental executive retirement plan (the SERP ) for William L. Mansfield, then 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.
- 1 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.
- 1 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.
- 1 Valspar's obligation to pay the SERP benefit is unfunded and unsecured.
- 1 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.
- 1 Determination of SERP Benefit:
  - o 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.
  - o 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.
- 1 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:

- 1 One year's base pay
- 1 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 granted after fiscal 2007)
- 1 Immediate vesting of all stock options
- 1 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 30, 2009. The tables use the closing price of our common stock of \$25.37 as of October 30, 2009. 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.

	Voluntary Termination	Early Retirement Age 55 w/non-compete	Normal Retirement Age 60	Involuntary not for Cause Termination	Involuntary for Cause Termination	Death	Disability
<b>W.L. Mansfield</b>							
Cash Severance	0	0	0	\$ 900,000	0	0	0
Cash Bonus	\$ 1,263,600	\$ 1,263,600	\$ 1,263,600	1,263,600	0	\$ 1,263,600	\$ 1,263,600
Unvested Stock Options	0	1,275,731	1,275,731	1,275,731	0	1,275,731	1,275,731
Unvested Restricted Stock	0	757,802	757,802	0	0	757,802	757,802
LTIP	255,000	255,000	255,000	255,000	0	255,000	255,000
Retiree Medical	0	113,000	113,000	113,000	0	64,000	64,000
SERP	0	0	4,365,000	4,365,000	0	4,365,000	4,365,000
Perquisites	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 1,518,600</b>	<b>\$ 3,665,133</b>	<b>\$ 8,030,133</b>	<b>\$ 8,172,331</b>	<b>0</b>	<b>\$ 7,981,133</b>	<b>\$ 7,981,133</b>

	Voluntary Termination	Early Retirement Age 55 w/non-compete	Normal Retirement Age 60	Involuntary not for Cause Termination	Involuntary for Cause Termination	Death	Disability
<b>L.A. Walker</b>							
Cash Severance	0	0	0	\$ 375,000	0	0	0
Cash Bonus	\$ 304,500	\$ 304,500	\$ 304,500	304,500	0	\$ 304,500	\$ 304,500
Unvested Stock Options	0	350,822	485,322	350,822	0	485,322	485,322
Unvested Restricted Stock	0	141,742	141,742	141,742	0	369,641	369,641
LTIP	70,875	70,875	70,875	70,875	0	70,875	70,875
Retiree Medical	0	0	0	0	0	0	0
Perquisites	0	0	0	0	0	0	0
<b>TOTALS</b>	<b>\$ 375,375</b>	<b>\$ 867,939</b>	<b>\$ 1,002,439</b>	<b>\$ 1,242,939</b>	<b>0</b>	<b>\$ 1,230,338</b>	<b>\$ 1,230,338</b>

	Voluntary Termination	Early Retirement Age 55 w/non-compete	Normal Retirement Age 60	Involuntary not for Cause Termination	Involuntary for Cause Termination	Death	Disability
<b>G.E. Hendrickson</b>							
Cash Severance	0	0	0	\$ 525,000	0	0	0
Cash Bonus	\$ 526,575	\$ 526,575	\$ 526,575	526,575	0	\$ 526,575	\$ 526,575
Unvested Stock Options	0	495,571	697,321	495,571	0	697,321	697,321
Unvested Restricted Stock	0	265,548	265,548	265,548	0	721,345	721,345
LTIP	120,000	120,000	120,000	120,000	0	120,000	120,000
Retiree Medical	0	0	0	0	0	0	0
Perquisites	0	0	0	0	0	0	0

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TOTALS	\$ 646,575	\$ 1,407,694	\$ 1,609,444	\$ 1,932,694	0	\$ 2,065,241	\$ 2,065,241
	<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>S.L. Erdahl</b>							
Cash Severance	0	0	0	\$ 483,000	0	0	0
Cash Bonus	\$ 388,332	\$ 388,332	\$ 388,332	388,332	0	\$ 388,332	\$ 388,332
Unvested Stock Options	0	326,291	552,342	326,291	0	552,342	552,342
Unvested Restricted Stock	0	232,465	232,465	0	0	791,772	791,772
LTIP	103,500	103,500	103,500	103,500	0	103,500	103,500
Retiree Medical	0	164,000	164,000	164,000	0	85,000	85,000
Perquisites	0	0	0	0	0	0	0
TOTALS	\$ 491,832	\$ 1,214,588	\$ 1,440,639	\$ 1,465,123	0	\$ 1,920,946	\$ 1,920,946

	<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>R. Engh</b>							
Cash Severance	0	0	0	\$ 442,000	0	0	0
Cash Bonus	\$ 358,904	\$ 358,904	\$ 358,904	358,904	0	\$ 358,904	\$ 358,904
Unvested Stock Options	0	299,302	299,302	299,302	0	299,302	299,302
Unvested Restricted Stock	0	212,753	212,753	0	0	212,753	212,753
LTIP	94,725	94,725	94,725	94,725	0	94,725	94,725
Retiree Medical	0	244,000	244,000	244,000	0	180,000	180,000
Perquisites	0	0	0	0	0	0	0
TOTALS	\$ 453,629	\$ 1,209,684	\$ 1,209,684	\$ 1,438,931	0	\$ 1,145,684	\$ 1,145,684

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### Change in Control Arrangements

Valspar has entered into agreements with the named executives providing for the continued employment of such executives for a period of up to two years following a change in control of Valspar. During such two-year period, executives would continue to be employed and compensated commensurate with their positions and compensation prior to the change in control. The change in control agreements each have a two-year term, subject to an annual evergreen extension for an additional two years. The company is permitted to terminate the agreement by providing the executive with written notice of termination at least 60 days prior to the next annual renewal date. The employment and severance compensation provisions of the agreement do not, however, take effect until a Change in Control (defined below) has occurred during the term of the agreement.

Under the change in control agreements, an executive becomes entitled to a lump sum payment and the continuation of certain benefits upon any termination of the executive's employment with Valspar (or an applicable subsidiary), after a change in control, for any reason other than: (a) by the executive without good reason; (b) by Valspar as a result of the disability of the executive or for cause; or (c) as a result of the death of the executive. Severance payments required under each agreement include a lump sum amount equal to three times the named executive's annual base salary and target annual bonus (plus three years of continued benefits). For this purpose, the annual base salary is defined as the 12 times the highest monthly base salary paid (or payable) to the executive in the one-year period preceding the month in which a Change in Control Period (as defined below) begins; and the target annual bonus is defined as the targeted annual cash bonus payment for the fiscal year during which a Change in Control Period begins. The company will also be obligated to provide the executive (and his or her family) with health care and life insurance benefits at least equal to, and at the same after-tax cost, as those which would have been provided absent a termination (subject to alteration in the event that such benefits are later increased to peer executives at the company).

Under the change in control agreements, Valspar will at its sole expense provide a terminated executive with outplacement services substantially similar to those available to the executive immediately prior to the change in control. In addition, Valspar will pay all legal fees and expenses that an executive reasonably incurs as a result of any contest (regardless of the outcome thereof) respecting the validity or enforceability of, or liability under, any provision of the executive's change in control agreement or any guarantee of performance thereof (including as a result of any contest by the executive about the amount of any payment pursuant to the change in control agreement), plus interest. Finally, Valspar will also pay any excise taxes that the executive may incur as a result of such payments, and any income and excise taxes on such excise tax payments.

### Definitions

Change in Control means any of the following:

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- 1 any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the Exchange Act ) (a Person ) becoming the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of common stock of the company or (B) the combined voting power of the then-outstanding voting securities of the company entitled to vote generally in the election of directors provided, however, that (i) any acquisition directly from the company, (ii) any acquisition by the company and (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the company or any affiliated company do not constitute a Change in Control;
- 1 individuals who, as of the date of the agreement, constitute the Board of Directors (the Incumbent Board ), together with any individuals becoming a director after the date of the agreement whose election, or nomination for election by the company s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board, ceasing for any reason to constitute at least a majority of the Board of Directors;
- 1 subject to certain limited exceptions, any consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the company, or the acquisition of assets or stock of another entity by the company or any of its subsidiaries (each, a Business Combination ); or
- 1 approval by our stockholders of a complete liquidation or dissolution of Valspar.

Change in Control Period means the period commencing on the date of the agreement and ending on the second anniversary of that date; provided, however, that, commencing on each anniversary date of a change in control agreement (such date, the Renewal Date ), unless previously terminated, the Change in Control Period

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shall be automatically extended so as to terminate two years from such Renewal Date, unless, at least 60 days prior to the Renewal Date, the company shall give notice to the executive that the Change in Control Period shall not be so extended.

Good Reason means:

- 1 the assignment to the executive of any duties inconsistent in any respect with the executive s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by the agreement, or any action by the company that results in a diminution in such position, authority, duties or responsibilities (whether or not occurring solely as a result of the company s ceasing to be a publicly traded entity), excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and that is remedied by the company promptly after receipt of notice thereof given by the executive;
- 1 any failure by the company to comply with any of the compensation-related provisions of the change in control agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and that is remedied by the company promptly after receipt of notice thereof given by the executive;
- 1 requiring the executive to be based at (i) any office or location other than as determined under the change in control agreement and that increases the distance or duration of the executive s commute, (ii) a location other than the principal executive offices of the company if the executive was employed at such location immediately prior to any change in control or (iii) any location that increases the distance or duration of the executive s commute;
- 1 any purported termination by the company of the executive s employment otherwise than as expressly permitted by the change in control agreement; or
- 1 any other action or inaction that constitutes a material breach by the company of the change in control agreement.

For the above purposes, any good faith determination of Good Reason made by the executive shall be conclusive. The executive s mental or physical incapacity following the occurrence of an event constituting Good Reason shall not affect the executive s ability to terminate employment for Good Reason, and the executive s death following delivery of a notice of termination for Good Reason shall not affect the entitlement of the executive s estate to severance payments benefits provided hereunder upon a termination of employment for Good Reason.

Cause means (1) the willful and continued failure of an executive to perform substantially the executive s duties (other than any failure resulting from incapacity due to physical or mental illness or following the executive s delivery of a notice of termination for Good Reason), after a written demand for substantial performance is delivered to the executive by the Board of Directors that specifically identifies the manner in which the Board believes that the executive has not substantially performed the executive s duties, or (2) the willful engaging by the executive in illegal conduct or gross misconduct that is materially and demonstrably injurious to the company. For these purposes, no act, or failure to act, on the part of an executive is considered willful unless it is done, or omitted to be done, by the executive in bad faith or without reasonable belief

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that the executive's action or omission was in the best interests of the company. In this regard, any act, or failure to act, based upon (A) authority given pursuant to a resolution duly adopted by the Board of Directors (or the board of directors of an applicable subsidiary), or (B) the advice of counsel for the company shall be conclusively presumed to be done, or omitted to be done, by the executive in good faith and in the best interests of the company.

In addition to the change in control agreements, Valspar's equity and non-equity compensation plans also contain provisions regarding changes in control. Under the equity plans, including the 2009 Omnibus Equity Plan, and under individual award agreements, any unvested stock options and restricted stock vest immediately upon a change in control of Valspar and stock options are exercisable for the remainder of their term. Under the non-equity plans governing awards made prior to fiscal 2008 (LTIP awards), outstanding awards with remaining performance periods 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.

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### **Potential Payments Upon Change In Control**

The following table 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 a change in control if the change in control and any other triggering event for the payments had each occurred on October 30, 2009.

