VALSPAR CORP
Form DEF 14A
January 16, 2015

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

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))

[X] Definitive Proxy Statement

[_] Definitive Additional Materials

[_] Soliciting Material Pursuant to 240.14a-12

The Valspar Corporation

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[_] Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2)

Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

The Valspar Corporation

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

February 18, 2015

The annual meeting of stockholders of The Valspar Corporation will be held at 901 3rd Avenue South, Minneapolis, Minnesota 55402 on Wednesday, February 18, 2015 at 9:00 A.M., for the following purposes:

Proposal 1 To elect as directors (Class II) the four individuals nominated by the Board of Directors for a term of three years;

Proposal 2 To cast an advisory vote to approve the Corporation s executive compensation (Say-on-Pay vote);

Proposal 3 To approve The Valspar Corporation 2015 Omnibus Equity Plan; and

Proposal 4 To ratify the appointment of the independent registered public accounting firm to examine the Corporation s accounts for the fiscal year ending October 30, 2015.

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 26, 2014 are entitled to notice of and to vote at the meeting.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement of the matters to be considered at the meeting. A copy of the Annual Report for the year ended October 31, 2014 also accompanies this Notice.

By Order of the Board of Directors,

ROLF ENGH,
Secretary

Approximate Date of Mailing of Proxy Materials:
January 16, 2015

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held February 18, 2015

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

Proxy Statement for the Annual Meeting of Stockholders

Annual Report to Stockholders, including Form 10-K, for the year ended October 31, 2014

To view the Proxy Statement or Annual Report to Stockholders, visit: www.edocumentview.com/VAL

IMPORTANT NOTICE TO STREET NAME HOLDERS	**IN CONNECTION WITH APPLICABLE RULES, 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 PROPOSALS 1, 2 AND 3.**

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

The Valspar Corporation

P.O. Box 1461
Minneapolis, Minnesota 55440

PROXY STATEMENT
Annual Meeting of Stockholders
February 18, 2015

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. 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.

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 and our By-laws, an action of the stockholders, including the election of directors, 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 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.

Under applicable rules of the New York Stock Exchange (the NYSE) relating to the discretionary voting of proxies by brokers, brokers are not permitted to vote shares with respect to the election of directors and executive compensation matters without instructions from the beneficial owner. However, brokers are permitted 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 Proposals 1, 2 and 3.

PROPOSAL 1

Election of Directors

In accordance with the Corporation s By-laws, we may have up to twelve directors, divided into three classes. Each class consists of four seats, with each director serving a term of three years. There are currently ten directors serving on the Board of Directors. The terms of Class II directors will expire at the Annual Meeting.

The Board of Directors has nominated Shane D. Fleming for election and Jack J. Allen, John S. Bode and Jeffrey H. Curler for re-election as Class II directors. Unless otherwise directed by the stockholders, it is intended that shares represented by proxy will be voted in favor of the election of the four nominees listed in Class II below, to hold office until the annual meeting in 2018 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 2017

John M. Ballbach — Operating Advisor, Clayton, Dubilier & Rice, LLC
Director since October 2012
Age 54

Mr. Ballbach has been an Operating Advisor with Clayton, Dubilier & Rice, a private equity investment firm, since June 2014. Mr. Ballbach served as Chairman of VWR International, LLC, a leading global laboratory supply and distribution company, from 2007 to 2012 and was President and Chief Executive Officer from 2005 to 2012.

Mr. Ballbach brings to the Board extensive business and industry experience as an advisor to the private equity firm, Clayton, Dubilier & Rice and as the former Chairman, President and Chief Executive Officer of VWR International, LLC. In addition, he is a former corporate officer of Valspar, serving as President and Chief Operating Officer from 2002 to 2004 and in various senior management positions since 2000. Mr. Ballbach s global perspective, particularly in finance and strategy, contributes to the Corporation s further expansion into high growth markets. Mr. Ballbach s background and experience make him well qualified to serve as a director of the Corporation.

Ian R. Friendly — Retired Executive Vice President; Chief Operating Officer, U.S. Retail, General Mills, Inc.
Director since 2009
Age 54

Mr. Friendly retired as Executive Vice President and Chief Operating Officer, U.S. Retail, General Mills, Inc., in June 2014. Mr. Friendly served as Executive Vice President and Chief Operating Officer, U.S. Retail, 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.

Mr. Friendly brings to the Board valuable retail and operating experience with a well-known branded consumer products company. Mr. Friendly s qualifications to serve as a director include his extensive experience in building brands, launching new products and marketing, all of which are especially relevant to the Corporation s Consumer product line. Mr. Friendly also offers a global business perspective to the Board, based on his experience with Cereal Partners Worldwide.

Janel S. Haugarth
Director since 2007
Age 59

Executive Vice President; President, Independent Business and Supply Chain Services, SUPERVALU INC.

Ms. Haugarth has held her present positions as Executive Vice President; President, Independent Business and Supply Chain Services, SUPERVALU INC., which operates retail food stores and provides food distribution and other supply chain services, since February 2013. Prior to February 2013, Ms. Haugarth served as Executive Vice President; President, Independent Business and Business Optimization, from October 2012 to February 2013; as Executive Vice President, Business Optimization and Process Improvement from August through October 2012; and as Executive Vice President, Merchandising and Logistics, from January 2011 to August 2012. Prior to 2011, Ms. Haugarth served as Executive Vice President; President and Chief Operating Officer, Supply Chain Services since May 2006.

Ms. Haugarth brings extensive retail, distribution and supply chain experience to the Board. Ms. Haugarth s prior responsibilities as the Executive Vice President, Merchandising and Logistics for SUPERVALU INC. are particularly relevant to the Corporation and the Board, given the importance of purchasing and supply chain functions to the Corporation s operations. Ms. Haugarth s background and experience make her well qualified to serve as a director of the Corporation.

CLASS II Nominees for Term Expiring in 2018

Jack J. Allen
Director since 2011
Age 57

Retired Executive Vice President and Chief Operating Officer, Navistar, Inc.

Mr. Allen retired as Executive Vice President and Chief Operating Officer of Navistar, Inc. on December 31, 2014. Navistar, Inc. is the largest and core business group of Navistar International Corporation, a global manufacturer and supplier of commercial and military trucks, buses, diesel engines, chassis, service parts for trucks and trailers and a provider of financing for products sold by Navistar and its dealers. Mr. Allen served as Executive Vice President and Chief Operating Officer from April 2013 to December 2014; as President, North American Truck and Parts Group from July 2012 to April 2013; and as President, North American Truck Group from November 2008 to July 2012.

Mr. Allen brings to the Board extensive manufacturing and sales experience with branded industrial products. Mr. Allen s prior responsibilities have included acquisitions and global expansion, both of which are key elements of the Corporation s strategy. Mr. Allen s background and experience make him well qualified to serve as a director of the Corporation.

John S. Bode
Director since 2005
Age 66

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.

Mr. Bode brings to the Board many years of experience as the lead audit partner for clients in the consumer products, manufacturing and other industries. Mr. Bode is well qualified to serve as a director based on his experience with accounting principles, financial controls and evaluating financial statements of public companies, particularly from an auditor s perspective. Mr. Bode also serves as an independent director and Audit Committee Chair for another public company, Titan Machinery Inc., which owns and operates a network of full service agricultural and construction equipment stores in the United States and Europe.

Jeffrey H. Curler Retired Executive Chairman, Bemis Company, Inc.
Director since 1997
Age 64

Mr. Curler retired as Chairman Emeritus and a director from Bemis Company, Inc. in December 2011. Mr. Curler served as Executive Chairman of Bemis Company, Inc., a manufacturer of flexible packaging products and pressure sensitive materials, from May 2005 through August 2011 and was Chief Executive Officer from May 2000 through January 2008. Mr. Curler previously served as President of Bemis Company, Inc. from May 1996 through July 2007.

Mr. Curler brings to the Board many years of experience as the Chairman, and previously the Chief Executive Officer, of Bemis Company, Inc. He also has significant expertise in chemical engineering and the packaging industry, both of which are highly relevant to the Corporation s business. Mr. Curler s leadership skills, industry background and experience make him well qualified to serve as the Corporation s Lead Director.

Shane D. Fleming Chairman, President and Chief Executive Officer, Cytec Industries Inc.
Director since April 2013
Age 56

Mr. Fleming has held his present positions as Chairman, President and Chief Executive Officer of Cytec Industries Inc., a global specialty material and chemical technologies company, since January 2009. Prior to 2009, Mr. Fleming served as President and Chief Operating Officer during 2008 and as President, Cytec Specialty Chemicals, from October 2005 to June 2008.

Mr. Fleming brings to the Board a deep understanding of the resin, polymer and specialty chemicals industries and many of the markets we serve along with extensive international business experience. Mr. Fleming s background and experience make him well qualified to serve as a director of the Corporation.

CLASS III Directors Continuing in Office Until 2016

William M. Cook Chairman, Chief Executive Officer and President, Donaldson Company, Inc
Director since 2010
Age 61

Mr. Cook has held his position as Chairman of Donaldson Company, Inc., a global provider of air and liquid filtration systems, since August 2005, and his positions as Chief Executive Officer and President since August 2004. Mr. Cook is also a director of Donaldson Company, Inc. and IDEX Corporation.

Mr. Cook brings to the Board many years of experience as the Chairman, President and Chief Executive Officer of Donaldson Company, Inc. Donaldson operates globally and has a particular focus on research and development, giving Mr. Cook an understanding of the dynamics and challenges of developing new products and technologies for global markets. Mr. Cook s leadership, background and experience qualify him to serve as a director of the Corporation. Mr. Cook also serves as a director of another public company, IDEX Corporation, an applied solutions company specializing in fluid and metering technologies, health and science technologies, dispensing equipment and fire, safety and other products.

Gary E. Hendrickson Chairman, President and Chief Executive Officer, The Valspar Corporation
Director since 2009
Age 58

Mr. Hendrickson has held his present positions as Chairman since June 2012, Chief Executive Officer since June 2011 and President since February 2008. Mr. Hendrickson served as Chief Operating Officer from February 2008 to June 2011. Mr. Hendrickson is also a director of Polaris Industries Inc.

As the Chairman, Chief Executive Officer and President and the former Chief Operating Officer of the Corporation, Mr. Hendrickson has served the Corporation for many years in roles of increasing responsibility. He spent seven years abroad as a regional executive in Asia Pacific, a strategic and fast-growing region. His familiarity with all aspects of the business and its operations, both in the U.S. and internationally, and experience with key customers and acquisitions qualify him to serve as a director. Mr. Hendrickson also serves as a director of another public company, Polaris Industries Inc., a global manufacturer and seller of off-road vehicles, including all-terrain vehicles and snowmobiles.

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Mae C. Jemison, M.D.
Director since 2002
Age 58

President, The Jemison Group, Inc.

Dr. Jemison has 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 is leading 100 Year Starship, a new initiative, seed-funded by the Defense Advanced Research Projects Agency (DARPA) to ensure that the capability for human interstellar travel is possible within the next 100 years. She was President and founder of BioSentient Corporation, a medical devices company specializing in ambulatory physiologic monitoring, from 2000 to 2012. Dr. Jemison founded and directs The Earth We Share; an international science camp for students ages 12-16 worldwide. She was a professor of 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 Corporation, a publishing company, and Kimberly-Clark Corporation and a member of the Institute of Medicine of the National Academy of Sciences.

Dr. Jemison brings a strong science and technology background to the Board, including product innovation and strategy experience. She also has substantial board and committee experience as an independent director of other publicly held companies, including Scholastic Corporation and Kimberly-Clark Corporation. Her educational and professional achievements and numerous public and private advisory and leadership roles offer broad experience and a unique viewpoint for the Board of Directors and qualify her to serve as a director of the Corporation.

CORPORATE GOVERNANCE

General

We are committed to good corporate governance practices. These practices provide a framework in which our Board of Directors and management can pursue the strategic objectives of Valspar and ensure the long-term success of the Corporation for the benefit of our stockholders.

The cornerstone of our corporate governance practices is an independent and qualified Board of Directors. All standing Board committees are composed entirely of independent directors. Each of the Nominating and Governance, Audit and Compensation Committees operates under a charter in order to focus the work of the committee and to ensure that the Board of Directors as a whole is addressing key functions. Each committee reviews its charter on an annual basis.

Structure of Board

In accordance with our By-laws, the Corporation may have up to twelve directors, divided into three classes of four directors each. There are currently ten directors serving on the Board of Directors. Each director serves a term of three years under our staggered board structure. The directors believe that the staggered structure of the Board facilitates long-term strategic planning and succession, allowing directors to oversee risks and opportunities for the long-term success of the Corporation and for the benefit of our stockholders.

Board Standards and Objectives

The Board of Directors carefully evaluates each incoming director candidate based on selection criteria and overall priorities for Board composition that are re-examined periodically by the Nominating and Governance Committee with input from the rest of the directors. As our directors commitments or responsibilities change, the Board re-evaluates their situations to ensure they can continue to serve in the best interests of the Corporation and its stockholders. We also require high standards of ethics from our directors and management as described in our Code of Ethics and Business Conduct. In carrying out their duties and responsibilities, directors are guided by the following performance objectives, which are stated in the Corporation s Principles of Corporate Governance:

- Follow the Corporation s Code of Ethics and Business Conduct
- Represent the interests of stockholders and other stakeholders

Demonstrate good knowledge of the Corporation and its business and exercise good judgment in representing the interests of stockholders and other stakeholders

Participate in Board processes and activities in a meaningful way

Communicate openly and freely with other Board members and management

Provide expertise based on the director s relevant experience

Provide vision and leadership for the Corporation

Maintain a good reputation and standing in the business and professional communities in which the director operates

Public Availability of Governance Documents and Public Reports

Our Principles of Corporate Governance, and the charters of the Nominating and Governance, Audit and Compensation Committees are available on the Investors Corporate Governance section of the Corporation s website at 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. 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, we will disclose the matter through our 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 the same day the reports are filed with the Securities and Exchange Commission (SEC).