	Cash Severance <sup>1</sup>	Stock Options <sup>2</sup>	Restricted Stock <sup>3</sup>	Retiree Medical <sup>4</sup>	SERP <sup>5</sup>	Gross Up Payment <sup>6</sup>	TOTAL
W.L. Mansfield	\$ 5,670,000	\$ 1,275,731	\$ 757,802	\$ 11,000	\$ 4,365,000		\$ 12,079,533
L.A. Walker	1,856,250	485,322	369,641	32,000		\$ 952,972	3,696,185
G.E. Hendrickson	2,835,000	697,321	721,345	36,000		1,452,457	5,742,123
S.L. Erdahl	2,390,850	552,342	791,772	27,000			3,761,964
R. Engh	2,187,900	299,302	212,753	38,000			2,737,955

- (1) Cash severance includes three times the base salary and target bonus amounts in effect as of October 30, 2009.
- (2) Represents acceleration of unvested stock options with the value being the difference between the aggregate market price at fiscal year-end of \$25.37 and the aggregate exercise price.
- (3) Represents the aggregate fair market value of the restricted stock for which vesting would be accelerated as of the date of the change in control.
- (4) Represents 36 months of coverage to the executive, at active employee rates, for health insurance, life insurance, dental insurance and disability insurance benefits, less the value of benefits broadly available to non-executives upon a change in control.
- (5) This amount reflects the present value of accumulated benefits of Mr. Mansfield's SERP that would be payable in a single lump sum upon a change in control as of October 30, 2009.
- (6) This amount reflects the amount equal to the excise tax and taxes thereon charged, if any, to the named executives as a result of any change in control payments under Section 280G of the Internal Revenue Code.

### **Director Compensation**

*Fees Payable in Cash or Stock.* In fiscal 2009, non-employee directors received an annual retainer of \$75,000, except the Chairs of the Audit and Compensation Committees received an annual retainer of \$90,000 and the Lead Director, Ms. Boren, received an annual retainer of \$110,000. At a director's option, the annual retainer may be paid in cash or by Valspar purchasing shares of its common stock in the open market quarterly on behalf of the director. Any costs of such purchases are paid by Valspar. No meeting fees are paid to directors.

Non-employee directors appointed to any subcommittee of the standing committees of the Board of Directors receive an additional cash retainer of \$5,000.

*Annual Non-Qualified Stock Option Grant.* Each non-employee director is granted non-qualified stock options every year under the 2009 Omnibus Equity Plan. For grants in respect of service in fiscal year 2009, each non-employee director serving as a member of the Board of Directors on the date of the October Board meeting was granted on the date of such meeting non-qualified stock options with a value equal to \$75,000. The valuation of the option is based on the valuation of the options for purposes of Valspar's audited financial statements for such fiscal year. The per share option exercise price is equal to 100% of the fair market value of Valspar's common stock on the date of grant as determined

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by the closing price on the date of grant. Each option is immediately exercisable in full, has a term of ten years and is transferable to family members during the lifetime of the optionee. The non-employee directors received options on October 21, 2009 to purchase the following numbers of shares at an exercise price of \$26.37 per share: Mr. Bode, 12,600 shares; Ms. Boren, 12,600 shares; Mr. Curler, 12,600 shares; Mr. Friendly, 5,250 shares; Mr. Gaillard, 12,600 shares; Ms. Haugarth, 12,600 shares; Dr. Jemison, 12,600 shares; Mr. Newlin, 12,600 shares; Mr. Palen, 12,600 shares and Dr. White, 12,600 shares.

Effective for fiscal 2010, the non-qualified stock option grant for non-employee directors will be replaced with a stock award. Each non-employee director serving as a member of the Board of Directors on the date of the October Board meeting will be granted a stock award with a value equal to his or her then current annual retainer.

*New Director Non-Qualified Stock Option Grant.* New non-employee directors of Valspar receive non-qualified stock options, intended to attract new directors of high caliber and qualifications and recognize their immediate contributions to Valspar. In fiscal 2009, a non-qualified stock option grant was made to Mr. Friendly, who joined the board in June 2009. The non-qualified stock option was for 12,500 shares with an exercise price of \$21.97 under 2009 Omnibus Equity Plan on June 17, 2009. The value of the option was equal to \$75,000, or one-year's retainer for directors, and was based on the valuation of the options for purposes of Valspar's audited financial statements for fiscal year 2009. The per share exercise price was equal to 100% of the fair market value

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of Valspar's common stock on the date of grant as determined by the closing price on the date of grant. The option is immediately exercisable in full, has a term of ten years and is transferable to family members during the lifetime of the optionee.

Effective with fiscal 2010, the non-qualified stock option grant for new non-employee directors will be replaced with a stock award equal to his or her current annual retainer. The stock award is restricted for five years, and the director must be serving as a member of the Board on the date the restrictions lapse to receive the award.

*Board Retirement.* Option grants in October 2007, and subsequent grants, including option grants in October 2009, will be exercisable for their full remaining term following a non-employee director's retirement. Options granted prior to October 2007 are exercisable for a period of three years after the date the non-employee director retires, not to exceed the grant's original expiration date.

*Reimbursement of Out-of-Pocket Expenses.* Directors are entitled to reimbursement for reasonable out-of-pocket expenses incurred in connection with travel to and from meetings of the Board of Directors or its committees and for related activities, including director education courses.

### 2009 DIRECTOR COMPENSATION

The table below summarizes the compensation paid to non-employee directors during fiscal 2009.

Name	Fees Earned or Paid in Cash or Stock (\$) <sup>1,3</sup>	Option Awards (\$) <sup>2</sup>	Total \$
J.S. Bode    Audit Chair	\$ 90,000	\$ 75,000	\$ 165,000
S.S. Boren    Governance Chair / Lead Director	110,000	75,000	185,000
J.H. Curler	75,000	75,000	150,000
I.R. Friendly	43,750	106,250	150,000
C.W. Gaillard	75,000	75,000	150,000
J.S. Haugarth	75,000	75,000	150,000
M.C. Jemison	75,000	75,000	150,000
S.D. Newlin	75,000	75,000	150,000
G.R. Palen    Compensation Chair	90,000	75,000	165,000
R.L. White	75,000	75,000	150,000

- (1) Annual retainer of \$75,000 taken in cash and/or stock purchased on the open market, with commissions paid by Valspar. Chairs of the Audit and Compensation Committees receive an annual fee of \$90,000. For her services as Lead Director in fiscal 2009, Ms. Boren received a cash retainer of \$35,000, in addition to the annual director retainer of \$75,000. Directors may elect to receive all or a portion of their annual director retainers in Valspar common stock or cash. The cash retainer is paid quarterly and shares are purchased quarterly. For

those directors who elected to receive common stock, the number of shares purchased on the open market on March 10, 2009 at \$16.15 per share were: Ms. Boren 888 shares; Mr. Curler 1,211 shares; Mr. Gaillard 1,211 shares; Ms. Haugarth 1,211 shares; Mr. Palen 1,453 shares and Dr. White 1,211 shares. The number of shares purchased on the open market on June 10, 2009 at \$23.07 per share were: Ms. Boren 590 shares; Mr. Curler 804 shares; Mr. Gaillard 804 shares; Ms. Haugarth 804 shares; Mr. Newlin 804 shares; Mr. Palen 965 shares and Dr. White 804 shares. The number of shares purchased on the open market on September 9, 2009 at \$27.33 per share were: Mr. Curler 693 shares; Mr. Friendly 809 shares; Mr. Gaillard 693 shares; Ms. Haugarth 693 shares; Mr. Newlin 693 shares and Mr. Palen 832 shares. The number of shares purchased on the open market on December 9, 2009 at \$26.76 per share were: Mr. Curler 699 shares; Mr. Friendly 816 shares; Mr. Gaillard 699 shares; Ms. Haugarth 699 shares; Mr. Newlin 699 shares and Mr. Palen 839 shares. Mr. Friendly elected to receive his prorated 2009 retainer of \$43,750 in stock.

- (2) The dollar amount recognized for financial statement reporting purposes with respect to the 2009 fiscal year for fair value of stock options granted. The fair value was estimated using the Black-Scholes option-pricing model in accordance with FASB ASC 715 Compensation - Retirement Benefits. The fair value of options granted to each director in fiscal 2009 on the date of grant was \$75,000 for each of the directors, except that such fair value was \$106,250 for Mr. Friendly which consisted of the \$75,000 grant upon joining the Board in June 2009 and \$31,250 prorated grant in October. Outstanding option awards at fiscal year end: Mr. Bode 56,100 shares; Ms. Boren 94,300 shares; Mr. Curler 94,200 shares; Mr. Friendly 17,750; Mr. Gaillard 88,300 shares; Ms. Haugarth 35,200 shares; Dr. Jemison 76,600 shares; Mr. Newlin 35,200 shares; Mr. Palen 88,400 shares and Dr. White 88,000 shares.
- (3) Mr. Friendly joined the Board in June 2009.

## PROPOSAL NUMBER TWO

### Approval of an Amendment to The Valspar Corporation 2009 Omnibus Equity Plan

#### Background

On December 9, 2009, our Board of Directors approved an amendment to The Valspar Corporation 2009 Omnibus Equity Plan (the Omnibus Plan ) that would, subject to stockholder approval, add 3,000,000 shares to the reserve of shares authorized for issuance under the Omnibus Plan. The purpose of the Omnibus Plan is to increase stockholder value and to advance the interests of the Corporation by furnishing a variety of incentives

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designed to attract, retain and motivate key employees and consultants of the Corporation and its subsidiaries, and directors of the Corporation. The Omnibus Plan was adopted to replace the Corporation's 1991 Stock Option Plan, Stock Option Plan for Non-Employee Directors, Key Employee Restricted Stock Plan and 2001 Stock Incentive Plan (together, the Prior Plans ) with a single plan providing us with significant flexibility in determining the types and specific terms of awards made to participants. As of December 28, 2009, approximately 3,298,550 shares of common stock were available for issuance under the Omnibus Plan.

#### Summary of the Plan

The following description of the Omnibus Plan is only a summary of certain provisions of the Omnibus Plan and is qualified in its entirety by reference to the full text of the Omnibus Plan.

#### Administration of the Plan

Our Compensation Committee administers the Omnibus Plan and has complete authority to award incentives, to interpret the plan and to make any other determination which it believes necessary and advisable for the proper administration of the plan. The committee's decisions on matters relating to the Omnibus Plan are final and conclusive on the Corporation and participants in the plan.

The Corporation's Chief Executive Officer may, on a discretionary basis and without committee review or approval, grant stock options under the Omnibus Plan to purchase up to 5,000 shares each to employees of the Corporation who are not officers. Such discretionary grants may not exceed 25,000 shares in total in any fiscal year. Subject to these limitations, the Chief Executive Officer will determine from time to time (i) the employees to whom these grants will be made, (ii) the number of shares to be granted, and (iii) the terms and provisions of each stock option (which need not be identical).

#### Eligible Participants

Officers of the Corporation, employees of the Corporation or a subsidiary, members of the Board, and consultants or other independent contractors who provide services to the Corporation or a subsidiary are eligible to receive incentives under the Omnibus Plan when designated

by the committee.

### Shares Available For Awards

The aggregate number of shares of our common stock available for awards made under the Omnibus Plan is currently 3,298,550. If adopted by our stockholders at the annual meeting, this proposal will make available for issuance under the plan an additional 3,000,000 shares, bringing the total number of shares reserved for awards to 6,298,550. If an incentive granted under the Omnibus Plan (or previously granted under any of the Prior Plans) expires or is terminated or canceled unexercised as to any shares of common stock or forfeited or reacquired by the Corporation pursuant to rights reserved upon issuance thereof, such shares may again be awarded under the Omnibus Plan pursuant to another incentive award, subject to the plan's share counting requirements for incentives other than stock options or stock appreciation rights (SARs). Nevertheless, the number of shares of common stock awarded under the Omnibus Plan pursuant to all incentives, other than stock options and SARs, will reduce the number of shares of common stock available to be awarded under the plan by a multiple of 2.53 times the actual number of shares of common stock awarded pursuant to any such incentive other than stock options and SARs. For example, if the committee awards 100 shares of restricted stock to a participant, the number of shares remaining and available to be issued under the Omnibus Plan will be reduced by 253 shares. Any shares of common stock covered by a stock option or SAR will be counted in full against the share limitation, regardless of the number of shares of common stock actually issued upon the exercise of such stock option or SAR.