Director Independence

The Board believes that a majority of its members, and all members of each standing committee, other than the Executive Committee (which has a limited scope and functions), should be independent, non-employee directors. The Board has established standards consistent with the current listing standards of the NYSE for determining 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 Principles of Corporate Governance, Mr. Curler, as Governance Chair and Lead Director, presides at executive sessions. Only independent directors serve on our Audit, Compensation and Nominating and Governance Committees.

The Board has determined that all members of the Board are independent under applicable NYSE listing standards, except for Mr. Hendrickson, our CEO. The members of the Board deemed independent are Jack J. Allen, John M. Ballbach, John S. Bode, William M. Cook, Jeffrey H. Curler, Shane D. Fleming, Ian R. Friendly, Janel S. Haugarth and Mae C. Jemison.

Mr. Fleming is the Chairman, President and Chief Executive Officer of Cytec Industries Inc. Mr. Cook is the Chairman, Chief Executive Officer and President of Donaldson Company, Inc. Mr. Allen is the retired Executive Vice President and Chief Operating Officer of Navistar, Inc. Each of these companies supplies certain products to, or purchases certain products from, the Corporation. See Certain Relationships and Related Transactions below. The Corporation s purchases from Cytec Industries Inc. were below the disclosure threshold for related transactions. The Board considered these relationships and transactions in determining that Messrs. Fleming, Cook and Allen are each independent.

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, as Exhibit 11 to the Principles of Corporate Governance. The Audit Committee is responsible for reviewing and approving all related person transactions and has also adopted standing pre-approvals for certain categories of transactions with related persons:

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

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

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.

William M. Cook, a member of the Board of Directors of the Corporation, is Chairman, Chief Executive Officer and President of Donaldson Company, Inc. (Donaldson). In fiscal 2014, Donaldson purchased products from the Corporation with an aggregate purchase price of approximately $617,648 and sold products to the Corporation with an aggregate sale price of approximately $107,095.

Jack J. Allen, a member of the Board of Directors of the Corporation, is the retired Executive Vice President and Chief Operating Officer of Navistar, Inc. (Navistar). In fiscal 2014, Navistar purchased products from the Corporation with an aggregate purchase price of approximately $375,000.

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 Nominating and 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 Nominating and Governance Committee, and the Nominating and 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 Nominating and 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. The Nominating and Governance Committee (or a subcommittee designated by the Nominating and 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 Nominating and Governance Committee approves a candidate for further review, the Nominating and Governance Committee will establish an interview process for the candidate. It is expected that at least a majority of the members of the Nominating and Governance Committee, along with the Corporation s Chief Executive Officer, would interview each candidate. At the same time, the Nominating and Governance Committee, assisted by the Corporation s General Counsel, will conduct a comprehensive conflict-of-interest assessment for the candidate. The Nominating and 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 Nominating and Governance Committee, management representatives designated by the Nominating and Governance Committee and a search firm selected by the Nominating and Governance Committee may assist with the process. Any nominee recommended by a stockholder would be subject to the same process.

When the full Board considers an individual for possible nomination to the Board, the Nominating and 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 Board of Directors has not adopted a specific policy with regard to diversity, but the Board views and seeks diversity in its broadest sense, which includes independence, integrity, judgment, experience, financial acumen, education, gender, ethnicity and leadership qualities.

Upon recommendation to the full Board by the Nominating and Governance Committee, Mr. Fleming was appointed to the Board of Directors on April 24, 2013 after following the process described above. Mr. Fleming was originally identified by management of the Corporation.

Board Leadership

The Chairman of the Board leads the Board and oversees Board meetings and the delivery of information necessary for the Board s informed decision-making. The Chairman also serves as the principal liaison between the Board and our management.

The Board does not have a policy as to whether the Chairman should be an independent director or a member of management. Instead, the Board selects the Corporation s Chairman based on what it determines to be in the best interests of the Corporation s stockholders. At this time, Gary E. Hendrickson serves as Chairman of the Corporation and as President and Chief Executive Officer. The Board believes that Mr. Hendrickson s long service, experience and background serve the best interests of the Corporation and its stockholders and that he is well qualified to lead the Corporation and its Board of Directors. When the Chairman is not independent, the Chair of the Nominating and Governance Committee, an independent director, also serves as Lead Director. Jeffrey H. Curler currently serves as Lead Director. As the Chair of the Nominating and Governance Committee, he is responsible for performing the duties specified in the Corporation s Principles of Corporate Governance, including facilitating communications between the Board and the Chief Executive Officer, and such other duties as are determined by the independent directors.

Board Role in Risk Management

The Board believes that effective enterprise risk management must be an integral part of Board and committee deliberations and activities throughout the year.

The Audit Committee reviews annually the Corporation s enterprise risk management process and conducts a comprehensive assessment of key financial, operational and strategy risks identified by management, as well as mitigating practices. The Audit Committee reports on this process and its conclusions to the full Board of Directors.

The full Board of Directors discusses risks related to the Corporation s annual financial plan and budget each fiscal year and risks related to the Corporation s strategy at meetings where the strategy is presented and reviewed.

The Board of Directors also encourages management to promote a corporate culture that integrates risk management into the Corporation s strategy and day-to-day business operations in a way that is consistent with the Corporation s targeted risk profile.

Through these processes, the Board oversees a system to identify, assess and address material risks to the Corporation on a timely basis.

Board Committees and Functions

The standing committees of the Board of Directors for fiscal 2014 were as follows:

Name of Committee	Membership
Executive Committee	William M. Cook, Jeffrey H. Curler and Gary E. Hendrickson Chair
Audit Committee	Jack J. Allen, John M. Ballbach, John S. Bode Chair and William M. Cook
Compensation Committee	Jeffrey H. Curler, Shane D. Fleming, Ian R. Friendly Chair, Janel S. Haugarth and Mae C. Jemison
Nominating and Governance Committee	John M. Ballbach, John S. Bode, Jeffrey H. Curler Chair and Ian R. Friendly

The Board of Directors met four times during fiscal 2014.

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 and held two conference calls prior to the 10-Q quarterly filings. The Audit Committee Chair also held four meetings with management and the Independent Auditors (as defined under the heading Audit Committee Report on page 43), prior to quarterly earnings releases. The duties and activities of the Audit Committee are described in the Audit Committee Report on page 43. All members of the Audit Committee are independent under the applicable listing standards of the 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 held four meetings and two conference calls during the fiscal year. The Compensation Committee Chair also met with management prior to each meeting. The Compensation Committee is responsible for all matters relating to compensation of senior management and directors and for adoption and administration of employee equity-based compensation plans. All members of the Compensation Committee are independent under the applicable listing standards of the NYSE. During the year, the Compensation Committee reviewed and approved the compensation plans, arrangements and equity awards 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 11.