In any one fiscal year, no person may receive awards under the Omnibus Plan that could result in that person receiving, earning or acquiring (a) stock options and SARs for, in the aggregate, more than 500,000 shares of common stock, (b) stock awards, restricted stock, restricted stock units and performance shares, in the aggregate, covering more than 250,000 shares of common stock and (c) performance awards payable in cash with a maximum amount payable exceeding \$3,000,000.

The number of shares authorized under the Omnibus Plan and the limitations on awards in any fiscal year will be adjusted appropriately by the committee in the event of any change in the outstanding common stock of the Corporation by reason of a stock dividend, stock split, reverse stock split, combination of shares, spin-off, dividend (other than regular, quarterly cash dividends), recapitalization, merger or similar event, in order to reflect the change in the common stock and to provide participants with the same relative rights before and after such adjustment.

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### Types of Awards and Terms and Conditions

The Omnibus Plan permits the granting of incentives in any one or a combination of the following forms:

- 1 non-qualified stock options which are not intended to qualify under Section 422 of the Internal Revenue Code (the Code);
- 1 SARs payable in shares of common stock;
- 1 restricted stock and restricted stock units;
- 1 performance awards of cash, stock or property; and
- 1 stock awards.

Payment of incentives may be in the form of cash, shares of common stock, or any combination as determined by the committee.

*Stock Options.* The holder of an option will be entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, all as determined by the committee. The exercise price will be payable (a) in cash upon exercise of the stock option, payable by certified check or bank draft, or otherwise as determined by the committee; (b) to the extent permitted in the option agreement, by the delivery of shares of common stock in payment of all or any part of the exercise price, valued at the fair market value on the date the stock option is exercised; or (c) unless otherwise provided in the option agreement, by instructing the Corporation to withhold from the shares of common stock issuable upon exercise of the stock option shares of common stock in payment of all or any part of the exercise price and/or any related withholding tax obligations, valued at fair market value.

The exercise price per share under any stock option may not be less than the fair market value of our common stock on the date of grant of that option.



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*Stock Appreciation Rights.* An SAR is a right to receive, without payment to the Corporation, the aggregate amount of appreciation in the number of shares of common stock covered by the SAR, payable in the form of shares of common stock. SARs vest and become exercisable in accordance with a vesting schedule established by the committee. The term of each SAR will be determined by the committee, but may not exceed ten years from the grant date. An SAR may be granted (a) with respect to any stock option either concurrently with the grant of such stock option or at such later time as determined by the committee or (b) alone, without reference to any stock option.

The exercise price per share of any SAR may not be less than the fair market value of our common stock on the date of grant of that SAR.

*Restricted Stock.* Restricted stock is common stock that is sold or transferred to a participant at a price, if any, determined by the committee and subject to restrictions and other terms and conditions established by the committee. The restrictions may include a prohibition against transfer of the shares, to lapse at such time or times as the committee determines, and a requirement that the holder forfeit (or resell back to the Corporation at his or her cost) all or a part of such shares in the event of termination of his or her employment or consulting engagement while the shares are subject to restrictions. A participant receiving restricted stock generally will have all the rights of a stockholder with respect to shares of stock during any period in which the shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote the shares. Dividends paid in cash or property other than common stock with respect to shares of restricted stock will be paid to the participant currently.

*Restricted Stock Units.* A restricted stock unit is a right to receive one share of common stock at a future date that has been granted subject to terms and conditions, including a risk of forfeiture, established by the committee. Participants who receive restricted stock units will have no rights as stockholders with respect to such restricted stock units until the share certificates for common stock are issued to the participants. However, to the extent provided by the committee in the award agreement, quarterly during the applicable restricted period, the Corporation will pay to each such participant an amount equal to the sum of all dividends and other distributions paid by the Corporation on the equivalent number of shares of common stock. Except as otherwise determined by the committee, if the participant's employment or service as a director terminates during the vesting period for any reason, the restricted stock units will be forfeited.

*Performance Awards.* A performance award is a right to either a number of shares of common stock, their cash equivalent, or a combination thereof, based on satisfaction of performance goals for a particular period. At

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or about the same time that performance goals are established for a specific period, the committee shall in its absolute discretion establish the percentage of the performance awards granted for such performance period which shall be earned by the participant for various levels of performance measured in relation to achievement of performance goals for such performance period.

Performance goals applicable to a performance award will be established by the committee not more than 90 days after the beginning of the relevant performance period. The performance goals for performance awards that are intended to qualify as performance based compensation within the meaning of Section 162(m) of the Code must be based on one or more of the following business criteria: earnings per share, operating income or profit, net income, gross or net sales, expenses, expenses as a percentage of net sales, inventory turns, cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment), gross profit, margins, working capital, earnings before interest and tax (EBIT), earnings before interest, tax, depreciation and amortization (EBITDA), return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales or revenue), revenue growth, share price (including, but not limited to, growth measures and total shareholder return), operating efficiency, productivity ratios, market share, economic value added and safety. Any of the above criteria may be used to measure the performance of the Corporation, a subsidiary and/or affiliate of the Corporation as a whole or any business unit of the Corporation, subsidiary, and/or such an affiliate or any combination thereof, as the committee may deem appropriate, or any of the above criteria as compared to the performance of a group of comparator companies, or published or special index that the committee, in its sole discretion, deems appropriate, or the committee may select criteria based on the Corporation's share price as compared to various stock market indices. The committee, in its sole discretion, may modify the performance goals if it determines that circumstances have changed and modification is required to reflect the original intent of the performance goals; provided, however, that no such change or modification may be made to the extent it increases the amount of compensation payable to any participant who is a covered employee within the meaning of Code Section 162(m).

The committee will determine the terms and conditions applicable to any performance award, which may include restrictions on the delivery of common stock payable in connection with the performance award, the requirement that the stock be delivered in the form of restricted stock, or other restrictions that could result in the future forfeiture of all or part of any stock earned. The committee will, as soon as practicable after the close of a performance period, determine the extent to which the performance goals for such performance period have been achieved and the percentage of the performance awards earned as a result. Performance awards will not be earned for any participant who is not employed by the Corporation or a subsidiary continuously during the entire performance period for which such performance award was granted, except in certain events such as death, disability or retirement.

With the consent of the committee, a participant who has been granted a performance award may elect to defer receipt of all or any part of any distribution associated with that performance award pursuant to the terms of a deferred compensation plan of the Corporation, subject to compliance with Section 409A of the Code.

*Stock Awards.* The committee may grant unrestricted shares of our common stock, subject to terms and conditions determined by the committee and the limitations in the Omnibus Plan.

#### **Transferability of Awards**

Unless otherwise provided by the committee, awards (other than stock awards) under the Omnibus Plan may only be transferred by will or by the laws of descent and distribution. The committee may permit limited transfers of awards to family members.

#### **Effect of Retirement**

In the event of a participant's retirement, to the extent provided in the incentive agreement, (1) all outstanding restricted stock awards, stock options, SARs and restricted stock units previously granted to the participant will become 100% vested, (2) the participant will be entitled to exercise any outstanding stock options and SARs for the remainder of the original term of the stock option or SAR, provided that if the participant violates his or her applicable non-compete agreement, all of his or her unexercised stock options and SARs will terminate immediately and be forfeited to the Corporation and (3) the participant will become entitled to a distribution of any performance award based on actual achievement of the performance goals, except that for fiscal years after the fiscal year during which the retirement occurred, the committee will establish an assumed level of achievement. Retirement means termination of employment for any reason other than for cause after the participant has attained the age of 55 (or a different age specified for the incentive) if the participant has executed a three-year non-compete agreement.

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#### **Effect of Change in Control**

In the event of a change in control, the committee or its successor will provide that the awards will accelerate and vest in full, and all stock options and SARs must be exercised within a specified period of time or they will terminate, and that all Performance Awards are deemed earned. The committee may, but is not obligated to, provide for an appropriate cash payment to each participant who holds a stock option or SAR that is terminated.

A change in control is defined in the Omnibus Plan to include the following events, all with certain important exceptions specified in the Omnibus Plan: (i) any individual, entity or group becomes the beneficial owner of 20% or more of the outstanding shares voting power of the Corporation; (ii) individuals who, as of the effective date of the plan, constitute the Board cease for any reason to constitute at least a majority of the Board; or (iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Corporation or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its subsidiaries; or (iv) approval by the stockholders of a complete liquidation or dissolution of the Corporation.

#### **Prohibition on Repricing Awards**

Without the prior approval of the Corporation's stockholders, no stock option or SAR under the Omnibus Plan will be repriced, replaced, or regranted through cancellation, the exercise price of a previously granted stock option or SAR will not be lowered, and no stock option or SAR whose fair market value is lower than its exercise price will be exchanged for cash or another award, except as adjustments are permitted under other provisions of the Omnibus Plan, such as the provisions providing for adjustment upon stock splits and similar events.

#### **Duration, Termination and Amendment**

The Omnibus Plan became effective upon its approval by our stockholders at our 2009 annual meeting held on February 25, 2009. The Omnibus Plan will remain in effect until all incentives granted under the Omnibus Plan have either been satisfied by the issuance of shares or the payment of cash or have been terminated under the terms of the Omnibus Plan and all restrictions imposed on shares of common stock have lapsed. No incentives may be granted under the Omnibus Plan after February 25, 2019, which is the tenth anniversary of the date on which the Omnibus Plan was approved by our stockholders.

The Board or committee may amend or discontinue the Omnibus Plan at any time. However, no such amendment or discontinuance may adversely change or impair an outstanding incentive, without the consent of the recipient. Further, no such amendment shall, without approval of the stockholders of the Corporation, (a) increase the maximum number of shares of common stock which may be issued to all participants under

the Omnibus Plan, or (b) make any other change for which stockholder approval is required by law or under the applicable rules of the NYSE.

### **Federal Income Tax Consequences**

*Grant of Options and SARs.* The grant of a stock option or SAR is not expected to result in any taxable income for the participant.

*Exercise of Options and SARs.* Upon exercising a non-qualified stock option, the holder must recognize ordinary income equal to the excess of the fair market value of the shares of our common stock acquired on the date of exercise over the exercise price, and we will generally be entitled at that time to an income tax deduction for the same amount. Upon the exercise of a SAR, the amount of any cash received by the participant and the fair market value on the exercise date of any shares of our common stock received are taxable to the recipient as ordinary income and generally deductible by us.

*Disposition of Shares Acquired Upon Exercise of Options and SARs.* The tax consequence upon a disposition of shares acquired through the exercise of an option or SAR will depend on how long the shares have been held. Ordinarily, any gain realized upon a disposition will be treated as a capital gain, with the precise character of that gain (either short or long term) being determined by the length of time during which the holder has held the shares. Generally, there will be no tax consequence to us in connection with the disposition of shares acquired under an option or SAR.