During fiscal 2014, the Compensation Committee retained Meridian Compensation Partners, LLC (Meridian) as the Committee s compensation consultant until June 2014, at which time the Committee retained Frederic W. Cook & Company, Inc. (Cook & Co.) as its compensation consultant on executive and director compensation matters.

The Nominating and Governance Committee held four 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 Nominating and Governance Committee are independent under the applicable listing standards of the NYSE.

During fiscal 2014, each director attended 75% or more of the meetings of the Board and of the committees on which the director served.

Communications with Certain Directors

The Chair of the Nominating and Governance Committee, currently Mr. Curler, presides at regularly scheduled executive sessions of the independent 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 Chair of the Nominating and Governance Committee in care of the Corporate Secretary at the Corporation s headquarters address.

Compensation Risk Analysis

The design of our compensation policies and practices, including those applicable to our executive officers, does not encourage taking unnecessary or excessive risks that could harm the Corporation s long-term value. Features of our compensation policies and practices that help to mitigate unnecessary and excessive risk taking, include, among other things:

- A balanced mix of short-term and long-term performance awards and cash and equity awards;
- Long-term incentives consisting of stock options, time based equity awards and performance-based equity awards which utilize a balanced mix of performance measures;
- Ranges of performance that ultimately determine incentive compensation payouts, rather than a single performance target providing an all or nothing basis for incentive compensation;
- Caps on our executive incentive compensation programs that limit payments;
- Incentive compensation payouts for the officers of the Corporation are subject to Compensation Committee approval;
- Guidelines specifying stock ownership levels for officers; and
- Prohibition on hedging Corporation stock and prior approval required for limited pledging of Corporation stock.

In addition, our compensation consultants periodically benchmark our executive compensation program and award opportunities against those of peer group companies. After reviewing the benchmark analysis performed by Meridian in 2013, the Compensation Committee concluded, and continues to conclude, that our compensation program and award opportunities, and our historical payouts, have been and remain competitive, but not excessive, and are in line with companies of similar size and industry.

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 this Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for 2014 and this Proxy Statement.

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

Jeffrey H. Curler	Janel S. Haugarth
Shane D. Fleming	Mae C. Jemison
Ian R. Friendly Chair	

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Executive Summary of Fiscal 2014 Financial Performance and Compensation Actions

Valspar reported fiscal 2014 net sales of $4.5 billion, a 10.2% increase over fiscal 2013. We also achieved adjusted net income of $374.3 million, a 16.8% increase over fiscal 2013. The adjusted net income results exclude $28.9 million in after-tax restructuring charges in 2014 and $31.2 million of after-tax restructuring and acquisition related charges in 2013. Fiscal year 2014 sales growth was primarily due to our acquisition of Inver Holding S.r.l. (Inver Group), an Italian-based industrial coatings company, new business, growth with existing customers, and the 53rd week in fiscal year 2014.

Over our last five fiscal years, Valspar has delivered total shareholder return of 253.2%, or 28.7% on an annualized basis. Over the same period, the S&P 500 increased 116.3%, or 16.7% on an annualized basis. The Corporation generated $347 million of operating cash flow in fiscal 2014, compared to $399 million in fiscal year 2013, and we increased our dividend for the 36th straight year, to $1.04 per share.

We reported net income of $345.4 million for fiscal 2014, which included after-tax restructuring charges of $28.9 million. We exclude restructuring from the performance goals so as not to penalize employees for taking actions in the long-term best interests of the Corporation and its stockholders. Excluding restructuring: net income was 16.8% higher than the entry point for fiscal 2014 performance goals; 2014 pre-tax return on capital was 22.9% which was 160 basis points higher than the entry point for fiscal 2014 performance goals; and our net sales were $4.5 billion, 10.2% higher than the previous year s level, which was the entry point for fiscal 2014 performance goals.

The base salaries of the named executives were increased during 2014. As a result of our fiscal 2014 performance with respect to net income, net sales and pre-tax return on capital (excluding the above restructuring charges) against the 2014 performance goals, the annual incentive bonus and the annual performance-based restricted stock awards for each of the named executives were higher for 2014 than for 2013.

The Compensation Committee believes that the Corporation s executive compensation programs have been effective in driving superior results for stockholders by offering competitive pay for financial performance, aligning the interests of executives and stockholders and enabling the Corporation to attract and retain qualified and experienced executives. In connection with its decisions about executive compensation, the Compensation Committee considers the results of the previous year s stockholder advisory vote on executive compensation (Say-on-Pay vote). Last year, 96% of the votes cast in the Corporation s Say-on-Pay vote were cast in favor of approving the Corporation s compensation for its named executive officers. The Compensation Committee believes that the Say-on-Pay vote result demonstrates shareholder support for the Corporation s current executive compensation programs and practices. Therefore, the Compensation Committee did not make any specific changes in the executive compensation program in response to the Say-on-Pay vote, but will continue to monitor trends and best practices to maintain alignment with corporate performance and shareholders. Under **Proposal 2** in this Proxy Statement for this year s Say-on-Pay vote, we are recommending that stockholders cast their vote in favor of approving the Corporation s compensation for its named executive officers as disclosed in this Proxy Statement.

Compensation Program Objectives

This discussion and analysis describes our compensation objectives and the elements of our compensation program for executive officers for the fiscal year ended October 31, 2014. The broad objectives of our executive compensation program are to:

1. *offer competitive pay for 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 a mix of short and long term compensation elements, including a competitive base salary, a performance-based annual cash bonus, time-vesting equity awards, performance-based equity awards and stock option grants.

Competitive Pay for Financial 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 depended on performance include:

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

Restricted Stock for fiscal 2014, restricted stock was awarded at the end of the fiscal year based on performance against the same goals for financial measures established for the annual incentive bonus; the value to the executive is then subject to the long-term performance of our common stock over a three-year period.

In fiscal 2014, we used the same financial measures and goals for the annual cash bonus and restricted stock to focus the executives on those measures considered most critical to achieving superior results for stockholders.

Alignment with Stockholder Interests. Our compensation program is intended to align with the interests of our stockholders. Therefore, we expect our executives to have a significant personal financial stake in the Corporation. Annual cash incentive bonuses and restricted stock awards to named executives are earned based on achievement of financial performance measures (such as growth in net income, net sales and pre-tax return on capital). We believe that superior performance on these measures increases stockholder value over the long term. Stock options, RSUs and restricted stock align directly the interests of our executives and stockholders, as the value of these incentives to executives is directly correlated to our stock price.

To further align the interests of the named executives with those of stockholders, we have established stock ownership guidelines for our officers, including the named executives, as follows: For the CEO, the guidelines specify stock ownership representing five times base salary within five years after becoming CEO; and for the other named executives, the guidelines specify stock ownership representing three times base salary within five years after becoming an executive officer. All of our named executives are in compliance with these guidelines. Officers, including our named executives, must achieve and maintain compliance with these stock ownership guidelines before they can sell any of their Corporation stock, except under limited circumstances to meet tax obligations arising from their stock ownership.

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 who are currently executive officers have a combined total of more than 55 years of service with the Corporation, during which they have held different positions and have been promoted to increasing levels of responsibility. Our succession planning, retention and internal development of strong executives have resulted in the internal promotion of three consecutive Chief Executive Officers.

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 change in control agreements help us hire and retain qualified executives.

The vesting features of our long-term incentives encourage executives to remain employed by the Corporation. Generally, stock options, restricted stock and RSU awards fully vest over three to five years.

The chart below indicates how each element of our fiscal 2014 executive compensation program was intended to achieve our stated compensation objectives of competitive pay for financial performance, aligning the interests of executives and stockholders and attracting and retaining qualified, experienced executives.

2014 Compensation Element	Pay for Financial Performance	Aligned Interests	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.
Annual Cash Bonus	ü	ü	ü	Earned based on objective financial performance against measures such as growth in net income, net sales and pre-tax return on capital measures considered to enhance stockholder value.
Stock Options	ü	ü	ü	Future option value is based on share appreciation, which aligns with stockholder interests. Three-year vesting and ten-year exercise term promotes retention.
Performance-Based Restricted Stock	ü	ü	ü	Direct ownership of stock creates immediate alignment with stockholder interests, and three-year vesting of restricted stock promotes retention. Earned based on performance against objective financial measures.
Time-Vested RSUs		ü	ü	Provides a balance to the performance-based components, with value dependent on share appreciation. Four-year vesting of RSUs promotes retention.
Change in Control		ü	ü	Provides alignment in change of control situation by removing job loss concern and promoting retention.
Other Compensation	ü		ü	Perquisites and other compensation are competitive with market practice and support our ability to attract and retain talented executives. Contributions to the retirement and savings plan are based in large part on financial performance.

Compensation Program Elements Awarded in Fiscal 2014

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, including our executives, 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). This program places a significant portion of compensation at risk each fiscal year, rewards strong performance and long-term value creation and aligns executive and stockholder interests by promoting significant ownership of the Corporation s stock.

Base Salary. Salary adjustments for executive officers are generally considered annually. As described beginning on page 18 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 for similar positions at peer group companies. The Committee also considers each executive s experience, job responsibilities, performance, internal pay equity and the financial performance of the Corporation. During 2014, the Committee considered the named executives salaries and corporate performance and approved an increase in the base salaries of the named executives.

Annual Cash Bonus. The Committee establishes annual cash incentive bonus targets for each officer, expressed as a percentage of his or her base salary earned during the fiscal year. In establishing the incentive bonus targets, the Committee considers annual bonus targets assessed for corresponding positions at peer group companies and internal pay equity among Valspar executives. The annual incentive bonus for each of the executive officers for 2014 was based upon (1) an incentive bonus target established for the executive expressed as a percentage of base salary earned, and (2) our actual corporate performance with respect to the financial performance goals established by the Committee.

Before the start of fiscal 2014, as part of an annual review of total compensation, the Committee established each executive s incentive bonus target as a percentage of base salary based on position, ranging from 60.0% to 115.0% of base salary for the named executives as follows: Ms. Arnold and Mr. Blaine 60%; Mr. Engh 70%; Mr. Muehlbauer 75%; and Mr. Hendrickson 115%. In establishing the target percentages, the Committee considers several factors including the scope and responsibilities of each position, market bonus target percentages for similar roles at peer group companies and relative internal equity.

In the first quarter, the Committee established specific performance goals for the named executives. The performance goals for executives are based on financial measures, either on an absolute basis or a comparative basis with other fiscal years. Payouts for fiscal 2014 were based on corporate financial performance relative to the following financial measures growth in net income, pre-tax return on capital and growth in net sales. At the end of the fiscal year, if the executive remained employed by us, the executive was eligible to receive a cash bonus based on achievement of each of the performance goals. Potential payouts range from zero for performance less than the entry point to 200% of the incentive bonus target for exceptional performance. In determining earned payouts, certain factors are excluded, such as the cost of restructuring, changes in accounting standards, policies and procedures that would impact reported results and non-recurring gains or charges from acquisitions and divestitures, if any. These items are excluded so employees are not penalized for taking actions in the long-term best interests of the Corporation and its stockholders.

The Committee established fiscal 2014 performance goals for the named executives in two tiers:

Basic performance goals based on three financial measures: net income growth (weighted 60% as a component of the bonus), net sales growth (weighted 20%), and growth in pre-tax return on capital (weighted 20%), with a payout between 0% to 100% of the named executive s incentive bonus target for performance within a range established for each metric; and

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 one or both of these measures exceeded the 100% payout level against the basic performance goals. These two measures were used to establish the additional incentive performance goals due to their relative importance to stockholders and potential impact on the Corporation s stock price.

In the first quarter of fiscal 2014, 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	$ 320,400	$ 349,500	60%
Net Sales	4,103,800	4,432,900	20%
Pre-Tax Return on Capital	21.3%	22.1%	20%

Additional Incentive Performance Goals 100% Potential Additional Payout

USD (000s)	Entry Point: No Additional Bonus	Additional Goal: 100% Additional Payout	Weighting
Net Income	$ 349,500	$ 355,500	50%
Pre-Tax Return on Capital	22.1%	22.6%	50%

The basic performance goals were established so that achievement of the 100% payout would represent strong performance in each of the financial measures, based on prior year performance and general economic conditions, and be difficult, but achievable. The additional incentive performance goals were established to incent and reward exceptional performance in net income and pre-tax return on capital. As an indication of the difficulty of achieving our performance goals, the average total payout for achievement of corporate performance goals (including payouts for achievement of the basic and additional incentive performance goals where applicable) for the past five years has ranged from 36.2% to 200.0% of the total targeted incentive bonus levels.

In fiscal 2014, we achieved adjusted net income of $374.3 million (excluding restructuring), net sales of $4.5 billion and adjusted pre-tax return on capital of 22.9%. The Committee excluded 2014 after-tax restructuring charges of $28.9 million from the performance goals so as not to penalize employees for taking actions in the long-term best interests of Valspar and its stockholders. Based on our 2014 financial performance, the Corporation achieved 100% of each of the basic performance goals. The Corporation also achieved 100% of the additional incentive performance goals. The total payout of basic performance goals plus additional incentive performance goals was 200%. Therefore, the incentive bonus payouts were 198.3% to 200.0% of the incentive bonus target (Mr. Hendrickson   200.0%; Mr. Muehlbauer   198.7%; Mr. Engh 198.6%; and Mr. Blaine and Ms. Arnold   198.3%). Messrs. Muehlbauer, Engh, Blaine and Ms. Arnold also had a safety component in their performance goals which was not fully achieved, resulting in a decrease of approximately 1% in their incentive bonus payouts. The resulting bonuses were 119.0% to 230.0% (Mr. Blaine and Ms. Arnold   119.0%; Mr. Engh   139.0%; Mr. Muehlbauer   149.0%; and Mr. Hendrickson 230.0%) of salary for the named executives.