*Awards Other than Options and SARs.* As to other awards granted under the Omnibus Plan that are payable either in cash or shares of our common stock that are either transferable or not subject to substantial risk of forfeiture, the holder of the award must recognize ordinary income equal to (a) the amount of cash received or, as applicable, (b) the excess of (i) the fair market value of the shares received (determined as of the date of receipt) over (ii) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

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As to an award that is payable in shares of our common stock that are restricted from transfer and subject to substantial risk of forfeiture, unless a special election is made by the holder of the award under the Code, the holder must recognize ordinary income equal to the excess of (i) the fair market value of the shares received (determined as of the first time the shares become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier) over (ii) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

*Income Tax Deduction.* Subject to the usual rules concerning reasonable compensation, including our obligation to withhold or otherwise collect certain income and payroll taxes, and assuming that, as expected, stock options, SARs and certain other performance awards paid under the Omnibus Plan are qualified performance based compensation within the meaning of Section 162(m) of the Code, we will generally be entitled to a corresponding income tax deduction at the time a participant recognizes ordinary income from awards made under the Omnibus Plan.

*Delivery of Shares for Tax Obligation.* Under the Omnibus Plan, the committee may permit participants receiving or exercising awards, subject to the discretion of the committee and upon any terms and conditions it may impose, to deliver shares of our common stock (either shares received upon the receipt or exercise of the award or shares previously owned by the participant) to us to satisfy federal and state tax obligations.

*Withholding.* The Corporation has the right to withhold from any payments made under the Omnibus Plan or to collect as a condition of payment, any taxes required by law to be withheld. The participant may satisfy this obligation in whole or in part by electing to have the Corporation withhold shares of common stock having a fair market value up to the minimum amount of withholding taxes required to be collected on the transaction.

### **Plan Benefits**

The committee in its sole discretion will determine the number and types of awards that will be granted under the Omnibus Plan. Therefore, it is not possible to determine at this time the benefits that will be received by eligible participants if the amendment to the Omnibus Plan is approved by our stockholders. The closing price per share of our common stock as reported on the NYSE on December 28, 2009, was \$27.40.

### **Vote Required**

The Board recommends that stockholders approve the proposed increase in the number of shares reserved for issuance under the Omnibus Plan. The affirmative vote of a majority of the shares represented at the annual meeting and entitled to vote is required for such approval.

**PROPOSAL NUMBER THREE****Appointment of Auditors**

The Board of Directors has appointed Ernst & Young LLP to examine the Corporation's consolidated financial statements for the fiscal year ending October 29, 2010. Ernst & Young LLP acted as the Corporation's auditors for the fiscal year ended October 30, 2009. A representative of Ernst & Young LLP is expected to be present at the 2010 annual meeting and will be given an opportunity to make a statement if so desired and to respond to appropriate questions.

**Auditor Fee Information**Audit Fees

Fees for audit services totaled \$2,690,023 in 2009 and \$2,695,808 in 2008, which includes fees associated with the annual financial statement audit, audit of internal controls over financial reporting, foreign statutory audits, the reviews of the Corporation's quarterly reports on Form 10-Q and registration statements filed with the SEC.

Audit-Related Fees

Fees for audit-related services totaled \$23,250 in 2009 and \$21,836 in 2008. Audit-related services principally include accounting and reporting assistance, as well as other audits required by contract or regulation.

Tax Fees

Fees for tax services, including tax compliance, tax advice and tax planning totaled \$263,328 in 2009 and \$235,440 in 2008.

All Other Fees

The Corporation did not incur fees except as indicated in the above categories.

**Pre-Approval of Services by Independent Auditors**

As permitted under applicable law, the Audit Committee may pre-approve from time to time certain types of services, including tax services, to be provided by the Independent Auditors. As provided in the Charter of the Audit Committee, and in order to maintain control and oversight over the services provided by the Independent Auditors, it is the policy of the Audit Committee to pre-approve all audit and non-audit services to be provided by the Independent Auditors and not to engage the Independent Auditors to provide any non-audit services prohibited by law or regulation. For administrative convenience, the Audit Committee may delegate pre-approval authority to the Audit Committee Chair, but any decision by the Committee Chair on pre-approval must be presented to the full Audit Committee at its next scheduled meeting.

**OUTSTANDING SHARES AND VOTING RIGHTS**

Stockholders of record on December 28, 2009 will be entitled to receive notice of and vote at the meeting. As of the record date, there were outstanding and entitled to be voted at the meeting 99,407,115 shares of common stock, each share being entitled to one vote.

**Share Ownership of Certain Beneficial Owners**

The following information concerning ownership of common stock of the Corporation is furnished as of the record date, unless otherwise indicated, with respect to all persons known by the Corporation to be the owner, of record or beneficially, of more than five percent of the outstanding common stock of the Corporation. Unless otherwise indicated, the stockholders listed in the table below have sole voting and investment power with respect to the shares indicated.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class
C. Angus Wurtele 4900 IDS Center 80 South 8th Street Minneapolis, MN 55402	6,055,114 <sup>1</sup>	6.09%

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Mairs and Power, Inc. 332 Minnesota Street W-1520 First National Building St. Paul, MN 55101	4,987,814 <sup>2</sup>	5.02%
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- (1) Shares reported on Schedule 13G as of February 5, 2009. Includes 38,400 shares owned by Mr. Wurtele's wife.
- (2) Shares reported on Schedule 13G as of February 13, 2009. Mairs and Power, Inc., an investment adviser, reports sole voting power over 3,854,250 shares and sole dispositive power over 4,987,814 shares.

### Share Ownership of Management

The following table lists, as of December 28, 2009, the beneficial ownership of common stock for all directors, each of the named executives and all directors and executive officers as a group. Except as otherwise indicated, no director or executive officer individually owns as much as 1% of the total outstanding shares of common stock.

Name	Shares <sup>1</sup>	Name	Shares <sup>1</sup>
John S. Bode	63,840 <sup>2</sup>	Gary E. Hendrickson	411,360 <sup>3</sup>
Susan S. Boren	117,950 <sup>2,6</sup>	Mae C. Jemison	78,369 <sup>2</sup>
Jeffrey H. Curler	126,353 <sup>2</sup>	William L. Mansfield	948,611 <sup>3</sup>
Rolf Engh	508,820 <sup>3,6</sup>	Stephen D. Newlin	40,970 <sup>2</sup>
Steven L. Erdahl	556,623 <sup>3,4,6</sup>	Gregory R. Palen	141,790 <sup>2,5</sup>
Ian R. Friendly	19,375 <sup>2</sup>	Lori A. Walker	182,363 <sup>3</sup>
Charles W. Gaillard	116,028 <sup>2</sup>	Richard L. White	95,571 <sup>2</sup>
Janel S. Haugarth	44,928 <sup>2</sup>		
All directors and executive officers as a group		3,518,625 <sup>2,3,6,7</sup>	

- (1) Except as otherwise indicated, each person possesses sole voting and investment power with respect to shares shown as beneficially owned.
- (2) Includes shares which may be acquired within 60 days by exercise of outstanding options under the Corporation's Stock Option Plan for Non-Employee Directors, as follows: Mr. Bode, 56,100 shares; Ms. Boren, 94,300 shares; Mr. Curler, 90,900 shares; Mr. Friendly, 17,750; Mr. Gaillard, 88,300 shares; Ms. Haugarth, 35,200 shares; Dr. Jemison, 76,600 shares; Mr. Newlin, 35,200 shares; Mr. Palen, 88,400 shares; and Dr. White, 73,050 shares.

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- (3) Includes shares indirectly owned as of October 30, 2009 through The Valspar Savings and Retirement Plan, and over which each participant has sole voting power, as follows: Mr. Mansfield 61,477 shares; Ms. Walker 6,787 shares; Mr. Hendrickson 10,365 shares; Mr. Erdahl 2,688 shares; and Mr. Engh 47,742 shares; and executive officers as a group, 132,775 shares. Also includes the following numbers of shares which may be acquired within 60 days by exercise of outstanding options under the Corporation's stock option plans, as follows: Mr. Mansfield, 795,001 shares; Ms. Walker, 134,834 shares; Mr. Hendrickson, 252,534 shares; Mr. Erdahl, 430,940 shares; Mr. Engh 310,668 shares; and executive officers as a group, 1,977,644 shares.
- (4) Includes 72 shares owned by Mr. Erdahl's wife.
- (5) Includes 240 shares owned by Mr. Palen's wife.
- (6) Includes shares which are pledged as security, as follows: Ms. Boren 29,275 shares; Mr. Engh 142,000 shares; Mr. Erdahl 91,714 shares.
- (7) Percentage of the outstanding shares of common stock beneficially owned by all directors and executive officers as a group, 3.5%.

### ADDITIONAL INFORMATION

**Other Business**

Management is not aware of any matters to be presented for action at the meeting, except matters discussed in the Proxy Statement. If any other matters properly come before the meeting, it is intended that the shares represented by proxies will be voted in accordance with the judgment of the persons voting the proxies.

**2011 Stockholder Proposals**

If you would like to submit a proposal for us to include in the proxy statement for our 2011 annual meeting, you must comply with Rule 14a-8 under the Securities Exchange Act of 1934 and the advance notice provisions of our Bylaws. You must also make sure that we receive your proposal at our executive offices (sent c/o Corporate Secretary) by September 17, 2010. Any stockholder proposal included in our proxy statement will also be included on our form of proxy so that stockholders can indicate how they wish to vote their shares on the proposal.

If you would like to recommend a person for consideration as a nominee for election as a director at our 2011 annual meeting, you must comply with the advance notice provisions of our Bylaws. These provisions require that we receive your nomination at our executive offices (sent c/o Corporate Secretary) no earlier than September 17, 2010, and no later than October 17, 2010. Additional information regarding the consideration of stockholder recommendations for nominees to the Board can be found in this Proxy Statement under the heading **CORPORATE GOVERNANCE - Director Nomination Process** beginning on page 4.

If you would like to present a proposal at our 2011 annual meeting without including it in our proxy statement, you must comply with the advance notice provisions of our Bylaws. These provisions require that we receive your proposal at our executive offices (sent c/o Corporate Secretary) no earlier than September 17, 2010, and no later than October 17, 2010.

If the presiding officer at the 2011 annual meeting of stockholders determines that a stockholder proposal or stockholder director nomination was not submitted in compliance with the advance notice provisions of our Bylaws, the proposal or nomination will be ruled out of order and not acted upon.

The above information is only a summary of some of the requirements of the advance notice provisions of our Bylaws. If you would like to receive a copy of the provisions of our Bylaws setting forth all of these requirements, you should write to our executive offices, c/o Corporate Secretary.

**Ability of Stockholders and Other Interested Parties to Communicate with the Corporation's Board of Directors**

The Corporation's Board of Directors has established several means for stockholders and other interested parties to communicate with the Corporation's Board of Directors. Concerns regarding the Corporation's financial statements, accounting practices or internal controls should be submitted in writing to the Chairman of the Audit Committee in care of the Corporate Secretary at the Corporation's headquarters address. If the concern relates to the Corporation's governance practices, business ethics or corporate conduct, the concern should be submitted in writing to the Chairman of the Nominating and Governance Committee in care of the Corporate Secretary at the Corporation's headquarters address. If a stockholder or other interested parties are unsure as to which category the concern relates, the concern may be communicated to any one of the independent directors in care of the Corporate Secretary at the Corporation's headquarters address. All communications will be sent to the applicable director(s).

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The Corporation schedules its Annual Meeting of Stockholders concurrent with a regularly scheduled Board of Directors Meeting and expects its directors to attend the Corporation's Annual Meeting of Stockholders. All directors attended last year's Annual Meeting of Stockholders, except Janel S. Haugarth and Stephen D. Newlin.

By Order of the Board of Directors,

ROLF ENGH,  
*Secretary*

Minneapolis, Minnesota  
January 15, 2010

**PLEASE SIGN, DATE AND RETURN YOUR PROXY IN THE ENCLOSED ENVELOPE  
OR  
VOTE VIA THE INTERNET OR TELEPHONE**

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Appendix A

## **THE VALSPAR CORPORATION**

### **AUDIT COMMITTEE CHARTER**

#### **Purpose**

This charter establishes the responsibilities of the Audit Committee ( Committee ) of the Board of Directors ( Board ) of The Valspar Corporation (the Company ). The Committee shall review and reassess the charter at least annually and obtain the approval of the Board of Directors. The Committee shall provide the New York Stock Exchange with timely annual written affirmation of having conducted such review and reassessment.

#### **Composition**

The Committee shall be members of, and appointed by, the Board of Directors and shall be comprised of at least three directors, each of whom are independent of management and the Company. Members of the Committee shall be considered independent as long as they do not accept any consulting, advisory or other compensatory fee (other than Board or Committee fees) from the Company, are not an affiliated person of the Company or its subsidiaries and meet the independence requirements of the stock exchange listing standards. Each member of the Committee shall be financially literate, as such qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee, and at least one member shall be an Audit Committee financial expert as defined by the SEC regulations. The members and Chair of the Audit Committee shall be appointed by the Board of Directors and shall continue to act until their successors are elected, but shall be subject to removal at any time by a majority of the Board. Any resulting vacancy may be filled by the Board.

#### **Statement of Policy**

The Audit Committee shall provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to: the integrity of the Company's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of the Company's internal audit function and independent auditors; the independent auditor's qualifications and independence; and the Company's compliance with ethics policies, environmental and safety regulations and legal and other regulatory requirements. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, independent auditors, the internal auditors and management of the Company.

#### **Responsibilities**

The primary responsibility of the Audit Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best respond to changing conditions and to ensure the Board and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements. The Committee shall meet at such times as determined by the Chair of the Committee. A majority of the members of the Committee shall constitute a quorum for the transaction of business. The Committee may delegate one or more of its functions to subcommittees established from time to time by the Committee, but the Committee remains responsible for any function delegated to a subcommittee.

In carrying out these responsibilities, the Committee will:

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- 1 Review and reassess the charter at least annually and obtain the full Board's approval of this Charter.
- 1 The Audit Committee shall be directly responsible for the appointment and termination (subject to Board review and shareholder approval or ratification, if applicable), compensation and oversight of the

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work of the independent auditors. The Committee is responsible for ensuring the independence of the independent auditors. The Committee shall annually obtain from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company and shall review any disclosed relationships between the independent auditors and the Company and the nature and scope of other professional services provided to the Company that may adversely affect the independence of the auditors.

- 1 Review and approve management's termination or replacement of the director of internal audit.
- 1 Pre-approve all audit and non-audit services provided by the independent auditors and not engage the independent auditors to perform the certain non-audit services prohibited by law or regulation. The Committee may delegate pre-approval authority to the Committee Chair. The decision of the Committee Chair on pre-approval must be presented to the full Audit Committee at its next scheduled meeting.
- 1 Meet with the independent auditors and financial management of the Company to review the scope of the proposed audit and the quarterly reviews for the current year, the procedures to be utilized and the independent auditor's compensation. At the conclusion of the audit, review the management letter issued by the independent auditors, including management's response and corrective actions taken.
- 1 Review and approve all related party transactions required to be disclosed and discuss with management the business rationale for the transactions and whether appropriate disclosures have been made.
- 1 Review and obtain, at least annually, the independent auditor's internal quality control procedures and any material issues raised by the most recent quality control review within the preceding five years and any steps taken to deal with any such issues.
- 1 Confirm with independent auditors that they are ultimately accountable to the Board and the Committee.
- 1 Review, at least annually, with the independent auditors, the Company's internal auditor and financial and accounting personnel the adequacy and effectiveness of the internal quality control procedures of the Company. The Committee shall elicit any recommendations for the improvement of such internal controls or particular areas where new or more detailed controls or procedures are desirable. The Committee shall discuss with management, the internal auditor and the independent auditors the adequacy and effectiveness of the accounting and financial controls including the Company's policies and procedures to assess, monitor and manage significant risks or exposures and legal and ethical compliance programs (i.e. Company's code of ethics).
- 1 Annually review the Company's compliance with environmental and safety regulations.
- 1 Discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act.
- 1 Review with management and independent auditors the critical accounting policies and practices of the Company and discuss alternative treatments of financial information within generally accepted accounting principles.
- 1 Review with senior management the Company's overall anti-fraud programs and controls.
- 1 Review and discuss earnings press releases, interim financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and the independent auditors prior to the filing of the Company's Quarterly Report on Form 10-Q. Review with financial management and the independent auditors any significant matters identified during the quarterly interim reviews conducted by the independent auditors. The Committee may delegate these tasks to the Audit Committee Chair.
- 1 Review the internal audit function of the Company, including the independence and authority of its reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the independent auditors, including staffing.



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- 1 Review semiannually a summary of significant findings from internal audits and a progress report on the proposed internal audit plan, with explanations for major deviations from the original plan.

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- 1 Annually review with financial management and the independent auditors the results of their timely analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices. Also, review with financial management and the independent auditors their qualitative judgments about the appropriateness, not just acceptability, of accounting principles, underlying estimates and financial disclosure practices used by the Company.
- 1 Discuss with management, the internal auditors, and the independent registered public accountants any (1) changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting that are required to be disclosed and (2) any other changes in internal control over financial reporting that were considered for disclosure in the Company's periodic filings with the SEC.
- 1 Review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), including their judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards.
- 1 Provide sufficient opportunity for the internal and independent auditors to meet with the members of the Committee, without members of management present. Among the items to be discussed in these meetings are the auditors' evaluation of the Company's financial, accounting and auditing personnel and the cooperation that the independent auditors received during the course of audit. Additionally, the Committee shall have the opportunity to meet separately with management.
- 1 Report the results of the annual audit to the Board and make a timely recommendation to the Board as to the inclusion of the audited financial statements in the Annual Report on Form 10-K for filing with the Securities and Exchange Commission.
- 1 Prepare an Audit Committee Report as required by the Securities and Exchange Commission to be included in the Company's annual proxy statement.
- 1 Submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.
- 1 Investigate any matter brought to the attention of the Committee within the scope of its duties, with the power to retain outside counsel for this purpose if, in the Committee's judgment, that is appropriate. Receive corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty.
- 1 Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.
- 1 Set clear hiring policies for employees or former employees of the independent auditors that meet the SEC regulations and stock exchange listing standards.
- 1 Perform an evaluation of the Committee's performance at least annually to determine whether it is functioning effectively.

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## THE VALSPAR CORPORATION

### 2009 OMNIBUS EQUITY PLAN

Amended Through October 20, 2009

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## THE VALSPAR CORPORATION

### 2009 OMNIBUS EQUITY PLAN

#### 1. Purpose and Background

1.1. Purpose. The purpose of the 2009 Omnibus Equity Plan (the Plan) is to increase stockholder value and to advance the interests of the Company by furnishing a variety of Incentives designed to attract, retain and motivate key employees and consultants of the Company and its Subsidiaries and directors of the Company.

1.2. Background. Immediately prior to the date of approval of the Plan by the stockholders of the Company, the Company maintained four, separate share reserves totaling 5,218,903 shares of Common Stock (the Prior Reserves) for issuance pursuant to Stock Options and Restricted Stock granted to participants under the Company's 1991 Stock Option Plan, Stock Option Plan for Non-Employee Directors, Key Employee Restricted Stock Plan and 2001 Stock Incentive Plan (the Prior Plans). Upon approval of the Plan by the stockholders of the Company, no further awards will be granted to any person under the Prior Plans, and the Prior Reserves will be combined, transferred to the Plan and included in the number of shares of Common Stock reserved and available to be issued pursuant to Section 6.1 of the Plan.

#### 2. Definitions

2.1. Award. An Award is a grant of Stock Options, Stock Appreciation Rights, Performance Awards, Restricted Stock or Restricted Stock Units under the Plan.

2.2. Board. The Board is the Board of Directors of the Company.

2.3. Change in Control. A Change in Control means any of the following:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) (a Person) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then-outstanding shares of Common Stock of the Company (the Outstanding Company Common Stock) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the Outstanding Company Voting Securities) *provided, however*, that, for purposes of this Section 2.3, the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliated Company or (iv) any acquisition pursuant to a transaction that complies with Sections 2.3(c)(1), 2.3(c)(2) and 2.3(c)(3);

(b) Individuals who, as of the date hereof, constitute the Board (the Incumbent Board) cease for any reason to constitute at least a majority of the Board; *provided, however*, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other

actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

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(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a Business Combination), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 60% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then-outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation, except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(d) Approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

2.4. Code. The Code means the Internal Revenue Code of 1986, as amended, and rules and regulations thereunder, as now in force or as hereafter amended.

2.5. Committee. The Committee is the Compensation Committee of the Board described in Section 3.1 hereof.

2.6. Company. The Company is The Valspar Corporation, a Delaware corporation, and any successor thereof.

2.7. Common Stock. Common Stock is the common stock, \$.50 par value per share, of the Company.

2.8. Deferred Compensation. Deferred Compensation means any Incentive under this Plan that provides for the deferral of compensation under a nonqualified deferred compensation plan (as those terms are defined under Code Section 409A and the regulations promulgated thereunder) and that would be subject to the taxes specified in Code Section 409A(a)(1) if and to the extent that the Plan and the agreement evidencing the Incentive do not meet or are not operated in compliance with the requirements of Code Section 409A(a)(2), (3) and (4) and the regulations promulgated thereunder. Deferred Compensation shall not include any amount that is otherwise exempt from the requirements of Code Section 409A and the regulations promulgated thereunder.

2.9. Disability. Disability shall mean permanent disability as that term is defined under the long term disability insurance coverage offered by the Company to its employees at the time the determination is to be made.

2.10. Grant Date. The Grant Date of an Incentive shall be the date established by the Committee as the date of grant of the Award, which shall not be earlier than the date of the Committee meeting at which the Award is approved.

2.11. Exchange Act. The Exchange Act means the Securities Exchange Act of 1934, and rules and regulations thereunder, as now in force or as hereafter amended.

2.12. Fair Market Value. The Fair Market Value of a share of Common Stock at a specified date shall, unless otherwise expressly provided in this Plan, be the amount which the Committee determines in good faith to be 100% of the fair market value of such a share as of the date in question. Notwithstanding the foregoing, if such shares are listed on a U.S. securities exchange, then Fair Market Value shall be determined by reference to the last sale price (also referred to as the closing price) of a share of Common Stock on such U.S. securities exchange on the applicable date. If such U.S. securities exchange is closed for trading on such date, or if the Common Stock does not trade on such date, then the last sale price used shall be the one on the date the Common Stock last traded on such U.S. securities exchange. If such shares are not listed on a U.S. securities exchange, then Fair Market Value shall be determined by reference to the trading price of a shares of Common Stock on such date (or, if the applicable market is closed on such date, the last date on which the Common Stock was publicly traded), by a method consistently applied by the Committee.

2.13. Incentives. Incentives means economic incentives in one or more of the forms described in Section 5 hereof.

2.14. Participant. A Participant is a person who has been designated as such by the Committee and granted an Award under this Plan.

2.15. Performance Award. A Performance Award is a right to either a number of shares of Common Stock, their cash equivalent, or a combination thereof ( performance shares ) or a cash amount ( performance units ) determined (in either case) in accordance with Section 10.

2.16. Performance Goals. Performance Goals are the performance conditions, if any, established pursuant to Section 10.1 hereof by the Committee in connection with an Award.