Nonqualified Deferred Compensation Plan. Effective April 1, 2014, the Board of Directors adopted and approved the Valspar Corporation Nonqualified Deferred Compensation Plan (the Plan). The Plan is an unfunded, nonqualified deferred compensation program sponsored by Valspar to provide its directors and designated key employees the opportunity to defer compensation. For 2014, participants had the opportunity to defer up to 100% of their annual bonus payments. For 2015, participants may defer up to 50% of their annual base salary and up to 100% of any annual cash bonuses, and any payments for which they are entitled due to limitations on employer contributions to the company s retirement savings plan. Directors may defer up to 100% of the cash portion of their annual retainers. Distributions are made upon death or on or after certain payment events elected by the participant, including specified dates, separation from service or a change in control.

Stock Options, Restricted Stock and RSUs (Long-Term Incentives). Long-term incentive opportunities for fiscal 2014 were provided in the form of stock options, performance-based restricted stock and time-vested RSU awards.

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 following factors:

- external benchmark survey data for long-term incentive levels for like positions at peer group companies;
- relative internal pay equity based on job responsibilities, relative internal pay equity and performance; and
- the deemed retention priority of each executive as subjectively determined considering the critical role each executive plays in realization of the Corporation s strategic objectives.

For fiscal year 2014, the LTI Target opportunity consisted of:

- A stock option grant (50% of total target LTI Target value). Stock options are awarded in October, prior to the start of the fiscal year and are subject to three-year vesting (one-third per year).
- A performance-based restricted stock opportunity (25% of total target LTI value) with a payout range of 0% to 200% of target based on achievement of financial performance goals. As in prior years, for 2014, the performance goals for restricted stock were the same as the performance goals established for the annual incentive bonus, so the payout percentages were the same. Performance-based restricted stock awards for fiscal 2014 were made after the end of the fiscal year based on achievement against the performance goals established in the first quarter of the year and vest after three years.

A time-vesting RSU award (25% of total target LTI value) is approved in October and effective in January during the fiscal year, subject to four-year time-vesting. The time-vesting component is intended to balance the LTI program by preserving the heavy emphasis on financial performance and linkage to share price appreciation, while offering an award to enhance long-term retention. The RSU awards are settled in cash.

For example, if an executive had an LTI Target opportunity of $800,000 for 2014, that executive would have received (i) a stock option grant with a fair value of $400,000 prior to the beginning of the fiscal year, (ii) a time-vesting RSU award with a value of $200,000, granted in January, and (iii) a performance-based restricted stock grant received after the end of the fiscal year based on achievement of performance goals, with a target level of $200,000 and a pay-out range of $0 to $400,000.

Unvested stock options, restricted stock and RSU awards are subject to forfeiture if the participant s employment with Valspar terminates prior to vesting for any reason other than death, disability, retirement or a change in control.

The future value of these stock options, restricted stock and RSU awards depends on the value of Valspar s common stock, thus aligning the interests of the named executives with stockholder interests. By providing incentive and total compensation opportunities that compare favorably with opportunities provided to executives at competitive companies, the program assists Valspar to attract and retain talented executives. Further, the amount of restricted stock awards is designed to reward for exceptional performance based on objective financial measures, which are considered by the Committee to enhance stockholder value.

Valspar s annual stock option awards are granted in October and typically vest in three years. The Corporation 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 corporate information with grant dates. On occasion, the Corporation grants options outside of the annual grant cycle for new hires, promotions or other reasons deemed appropriate by the Committee. Grants to executive officers are approved by the Committee with effective dates on or after the date of such approval.

Changes in Long-Term Incentive Mix for Fiscal 2015. Commencing with fiscal 2015, the Committee has changed the mix of long-term incentives under the Corporation s Key Employee Annual Bonus and Long-Term Incentive Plan to better align with competitive peer group practices and to place greater emphasis on long-term performance. Components of executive compensation starting with fiscal 2015 include:

A stock option grant (40% of total target LTI value, compared to 50% in 2014).

An award of performance-based restricted stock units (PSUs) that replaces the performance-based grants of restricted stock for prior years. The PSU awards granted in January 2015 represent 35% of total target LTI value, compared to restricted stock awards representing 25% total target LTI value in 2014. The PSUs awarded for 2015 have a maximum payout range of 0% to 250% of target based on achievement of financial performance goals during a three-year performance period, compared to payouts for the 2014 awards of 0% to 200% of target for a one-year performance period followed by a three-year vesting period.

A time-vesting RSU award (25% of total target LTI value, unchanged from 2014). This award is subject to three-year time-vesting (compared to four years under the prior plan).

For example, if an executive had an LTI Target opportunity of $800,000 for 2015, that executive would have received (i) a stock option grant with a fair value of $320,000 prior to the beginning of the fiscal year, (ii) a PSU award with a target value of $280,000, granted in January, and (iii) a time vesting RSU award with a fair value of $200,000, received in January.

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, and their employment may be terminated 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 generally equal to one year s salary and certain other benefits, to executive officers whose employment is terminated without cause as described in more detail under Severance Policy for Officers on page 27. This policy is intended to assist in establishing standardized benefits for termination without cause and to induce any terminated officer to enter into a three-year non-compete agreement with Valspar.

No Pension. None of the named executives is eligible for a Valspar pension.

Stock Ownership Guidelines. Our named executives are subject to our stock ownership guidelines. See Alignment with Stockholder Interests on page 12.

Restrictions on Hedging and Pledging. The Corporation s officers, including our named executives, are prohibited from hedging shares of the Corporation s stock. Any pledge of the Corporation s stock by an officer (other than the CEO or the General Counsel) must be approved in advance by the CEO and the General Counsel. Any pledge of the Corporation s stock by the CEO or the General Counsel must be approved in advance by the Nominating and Governance Committee. Approval for any pledge is discretionary and subject to various criteria and limits, including that the sum of all pledged stock by officers and directors does not exceed two times the average daily trading volume of the Corporation s stock. The Hedging and Pledging Policy is available on the Investors Corporate Governance section of our website at www.valsparglobal.com, as Exhibit 12 to the Principles of Corporate Governance.