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2.17. Performance Period. The Performance Period with respect to a Performance Award is a period of not less than one calendar year or one fiscal year of the Company, beginning not earlier than the year in which such Performance Award is granted, which may be referred to herein and by the Committee by use of the calendar or fiscal year in which a particular Performance Period commences.

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2.18. Restricted Stock. Restricted Stock is Common Stock which is sold or transferred by the Company to a Participant at a price, if any, determined by the Committee and subject to restrictions on its sale or other transfer by the Participant and other terms and conditions, including a risk of forfeiture, as may be established by the Committee.

2.19. Restricted Stock Unit. A Restricted Stock Unit is a right to receive one share of Common Stock at a future date that has been granted subject to terms and conditions, including a risk of forfeiture, established by the Committee.

2.20. Specified Employee. A Specified Employee means a Participant who is a key employee as described in Code Section 416 (i)(1)(A)(i), (ii) and (iii) (and disregarding paragraph (5) thereof) at any time during the Company's fiscal year ending on the Friday on or immediately preceding October 31, or such other identification date that applies consistently for all plans of the Company that provide deferred compensation that is subject to the requirements of Code Section 409A and the regulations promulgated thereunder. Each Participant will be identified as a Specified Employee in accordance with the regulations promulgated under Code Section 409A, including with respect to the merger of the Company with any other company or any spin-off or similar transaction, and such identification shall apply for the 12 month period commencing on the first day of the fourth month following the identification date. Notwithstanding the foregoing, no Participant shall be a Specified Employee unless the stock of the Company (or other member of a controlled group of corporations as determined under Code Section 1563) is publicly traded on an established securities market as of the date of a Participant's separation from service as defined in Code Section 409A and the regulations promulgated thereunder.

2.21. Stock Appreciation Right (SAR). A Stock Appreciation Right or SAR is a right to receive, without payment to the Company, a number of shares of Common Stock, the amount of which is determined pursuant to the formula set forth in Section 8.5.

2.22. Stock Award. A Stock Award is the transfer by the Company to a Participant of shares of Common Stock, without other payment therefor, as additional compensation for services to the Company.

2.23. Stock Option. A Stock Option is a right to purchase shares of Common Stock from the Company.

2.24. Subsidiary. Subsidiary means any entity (other than the Company) in an unbroken chain of entities beginning with the Company, in which each of the entities other than the last entity in the unbroken chain owns stock possessing fifty percent or more of the total combined voting power of all classes of stock in one of the other entities in such chain as determined at the point in time when reference is made to such Subsidiary in this Plan.

3. Administration

3.1. Administration by Committee. The Plan shall be administered by the Committee. The Committee shall consist of not less than two directors of the Company and shall be appointed from time to time by the Board. Each member of the Committee shall be (i) a non-employee director within the meaning of Rule 16b-3 of the Exchange Act, and (ii) an outside director within the meaning of Section 162(m) under the Code. The Committee shall have complete authority to award Incentives under the Plan, to interpret the Plan, and to make any other determination which it believes necessary and advisable for the proper administration of the Plan. The Committee's decisions and matters relating to the Plan shall be final and conclusive on the Company and the Participants.

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3.2. Delegation of Authority. The Company's Chief Executive Officer may, on a discretionary basis and without Committee review or approval, grant Stock Options to purchase up to 5,000 shares each to employees of the Company who are not officers of the Company. Such discretionary Stock Option grants shall not exceed 25,000 shares in total in any fiscal year. Subject to the foregoing limitations, the Chief Executive Officer shall determine from time to time (i) the employees to whom grants will be made, (ii) the number of shares to be granted, and (iii) the terms and provisions of each Stock Option (which need not be identical).

4. Eligible Participants. Officers of the Company, employees of the Company or a Subsidiary, members of the Board, and consultants or other independent contractors who provide services to the Company or a Subsidiary shall be eligible to receive Incentives under the Plan when designated by the Committee. Participants may be designated individually or by groups or categories (for example, by pay grade) as the Committee deems appropriate. Participation by officers of the Company or a Subsidiary and any Performance Goals relating to such officers must be approved by the Committee. Participation by others and any Performance Goals relating to others may be approved by groups or categories (for example, by pay grade) and authority to designate Participants who are not officers and to set or modify such Performance Goals may be delegated by the Committee to other persons.

5. Types of Incentives. Incentives under the Plan may be granted in any one or a combination of the following forms: (a) Stock Options (Section 7); (b) Stock Appreciation Rights (SARs) (Section 8); (c) Stock Awards (Section 9); (d) Restricted Stock and Restricted Stock Units (Section 9); and (e) Performance Awards (Section 10). Subject to the specific limitations provided in this Plan, payment of Incentives may be in the form of cash, Common Stock or combinations thereof as the Committee shall determine, and with such other restrictions as it may impose.

6. Shares Subject to the Plan and Limitations on Awards

6.1. Number of Shares. Subject to adjustment as provided in Section 11.6, the number of shares of Common Stock available for Awards under the Plan shall not exceed 5,218,903; provided, however, that subject to adjustment as provided in Section 11.6, the number of shares of Common Stock awarded under the Plan pursuant to all Incentives other than Stock Options and SARs shall reduce the number of shares of Common Stock available to be awarded under the Plan by a multiple of 2.53 times the actual number of shares of Common Stock awarded pursuant to any such Incentive other than Stock Options and SARs. For example, if the Committee awards 100 shares of Restricted Stock to a Participant, the number of shares of Common Stock remaining and available to be issued under the first sentence of this section shall be reduced by 253 shares. Any shares of Common Stock covered by a Stock Option or SAR granted under this Plan shall be counted in full against the limitation in this Section 6.1, regardless of the number of shares of Common Stock actually issued upon the exercise of such Stock Option or SAR.



6.2. Cancellation. In the event that an Incentive granted hereunder (or granted under any of the Former Plans prior to the effective date of this Plan) expires or is terminated or canceled unexercised as to any shares of Common Stock or forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such shares may again be awarded under the Plan pursuant to another Incentive, subject to the share counting requirements for Incentives other than Stock Options or SARs set forth in Section 6.1.

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6.3. Type of Common Stock. Common Stock issued under the Plan in connection with Incentives may be authorized and unissued shares or treasury stock, as designated by the Committee.

6.4. Limitation on Awards. During any one fiscal year, no person shall receive Awards under the Plan that, in the aggregate, could result in that person receiving, earning or acquiring, subject to the adjustments described in Section 11.6: (a) Stock Options and SARs for, in the aggregate, more than 500,000 shares of Common Stock, (b) Stock Awards, Restricted Stock, Restricted Stock Units and performance shares, in the aggregate, covering more than 250,000 shares of Common Stock and (c) Performance Awards payable in cash with a maximum amount payable exceeding \$3,000,000.

7. Stock Options. Stock Options granted by the Committee under this Plan are not intended to qualify as incentive stock options (as such term is defined in Section 422 of the Code). Stock Options granted under this Plan shall be subject to the following terms and conditions:

7.1. Price. The exercise price per share shall be determined by the Committee, subject to adjustment under Section 11.6. Notwithstanding the foregoing sentence, the exercise price per share shall not be less than the Fair Market Value of the Common Stock on the Grant Date.

7.2. Number. The number of shares of Common Stock subject to a Stock Option shall be determined by the Committee, subject to adjustment as provided in Section 11.6. If an SAR is granted in conjunction with or related to a Stock Option, the number of shares of Common Stock subject to the Stock Option shall be reduced in the same proportion that the holder thereof exercises the SAR.

7.3. Duration and Time for Exercise. Subject to earlier termination as provided in Section 11.4, the term of each Stock Option shall be determined by the Committee but shall not exceed ten years from the Grant Date. Each Stock Option shall become exercisable at such time or times during its term as shall be determined by the Committee at the time of grant. The Committee may accelerate the exercisability of any Stock Option.

7.4. Manner of Exercise. A Stock Option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased and accompanied by the exercise price for such shares. Subject to the policies of the Company or Committee in effect from time to time and any requirements of the Company's transfer agent, the exercise price shall be payable (a) in cash (United States dollars) upon exercise of the Stock Option, payable by certified check or bank draft, or otherwise as determined by the

Committee; (b) to the extent permitted in the option agreement, by delivery of shares of Common Stock (or deemed surrender through attestation) in payment of all or any part of the exercise price, which shares shall be valued for this purpose at the Fair Market Value on the date such Stock Option is exercised; or (c) unless otherwise provided in the option agreement, by instructing the Company to withhold from the shares of Common Stock issuable upon exercise of the Stock Option shares of Common Stock in payment of all or any part of the exercise price and/or any related withholding tax obligations consistent with Section 11.8, which shares shall be valued for this purpose at the Fair Market Value or in such other manner as may be authorized from time to time by the Committee. Prior to the issuance of shares of Common Stock upon the exercise of a Stock Option, a Participant shall have no rights as a stockholder.

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8. Stock Appreciation Rights (SARs). An SAR may be granted (a) with respect to any Stock Option granted under this Plan, either concurrently with the grant of such Stock Option or at such later time as determined by the Committee (as to all or any portion of the shares of Common Stock subject to the Stock Option), or (b) alone, without reference to any related Stock Option. Each SAR granted by the Committee under this Plan shall be subject to the following terms and conditions:

8.1. Price. The exercise price per share of any SAR granted without reference to a Stock Option shall be determined by the Committee, subject to adjustment under Section 11.6. Notwithstanding the foregoing sentence, the exercise price per share shall not be less than the Fair Market Value of the Common Stock on the Grant Date.

8.2. Number. Each SAR granted to any Participant shall relate to such number of shares of Common Stock as shall be determined by the Committee, subject to adjustment as provided in Section 11.6. In the case of an SAR granted with respect to a Stock Option, the number of shares of Common Stock to which the SAR relates shall be reduced in the same proportion that the holder exercises the related Stock Option. Notwithstanding the foregoing, the limitation on grants under Section 6.4 shall apply to grants of SARs under the Plan.

8.3. Duration. Subject to earlier termination as provided in Section 11.4, the term of each SAR shall be determined by the Committee but shall not exceed ten years from the Grant Date. Unless otherwise provided by the Committee, each SAR shall become exercisable at such time or times, to such extent and upon such conditions as the Stock Option, if any, to which it relates is exercisable. The Committee may in its discretion accelerate the exercisability of any SAR.

8.4. Exercise. An SAR may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of SARs which the holder wishes to exercise. Prior to the issuance of shares of Common Stock upon the exercise of an SAR, a Participant shall have no rights as a stockholder.

8.5. Issuance of Shares Upon Exercise. The number of shares of Common Stock which shall be issuable upon the exercise of an SAR shall be determined by dividing:

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(a) the number of shares of Common Stock as to which the SAR is exercised multiplied by the amount of the appreciation in such shares (for this purpose, the appreciation shall be the amount by which the Fair Market Value of the shares of Common Stock subject to the SAR on the exercise date exceeds (1) in the case of an SAR related to a Stock Option, the exercise price of the Stock Option or (2) in the case of an SAR granted alone, without reference to a related Stock Option, the exercise price as determined under Section 8.1; by

(b) the Fair Market Value of a share of Common Stock on the exercise date.

No fractional shares of Common Stock shall be issued upon the exercise of an SAR; instead, the holder of the SAR shall be entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value of a share of Common Stock on the exercise date or to purchase the portion necessary to make a whole share at its Fair Market Value on the date of exercise.

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9. Stock Awards, Restricted Stock, and Restricted Stock Units. The transfer of Common Stock pursuant to Stock Awards and the transfer and sale of Restricted Stock or Restricted Stock Units shall be subject to the following terms and conditions:

9.1. Number of Shares. The number of shares to be transferred or sold by the Company to a Participant pursuant to a Stock Award or as Restricted Stock or Restricted Stock Units shall be determined by the Committee.