Change in Control Agreements. We have entered into agreements with the named executives, providing for the continued employment or compensation, 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 provide that stock options, restricted stock and RSUs granted under such plans shall 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 a qualifying change in control, and a lump sum payment equal to three times an executive s annual base salary and target annual bonus for named executives hired prior to 2008, and two times for those hired in 2008 or later (including Ms. Arnold and Mr. Muehlbauer), 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 (double trigger). Further, the Corporation is required to reimburse the executive for excise taxes that might be payable by the executive with respect to these payments, as well as any excise or income taxes that may be payable with respect to the reimbursement. We believe these agreements are consistent with those offered by peer companies and reduce the likelihood of an executive leaving the Corporation due to uncertainty surrounding an acquisition, which could serve to reduce management disruption and increase the value of the Corporation 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.

The Committee has decided that change in control agreements for any officer first elected in fiscal 2013 or later shall not include reimbursement for any excise taxes that may be payable by an executive with respect to change in control payments.

Retirement. Stock options, restricted stock and RSUs granted to the named executives under the 2009 Omnibus Equity Plan will vest upon retirement after age 55 with an executed non-compete agreement. However, stock options and restricted stock granted to the named executives prior to the adoption of the 2009 Omnibus Equity Plan vest immediately upon retirement after age 60, or upon early retirement after age 55 with an executed non-compete agreement.

Other Compensation. We provide perquisites and other benefits, as reflected in the table titled 2014 Components of All Other Compensation, on page 21, to our named executives. The perquisites may include physical examinations, an automobile allowance, financial counseling and tax preparation services, club dues, or other items. We believe these benefits help the Corporation attract and retain qualified executives and are reasonable in amount. Other benefits include dividends paid on restricted stock grants and RSUs that are subject to a risk of forfeiture, an annual contribution by the Corporation 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 2014 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 objective financial goals at the beginning of each year as a basis for the annual incentive opportunities. 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.

2014 Performance. We reported net income of $345.4 million for fiscal 2014, which included after-tax restructuring charges of $28.9 million. We exclude restructuring charges from the performance goals so as not to penalize employees for taking actions in the long-term best interests of the Corporation and its stockholders. Excluding restructuring: Net income was 16.8% higher than the entry point for fiscal 2014 performance goals; 2014 pre-tax return on capital was 22.9% which was 150 basis points higher than the entry point for fiscal 2014 performance goals; and our adjusted net sales were $4.5 billion, 10.2% higher than the previous year, which was the entry point for fiscal 2014 performance goals. We exceeded our financial performance goals in fiscal 2014 and consistent with the Corporation s pay for performance philosophy, bonuses and restricted stock awards were higher in 2014, than in 2013 when we did not fully meet our goals.

Competitive Assessments. The Committee engages outside compensation consultants from time to time to advise on compensation matters, including competitive benchmarking. For the last several years, the Committee engaged Meridian Compensation Partners, LLC (Meridian) as its independent advisor. Commencing in June 2014, the Committee s independent advisor is Frederic W. Cook & Company, Inc. (Cook & Co.). See Roles of Compensation Committee and CEO below. We use compensation studies provided by Meridian 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 compensation at the 50th percentile of our peer group for base salary and between the 50th to 75th percentile for target total compensation based on each executive s performance, role and responsibilities, experience, tenure and other individual factors.

In 2013, Meridian evaluated our benchmarking peer group. As an outcome of this study, our benchmarking peer group was reduced from 40 companies to 25 manufacturing, specialty chemical, industrial and consumer product companies with sales generally in the range of $2 billion to $10 billion, and a median of $5.9 billion.

The companies included in the benchmarking peer group are listed below (new peer group companies are noted with an *).

Air Products and Chemicals, Inc.	Crane Co.	Newell Rubbermaid Inc. *
Ashland Inc. *	Eastman Chemical Company	PolyOne Corporation
Avery Dennison Corporation	Ecolab Inc.	PPG Industries, Inc.
Ball Corporation	FMC Corporation	RPM International Inc.
Brunswick Corporation	H. B. Fuller Company	The Scotts Miracle-Gro Company
Cabot Corporation *	Masco Corporation	Sensient Technologies Corporation *
Celanese Corporation *	Mattel, Inc. *	The Sherwin-Williams Company
Church & Dwight Co., Inc. *	The Mosaic Company	The Toro Company *
The Clorox Company		

Utilizing the revised peer group, in 2013 Meridian conducted a comprehensive benchmarking study evaluating the competitiveness of our executive compensation programs and policies. For comparative purposes, pay data for peer group companies was size adjusted (regressed) by Meridian to correlate individual revenue and job responsibilities.

Fourteen executive positions at Valspar, including our named executive officers, were included in the 2013 benchmarking study comparing base salary, target annual incentives and long-term incentives with opportunities provided by the peer group companies. The study concluded that the aggregate target total compensation of our named executives was within a competitive range of target total compensation at peer group companies (4% above the 50th percentile and 8% below the 75th percentile), with Mr. Hendrickson s target total compensation being 3% above the 50th percentile and 13% below the 75th percentile.

Based on results of the study, and considering factors such as experience, performance, and internal pay equity among Valspar executives, in June 2014, the Committee increased base salaries for the named executive officers by an average of 5.25%, 5.26% for Mr. Hendrickson. These were the first salary increases in 24 months, as the named executive officers salaries were not increased in 2013. Effective for fiscal year 2014, the Committee increased the annual bonus target for Mr. Hendrickson from 110% of base salary earnings to 115%. Fiscal 2014 long-term incentive target opportunities increased an average of 11.9% for the five named executive officers, 16.4% for Mr. Hendrickson.

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 equity-based compensation 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. The Committee directs the work of such consultants and professionals, and decisions regarding compensation of our named executives are ultimately made by the Committee and, in the case of our Chairman and Chief Executive Officer, by the Board of Directors. The Compensation Committee retained Meridian as the Committee s compensation consultant until June 2014, at which time the Committee retained Cook & Co. as its compensation consultant. Prior to engaging Cook & Co., the Compensation Committee evaluated the independence of Cook & Co. taking into account all factors relevant to the independence from management under the Securities and Exchange Commission rules, NYSE listing standards, applicable laws, and such other factors as the Committee determines relevant. Based on that evaluation, the Compensation Committee determined Cook & Co. to be independent. In addition, the Compensation Committee conducted an assessment to evaluate whether the work performed by Cook & Co. raises a conflict of interest. Based on that assessment, the Compensation Committee determined that no conflict of interest exists. Neither Meridian nor Cook & Co. provided any services to the Corporation, other than for the Committee, during fiscal 2014.

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 and are never present at times during which the Committee is discussing or determining their respective compensation.

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 certain other 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 possible that we may enter into compensation arrangements under which compensation paid to a named executive in excess of $1 million is not deductible under Section 162(m).

2014 Summary Compensation Table

The following table presents information concerning compensation paid to or earned by our named executives for the fiscal years ended October 31, 2014, October 25, 2013 and October 26, 2012.