9.2. Sale Price. The Committee shall determine the price, if any, at which shares of Restricted Stock shall be sold to a Participant, which may vary from time to time and among Participants.

9.3. Restrictions. All shares of Restricted Stock transferred or sold by the Company hereunder shall be subject to such restrictions as the Committee may determine, including, without limitation any or all of the following:

(a) a prohibition against the sale, transfer, pledge or other encumbrance of the shares of Restricted Stock by the Participant, such prohibition to lapse at such time or times as the Committee shall determine (whether in annual or more frequent installments, at the time of the death, disability or retirement of the holder of such shares, or otherwise);

(b) a requirement that the holder of shares of Restricted Stock forfeit, or (in the case of shares sold to a Participant) resell back to the Company at his or her cost, all or a part of such shares in the event of termination of his or her employment or consulting engagement during any period in which such shares are subject to restrictions;

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(c) such other conditions or restrictions as the Committee may deem advisable.

9.4. Enforcement of Restrictions. In order to enforce the restrictions imposed by the Committee pursuant to Section 9.3, the Participant receiving Restricted Stock shall enter into an agreement with the Company setting forth the conditions of the grant. Shares of Restricted Stock shall be registered in the name of the Participant and deposited, together with a stock power endorsed in blank, with the Company. As determined by the Company or the Committee, each such certificate shall bear a legend that refers to the Plan and the restrictions imposed under the applicable agreement or be retained by the Company until such time as the restrictions have lapsed. The Committee may provide that no certificates representing Restricted Stock be issued until the restriction period is completed.

9.5. End of Restrictions. Subject to Section 11.5, at the end of any time period during which the shares of Restricted Stock are subject to forfeiture and restrictions on transfer, such shares will be delivered free of all restrictions to the Participant or to the Participant's legal representative, beneficiary or heir, subject to applicable withholding for taxes.

9.6. Rights of Holders of Restricted Stock. Subject to the terms and conditions of the Plan, each Participant receiving Restricted Stock shall have all the rights of a stockholder with respect to shares of stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares. Dividends paid in cash or property other than Common Stock with respect to shares of Restricted Stock shall be paid to the Participant currently.

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9.7. Section 83(b) Election. The Committee may provide in an Award agreement that the Award of Restricted Stock is conditioned upon the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

9.8. Rights of Holders of Restricted Stock Units. Participants who receive Restricted Stock Units shall have no rights as stockholders with respect to such Restricted Stock Units until such time as share certificates for Common Stock are issued to the Participants; provided, however, that, to the extent provided by the Committee in the applicable Award agreement, quarterly during the applicable restricted period for all Restricted Stock Units awarded hereunder, the Company shall pay to each such Participant an amount equal to the sum of all dividends and other distributions paid by the Company on that equivalent number of shares of Common Stock. Such payments, if any, shall be made at a time that satisfies the requirements of Section 409A of the Code, including the rules and regulations thereunder (together, "Section 409A").

10. Performance Awards. A Performance Award is based on the extent to which the applicable Performance Goals are achieved. A Performance Award shall be of no value to a Participant unless and until earned in accordance with this Section 10.

10.1. Establishment of Performance Goals. Performance Goals applicable to a Performance Award shall be established by the Committee in its absolute discretion and not more than 90 days after the beginning of the relevant Performance Period. Such Performance Goals for Performance Awards that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code shall be

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based on one or more of the following business criteria: earnings per share, operating income or profit, net income, gross or net sales, expenses, expenses as a percentage of net sales, inventory turns, cash flow (including, but not limited to, operating cash flow, free cash flow, cash flow return on equity, and cash flow return on investment), gross profit, margins, working capital, earnings before interest and tax (EBIT), earnings before interest, tax, depreciation and amortization (EBITDA), return measures (including, but not limited to, return on assets, capital, invested capital, equity, sales, or revenue), revenue growth, share price (including, but not limited to, growth measures and total shareholder return), operating efficiency, productivity ratios, market share, economic value added and safety. For Performance Awards that are intended to so qualify under Section 162(m), the targets shall be established within the required time period. Any of the above criteria may be used to measure the performance of the Company, a Subsidiary, and/or affiliate of the Company as a whole or any business unit of the Company, Subsidiary, and/or such an affiliate or any combination thereof, as the Committee may deem appropriate, or any of the above criteria as compared to the performance of a group of comparator companies, or published or special index that the Committee, in its sole discretion, deems appropriate, or the Committee may select criteria based on the Company's share price as compared to various stock market indices. The Committee, in its sole discretion, may modify the Performance Goals if it determines that circumstances have changed and modification is required to reflect the original intent of the Performance Goals; provided, however, that no such change or modification may be made to the extent it increases the amount of compensation payable to any Participant who is a covered employee within the meaning of Code Section 162(m).

10.2. Levels of Performance Required to Earn Performance Awards. At or about the same time that Performance Goals are established for a specific period, the Committee shall in its absolute discretion establish the percentage of the Performance Awards granted for such Performance Period which shall be earned by the Participant for various levels of performance measured in relation to achievement of Performance Goals for such Performance Period.

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10.3. Other Terms. The Committee shall determine the terms and conditions applicable to any Performance Award, which may include vesting provisions, restrictions on the delivery of Common Stock payable in connection with the Performance Award, the requirement that such Common Stock be delivered in the form of Restricted Stock, or other restrictions that could result in the future forfeiture of all or part of any Common Stock earned. The Committee may provide that shares of Common Stock issued in connection with a Performance Award be held in escrow and/or legended.

10.4. Notification to Participants. Promptly after the Committee has established or modified the Performance Goals with respect to a Performance Award, the Participant shall be provided with written notice of the Performance Goals so established or modified.

10.5. Measurement of Performance Against Performance Goals. The Committee shall, as soon as practicable after the close of a Performance Period, determine:

- (a) the extent to which the Performance Goals for such Performance Period have been achieved; and
- (b) the percentage of the Performance Awards earned as a result.

These determinations shall be absolute and final as to the facts and conclusions therein made and be binding on all parties. Promptly after the Committee has made the foregoing determination, each Participant who has earned Performance Awards shall be notified, in writing thereof. For

all purposes of this Plan, notice shall be deemed to have been given the date action is taken by the Committee making the determination. Participants may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of all or any portion of their Performance Awards during the Performance Period, except that Performance Awards may be transferable by assignment by a Participant to the extent provided in the applicable Performance Award agreement.

10.6. Treatment of Performance Awards Earned. Upon the Committee's determination that a percentage of any Performance Awards have been earned for a Performance Period, Participants to whom such earned Performance Awards have been granted and who have been (or were) in the employ of the Company or a Subsidiary thereof continuously from the Grant Date, subject to the exceptions set forth in this section and in Section 10.9 hereof, shall be entitled, subject to the other conditions of this Plan, to payment in accordance with the terms and conditions of their Performance Awards. Such terms and conditions may permit or require that any applicable tax withholding be deducted from the amount payable. Performance Awards shall under no circumstances become earned or have any value whatsoever for any Participant who is not in the employ of the Company or a Subsidiary continuously during the entire Performance Period for which such Performance Award was granted, except as provided by the Committee in circumstances it deems advisable or as provided in Section 10.9 hereof.

10.7. Distribution. Distributions payable pursuant to Section 10.6 above shall be made as soon as practicable after the Committee determines the Performance Awards have been earned unless the provisions of Section 10.8 hereof are applicable to a Participant.

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10.8. Deferral of Receipt of Performance Award Distributions; Compliance with Section 409A. With the consent of the Committee, a Participant who has been granted a Performance Award may elect to defer receipt of all or any part of any distribution associated with that Performance Award pursuant to the terms of a deferred compensation plan of the Company. In any such event, the agreement evidencing such Performance Award shall comply in all respects with the applicable requirements of Section 409A of the Code and the regulations promulgated thereunder.

10.9. Non-Disqualifying Termination of Employment. Exceptions to the requirement of continuous employment during a Performance Period for Performance Award distribution include Retirement as defined in Section 11.4(a), or termination of a Participant's employment by reason of death (in which event the Performance Award may be transferable by will or the laws of descent and distribution only to such Participant's beneficiary designated to receive the Performance Award or to the Participant's applicable legal representatives, heirs or legatees) or total and permanent disability, with the consent of the Committee, occurring during the Performance Period applicable to the subject Performance Award. In the instance of Retirement, death or total and permanent disability as described above, a distribution of the Performance Award shall be made as soon as practicable, with the distributed amount equal to the amount that could have been earned during the Performance Period if the Participant were continuously employed by the Company or a Subsidiary until the last day of the Performance Period; provided, that the amount earned will be established by the Committee (i) based upon the actual achievement level of the Performance Goals for any fiscal year during the Performance Period that was completed prior to termination and for the fiscal year in which the termination occurred, and (ii) based upon the assumed achievement of target levels of the Performance Goals for any subsequent fiscal year during the Performance Period.

## 11. General

11.1. Effective Date. The Plan will become effective upon its approval by the Board, subject to approval by the Company's stockholders.

11.2. Duration. The Plan shall remain in effect until all Incentives granted under the Plan have either been satisfied by the issuance of shares of Common Stock or the payment of cash or been terminated under the terms of the Plan and all restrictions imposed on shares of Common Stock in connection with their issuance under the Plan have lapsed. No Incentives may be granted under the Plan after the tenth anniversary of the date the Plan is approved by the Company's stockholders.

11.3. Limits on Transfer of Awards. No Award and no right under any such Award shall be transferable by a Participant for any consideration. Except as otherwise provided by the terms of this Plan, no Award and no right under any such Award shall be transferable by a Participant other than by will or by the laws of descent and distribution. The Committee may establish procedures as it deems appropriate for a Participant to designate a Person or Persons, as beneficiary or beneficiaries, to exercise the rights of the Participant and receive any property distributable with respect to any Award in the event of the Participant's death. The Committee, in its discretion and subject to such additional terms and conditions as it determines, may permit a Participant to transfer a Stock Option to any family member (as such term is defined in the General Instructions to Form S-8 (or any successor to such Instructions or such Form) under the Securities Act of 1933, as amended) at any time that such Participant holds such Option, provided that such transfers may not be for value (i.e., the transferor may not receive any consideration therefore) and the family member may not make any subsequent transfers other than by will or by the laws of descent and distribution. Each Award under the Plan or right under any such Award shall be exercisable during the Participant's lifetime only by the Participant, except as provided herein or in an agreement evidencing an Award or amendment thereto relating to a Stock Option) or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company.

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11.4. Effect of Retirement or Other Termination

(a) In the event of a Participant's Retirement (as defined below), if and to the extent provided in the agreement evidencing any Incentive described in this sentence, (1) all outstanding Restricted Stock Awards, Stock Options, SARs and Restricted Stock Units previously granted to the Participant will become 100% vested, (2) the Participant shall be entitled to exercise any outstanding Stock Options and SARs for the remainder of the original term of the Stock Option or SAR, provided that if the Participant violates his/her Non-Compete Agreement (as defined below), all of his/her unexercised Stock Options and SARs shall terminate immediately and be forfeited to the Company and (3) the Participant will become entitled to a distribution of any Performance Award as described in Section 10.9. For purposes of this Plan, Retirement means the termination of employment with the Company or a Subsidiary for any reason other than death, Disability or Termination for Cause (as defined below) at any time after the Participant has attained the age of fifty-five years or a different age specified for a Participant for any Incentive) if the Participant has executed a Non-Compete Agreement (as defined below). Non-Compete Agreement means an agreement not to directly or indirectly render services (including consulting or research) for a period of three years to any person or business organization that is engaged in the development, manufacture and sale of any product, process or service (including any component thereof or research to develop information useful in connection with a product or service) that is being designed, developed, assembled, manufactured, marketed or sold by anyone other than the Company and which is of the same general type, performs similar functions, competes with or is used for the same purposes as a product of the Company or a Subsidiary. Termination for Cause means the termination of employment with the Company or a Subsidiary as a result of an illegal act, gross insubordination or willful violation of a policy of the Company or a Subsidiary by a Participant.