Name and Principal Position*	Year	Salary ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	All Other Compensation ($)[4]	Total ($)[5]
G.E. Hendrickson	2014	$ 969,231	$ 3,548,041	$ 1,860,075	$ 2,229,232	$ 534,333	$ 9,140,912
Chairman, President	2013	950,000	1,374,757	1,996,960	378,290	657,416	5,357,423
and CEO	2012	858,269	1,875,000	1,903,197	1,760,739	456,258	6,853,463
J.L. Muehlbauer[6]	2014	606,923	1,089,928	469,125	904,467	38,796	3,109,239
Executive Vice President and Chief Financial and Administrative Officer	2013	369,231	923,015	2,349,736	102,738	8,006	3,752,726
R. Engh	2014	462,000	543,284	234,000	642,272	105,785	1,987,341
Executive Vice	2013	455,000	248,019	307,210	110,019	176,176	1,296,424
President, General Counsel and Secretary	2012	447,050	451,876	340,857	542,808	153,651	1,936,242
A.L. Blaine	2014	358,269	431,640	202,275	426,268	84,592	1,503,044
Senior Vice President,	2013	345,000	170,575	244,394	77,211	133,182	970,362
Human Resources	2012	337,662	310,626	234,281	378,249	115,198	1,376,016
C.A. Arnold	2014	358,077	1,337,813	161,775	426,040	85,165	2,368,870
Senior Vice President	2013	350,000	120,165	191,196	78,330	123,143	862,834
and Chief Technology Officer	2012	343,885	187,500	164,951	385,220	22,232	1,103,788

* as of October 31, 2014

(1) This column represents the aggregate fair value on the date of grant with respect to restricted stock grants to all named executives under annual formula grants under the Key Employee Annual Bonus Plan for each fiscal year (granted in January of the following calendar year) and time-vested restricted stock unit awards granted in January 2013 and January 2014. The fair values on the date of grant of the following additional awards are also included: the restricted stock award to Ms. Arnold of 13,233 shares with a market value of $1,000,018 in June 2014; and the restricted stock and restricted stock unit awards that Mr. Muehlbauer received on his hire date in March 2013.

(2) This column represents the aggregate grant date fair value with respect to stock options granted in the years indicated. The fair value was calculated in accordance with stock-based accounting rules (ASC 718). Includes the aggregate grant date fair value with respect to the stock options granted to Mr. Muehlbauer on his hire date in March 2013. The assumptions used by the Corporation to determine the fair value are described in Note 10 of the Consolidated Financial Statements included in our Form 10-K for the year ended October 31, 2014, which description is incorporated herein by reference.

(3) This column represents the cash bonuses earned in fiscal years 2014, 2013 and 2012 (and paid during the first quarter of the following fiscal year) under the Annual Incentive Bonus Plan, based on the achievement of specified financial measures. Our named executives can elect to defer all or a portion of their cash bonus into the Valspar Corporation Nonqualified Deferred Compensation Plan. For fiscal year 2014, Messrs. Hendrickson and Blaine deferred 100% of their cash bonus and Ms. Arnold deferred 75% of her cash bonus as shown in the 2014 Nonqualified Deferred Compensation table, beginning on page 24.

(4) This column represents perquisites and other personal benefits; dividends on restricted stock and RSUs; and contributions or allocations by Valspar to defined contribution or savings plans (tax qualified and supplemental), all as shown in the 2014 Components of All Other Compensation table below.

(5) 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 2014, beginning on page 13.

(6) Mr. Muehlbauer has been Executive Vice President and Chief Financial and Administrative Officer since March 11, 2013. He was not a named executive in fiscal year 2012.

The following table presents information concerning components of All Other Compensation referenced in the Summary Compensation Table paid to or earned by our named executives for the fiscal year ended October 31, 2014. 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.

2014 Components Of All Other Compensation

Name	Perquisites and Other Personal Benefits[1]	Restricted Stock and RSU Dividends[2]	Valspar Contribution to Defined Contribution Plans[3]	Lost ERISA[4]	Total
G.E. Hendrickson	$ 83,469	$ 303,679	$ 28,050	$ 119,135	$ 534,333
J.L. Muehlbauer	17,587	17,517	3,692		38,796
R. Engh	16,037	26,841	27,980	34,927	105,785
A.L. Blaine	18,701	18,672	27,877	19,342	84,592
C.A. Arnold	24,011	13,828	28,216	19,110	85,165

(1) G.E. Hendrickson $40,875 paid by Valspar for tax preparation and/or financial planning; $9,000 for automobile allowance; $2,818 for life insurance; $2,580 for personal use of country club; $400 for annual physical; $3,073 for long term disability (LTD) premium; $16,343 paid by Valspar for personal use of corporate aircraft; $8,380 for commercial airline travel by spouse to customer events where the customer encouraged spouses to attend.

J.L. Muehlbauer $14,539 for automobile allowance; $1,242 for life insurance; $1,806 for LTD premium.

R. Engh $9,000 for automobile allowance; $3,564 for life insurance; $400 for annual physical; $3,073 for LTD premium.

A.L. Blaine $6,625 paid by Valspar for tax preparation and/or financial planning; $9,000 for automobile allowance; $1,710 for life insurance; $1,366 for LTD premium.

C.A. Arnold $10,000 paid by Valspar for tax preparation and/or financial planning; $9,000 for automobile allowances; $2,322 for life insurance; $2,689 for LTD premium.

(2) Dividends paid on restricted stock and RSU grants that were subject to a risk of forfeiture during fiscal year 2014.

(3) Annual contribution by the Corporation to The Valspar Savings and Retirement Plan.

(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 Corporation s defined contribution plans, and consequently the amount of matching contributions the Corporation can make under the plans.

The following table presents information regarding the grants of annual incentive bonus compensation, stock options, restricted stock and restricted stock units during fiscal 2014 to our executive officers named in the Summary Compensation Table.

2014 GRANTS OF PLAN-BASED AWARDS

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Possible Payouts Under Equity Incentive Plan Awards[3]						
Name	Type of Award[1]	Grant Date	Threshold $	Target $	Maximum $	Threshold $	Target $	Maximum $	All Other Stock Awards: Number of Shares of Stock or Units (#)[4]	All Other Option Awards: Number of Securities Underlying Options (#)[5]	Exercise or Base Price of Option Awards ($/Sh.)[5]	Grant Date Fair Value of Stock and Option Awards ($)[3,4,6,7]
G.E. Hendrickson	AIB		$0	$ 1,114,616	$ 2,229,232							
	RS	1/08/15[7]				$0	$ 1,175,000	$ 2,350,000				$ 2,350,000
	RSU	1/09/14							16,575			1,198,041
	SO	10/01/14								82,670	$ 76.85	1,860,075
J.L. Muehlbauer	AIB		$0	455,192	910,384							
	RS	1/08/15[7]				$0	362,500	725,000				720,288
	RSU	1/09/14							5,114			369,640
	SO	10/01/14								20,850	$ 76.85	469,125
R. Engh	AIB		$0	323,400	646,800							