(b) In the event that a Participant ceases to be an employee of or consultant to the Company or a Subsidiary or a director of the Company, as applicable, for any reason other than Retirement, including death or disability, any Incentives may be exercised or shall expire at such times as may be set forth in the agreement, if any, applicable to the Incentive, or otherwise as determined by the Committee.

11.5. Restrictions under Securities Laws. Notwithstanding anything in this Plan to the contrary: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of Award of any Incentive or the issuance of any shares of Common Stock pursuant to any Incentive, require the recipient of the Incentive, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Incentive or the shares of Common Stock issued pursuant thereto for his or her own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the Award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

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11.6. Adjustment. In the event of any change in the outstanding Common Stock of the Company by reason of a stock dividend, stock split, reverse stock split, combination of shares, spin-off, dividend (other than regular, quarterly cash dividends), recapitalization, merger or similar event, the Committee shall make appropriate adjustments in the number of shares of Common Stock then subject to the Plan, the shares of Common Stock issuable pursuant to any Incentive, the exercise price of any Stock Option or SAR, the Performance Goals for any Incentive, and other provisions of this Plan and outstanding Incentives, in order to reflect the change in the Common Stock and to provide Participants with the same relative rights before and after such adjustment.

11.7. Incentive Plans and Agreements. Except in the case of Stock Awards, the terms of each Incentive shall be stated in a plan or agreement approved by the Committee. The Committee shall communicate the key terms of each Award to the Participant promptly after the Committee approves the grant of such Award.

11.8. Withholding

(a) The Company shall have the right to withhold from any payments made under the Plan or to collect as a condition of payment, any taxes required by law to be withheld. At any time when a Participant is required to pay to the Company an amount required to be withheld under applicable income tax laws in connection with a distribution of Common Stock or upon exercise of a Stock Option or SAR or upon vesting of Restricted Stock, the Participant may satisfy this obligation in whole or in part by electing (the Election ) to have the Company withhold, from the distribution or from such shares of Restricted Stock, shares of Common Stock having a value up to the minimum amount of withholding taxes required to be collected on the transaction. The value of the shares to be withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined ( Tax Date ).

(b) Each Election must be made prior to the Tax Date. The Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any Incentive that the right to make Elections shall not apply to such Incentive. An Election is irrevocable.



11.9. No Continued Employment, Engagement or Right to Corporate Assets. No Participant under the Plan shall have any right, because of his or her participation, to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation. Nothing contained in the Plan shall be construed as giving an employee, a consultant, such persons' beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

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11.10. Payments Under Incentives. Payment of cash or distribution of any shares of Common Stock to which a Participant is entitled under any Incentive shall be made as provided in the Incentive. Except as permitted under Section 11.14, payments and distributions may not be deferred under any Incentive unless the deferral complies with the requirements of Section 409A.

11.11. Amendment of the Plan. The Board or Committee may amend or discontinue the Plan at any time. However, no such amendment or discontinuance shall adversely change or impair, without the consent of the recipient, an Incentive previously granted. Further, no such amendment shall, without approval of the stockholders of the Company, (a) increase the maximum number of shares of Common Stock which may be issued to all Participants under the Plan, or (b) make any other change for which stockholder approval is required by law or under the applicable rules of the New York Stock Exchange.

11.12. Amendment of Agreements for Incentives: No Stock Option or SAR Repricing Without Stockholder Approval. Except as otherwise provided in this Section 11.12, the terms of an existing Incentive may be amended by agreement between the Committee and the Participant. Notwithstanding the foregoing sentence, except as permitted under Section 11.6, 11.13 or 11.14, (a) without the prior approval of the Company's stockholders, (i) no Stock Option or SAR will be repriced, replaced, or regranted through cancellation, (ii) the exercise price of a previously granted Stock Option or SAR will not be lowered and (iii) no Stock Option or SAR whose Fair Market Value is lower than its exercise price will be exchanged for cash or another Incentive, and (b) no such amendment shall (i) extend the maximum period during which such Incentive may be exercised, either by extending the term of the Incentive or by extending the exercise period following termination of employment or any other applicable event, or (ii) reduce the exercise price per share below the Fair Market Value of the Common Stock on the date the Incentive was granted, unless, in either case, the Incentive, as amended, complies with the requirements of Section 409A.

11.13. Change in Control. In the event of a Change in Control, the Committee or a comparable committee of any corporation assuming the obligations of the Company hereunder shall declare that the restriction period of all Restricted Stock and Restricted Stock Units has been eliminated, that all outstanding Stock Options and SARs shall accelerate and become exercisable in full but that all outstanding Stock Options and SARs, whether or not exercisable prior to such acceleration, must be exercised within the period of time set forth in a notice to Participant or they will terminate, and that all Performance Awards granted to Participants are deemed earned. In connection with any declaration pursuant to this Section 11.13, the Committee may, but shall not be obligated to, cause a cash payment to be made to each Participant who holds a Stock Option or SAR that is terminated in an amount equal to the product obtained by multiplying (x) the amount (if any) by which the Transaction Proceeds Per Share (as defined in the following sentence) exceeds the exercise price per share covered by such Stock Option times (y) the number of shares of Common Stock covered by such Stock Option or SAR. For purposes of this Section 11.13, Transaction Proceeds Per Share shall mean the cash plus the Fair Market Value of the non-cash consideration to be received per share by the shareholders of the Company upon the occurrence of the transaction.

The Board may restrict the rights of Participants or the applicability of this Section 11.13 to the extent necessary to comply with Section 16(b) of the Exchange Act, the Code or any other applicable law or regulation. The grant of an Incentive Award pursuant to the Plan shall not limit in any

way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, exchange or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

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11.14. Deferred Compensation

(a) Except to the extent such acceleration or deferral is permitted or complies with the requirements of Code Section 409A and the regulations promulgated thereunder, neither the Committee nor a Participant may accelerate or defer the time or schedule of any payment of, or the amount scheduled to be paid under, an Incentive that constitutes Deferred Compensation; provided, however, that payment shall be permitted if it is in accordance with a fixed date or schedule or on account of separation from service, disability, death, change in control or unforeseeable emergency as those terms are defined under Code Section 409A and the regulations promulgated thereunder.

(b) Notwithstanding anything in the Plan, unless the agreement evidencing the Incentive specifically provides otherwise, the Company may not make payment to a Specified Employee of any Incentive that constitutes Deferred Compensation, earlier than 6 months following the Participant's separation from service as defined for purposes of Code Section 409A (or if earlier, upon the Specified Employee's death), except as permitted under Code Section 409A and the regulations promulgated thereunder. Any payments that otherwise would be payable to the Specified Employee during the foregoing 6 month period will be accumulated and payment delayed until the first date after the 6 month period. The Committee may specify in the Stock Incentive Agreement, that the amount of the Deferred Compensation delayed shall accumulate interest or earnings during the period of such delay.

(c) The Committee may, however, reform any provision in an Incentive intended to be exempt from Code Section 409A to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Code Section 409A and the regulations promulgated thereunder.

11.15. Prior Plans. Notwithstanding the adoption of this Plan by the Board and its approval by the stockholders, the Company's Prior Plans, as they have been amended from time to time, shall remain in effect, and all grants and awards made under the Prior Plans shall be governed by the terms of the Prior Plans. No further grants shall be made under the Prior Plans.

Approved by the Board of Directors on December 10, 2008.

Approved by the stockholders on February 25, 2009.

Amended October 20, 2009

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**YOUR VOTE IS IMPORTANT. PLEASE VOTE TODAY.**

**We encourage you to take advantage of Internet or telephone voting.  
Both are available 24 hours a day, 7 days a week.**

Internet and telephone voting is available through 11:59 PM Eastern Time on February 17, 2010.

**THE VALSPAR CORPORATION**

**INTERNET**

<http://www.proxyvoting.com/val>

Use the Internet to vote your proxy. Have your proxy card in hand when you access the web site.

**OR**

**TELEPHONE**

**1-866-540-5760**

Use any touch-tone telephone to vote your proxy. Have your proxy card in hand when you call.

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

To vote by mail, mark, sign and date your proxy card and return it in the enclosed postage-paid envelope.

**Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.**

65100

**FOLD AND DETACH HERE**

The proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR items 1, 2 and 3.

Please mark your votes as indicated in this example **X**

(1) To elect four directors (Class III) for a term of three years:	<b>FOR ALL</b>	<b>WITHHOLD FOR ALL</b>	<b>*EXCEPTIONS</b>
Nominees:			
01 Charles W. Gaillard	0	0	0
02 Gary E. Hendrickson			
03 Mae C. Jemison	0	0	0
04 Gregory R. Palen			

**(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box above and write that nominee's name in the space provided below.)**

\*Exceptions

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
(2) To approve an increase in the shares reserved under The Valspar Corporation 2009 Omnibus Equity Plan.	0	0	0
(3) To approve the ratification of the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Corporation.	0	0	0
(4) The undersigned authorizes the Proxies to vote in their discretion upon such other business as may properly			

come before the meeting.

Mark Here for  
Address Change  
or Comments  
**SEE REVERSE**

O

Signature \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

**NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.**

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**LOCATION OF  
THE VALSPAR CORPORATION  
ANNUAL MEETING OF STOCKHOLDERS**

**Thursday, February 18, 2010  
11:00 A.M.**

**MEETING ADDRESS:**

**GUTHRIE THEATER  
818 SOUTH 2<sup>nd</sup> STREET  
MINNEAPOLIS, MINNESOTA 55415**

**PARKING RAMP:**

**RIVERFRONT RAMP  
212 9<sup>th</sup> AVENUE SOUTH  
MINNEAPOLIS, MINNESOTA 55415**

**(ACROSS THE STREET FROM THE GUTHRIE  
THEATER ON SOUTH 2<sup>nd</sup> STREET)**

Choose **MLink<sup>SM</sup>** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect<sup>®</sup>** at [www.bnymellon.com/shareowner/isd](http://www.bnymellon.com/shareowner/isd) where step-by-step instructions will prompt you through enrollment.

**Important notice regarding the Internet availability of proxy materials for the Annual Meeting of shareholders.** The Proxy Statement and the 2009 Annual Report to Stockholders are available at: <http://bnymellon.mobular.net/bnymellon/val>

**FOLD AND DETACH HERE**

## THE VALSPAR CORPORATION

### PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints JEFFREY H. CURLER and WILLIAM L. MANSFIELD, and each of them, as proxies with full power of substitution, to vote on behalf of the undersigned the same number of shares which the undersigned is then entitled to vote, at the Annual Meeting of the Stockholders of The Valspar Corporation to be held on Thursday, February 18, 2010, at 11:00 A.M., at the Guthrie Theater, 818 South 2nd Street, Minneapolis, Minnesota 55415, and at any adjournments thereof, on any matter properly coming before the meeting, and specifically the following:

**Address Change/Comments**  
**(Mark the corresponding box on the**  
**reverse side)**

BNY MELLON SHAREOWNER SERVICES  
P.O. BOX 3550

SOUTH HACKENSACK, NJ 07606-9250

**(Continued and to be marked, dated and signed, on the other**  
**side)**

65100

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