

VALSPAR CORP
Form 424B2
June 16, 2009

Table of Contents

The information in this prospectus supplement and the accompanying prospectus is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**File Pursuant to Rule 424(b)(2)
Registration No. 333-142058**

SUBJECT TO COMPLETION, DATED JUNE 16, 2009

**PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated April 12, 2007)**

\$

THE VALSPAR CORPORATION

% Senior Notes due 2019

The notes will mature on _____, 2019 and will bear interest at the rate of _____ % per year. Interest on the notes is payable semi-annually on _____ and _____ of each year, beginning on _____, 2009. We may redeem the notes in whole or in part at any time at the applicable redemption price set forth under Description of the Notes Optional Redemption. If we experience a change of control repurchase event, we may be required to offer to purchase the notes from holders.

The notes will rank equally with all of our other unsecured and unsubordinated indebtedness outstanding from time to time.

Investing in the notes involves risks that are described under Risk Factors beginning on page S-6.

	Per Senior Note	Total
Public offering price(1)	%	\$
Underwriting discount	%	\$
Proceeds, before expenses, to Valspar	%	\$

(1) Plus accrued interest, if any, from _____, 2009.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or any of the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The notes will be ready for delivery in book-entry form only through The Depository Trust Company on or about _____, 2009.

Joint Book-Running Managers

Banc of America Securities LLC

Goldman, Sachs & Co.

Wachovia Securities

The date of this prospectus supplement is _____, 2009

TABLE OF CONTENTS

	Page
Prospectus Supplement	
<u>About This Prospectus Supplement</u>	S-iii
<u>Forward-Looking Statements</u>	S-iv
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-6
<u>Use of Proceeds</u>	S-10
<u>Capitalization</u>	S-11
<u>Description of the Notes</u>	S-13
<u>Material U.S. Federal Income Tax Considerations</u>	S-21
<u>Underwriting</u>	S-27
<u>Legal Matters</u>	S-30
Prospectus	
About This Prospectus	1
Where You Can Find More Information	1
Cautionary Note Regarding Forward-Looking Statements	3
Ratio of Earnings to Fixed Charges	4
Description of Common Stock	4
Description of Debt Securities	6
Description of Securities Warrants	10
Plan of Distribution	12
Legal Matters	13
Experts	13

You should rely on the information contained in this prospectus supplement and the accompanying prospectus to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus supplement and the accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate on the date of this prospectus supplement.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which contains the terms of this offering of notes. The second part is the prospectus dated April 12, 2007, which is part of our Registration Statement on Form S-3 (Registration No. 333-142058).

This prospectus supplement may add to, update or change the information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the accompanying prospectus.

It is important for you to read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in *Where You Can Find More Information* in the accompanying prospectus.

No person is authorized to give any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement or the accompanying prospectus and, if given or made, such information or representations must not be relied upon as having been authorized. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities described in this prospectus supplement or an offer to sell or the solicitation of an offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the accompanying prospectus, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in our affairs since the date of this prospectus supplement, or that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is correct as of any time after the date of such information.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the notes in certain jurisdictions may be restricted by law. This prospectus supplement and the accompanying prospectus do not constitute an offer, or an invitation on our behalf or the underwriters or any of them, to subscribe to or purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. See *Underwriting*.

In this prospectus supplement and the accompanying prospectus, unless otherwise stated, references to *Valspar*, *the Company*, *we*, *us* and *our* refer to The Valspar Corporation and its subsidiaries.

Table of Contents**FORWARD-LOOKING STATEMENTS**

Some statements in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Statements in this prospectus supplement, the accompanying prospectus and documents incorporated by reference that are not of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, could, would, should, expect(s), plan to anticipate(s), intend(s), believe(s), estimate(s), predict(s), seek(s), potential, or continue(s) or the negative terms or other comparable terminology. These forward-looking statements are based on management's expectations and beliefs concerning future events and are necessarily subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to, changes in general economic conditions both domestic and international, including recessions and other external economic and political factors, which may adversely affect our business, the value of our investments, the financial stability of our customers and suppliers and our ability to obtain financing; dependence of internal earnings growth on economic conditions and growth in the domestic and international coatings industry; competitive factors including pricing pressure and product competition; risks related to any future acquisitions, including risks of adverse changes in the results of acquired businesses and the assumption of unforeseen liabilities; risks of disruptions in business resulting from the integration process and higher interest costs resulting from further borrowing for any such acquisitions; our reliance on the efforts of vendors, government agencies, utilities and other third parties to achieve adequate regulatory compliance and avoid disruption of our business; risks of disruptions in business resulting from strains in or the loss of relationships with our material customers and suppliers; risks and uncertainties associated with operations and achievement of growth in developing markets, including China and Central and South America; unusual weather conditions adversely affecting sales; changes in raw materials pricing and availability; delays in passing along cost increases to customers; changes in governmental regulation, including more stringent environmental, health and safety regulations; changes in accounting policies and standards and taxation requirements such as new tax laws or revised tax law interpretations; the nature, cost and outcome of pending and future litigation and other legal proceedings; civil unrest and the outbreak of war and other significant national and international events; and other risks and uncertainties, including those discussed in this prospectus supplement under the caption Risk Factors.

We do not, nor does any other person, assume responsibility for the accuracy and completeness of these statements. We disclaim any intention or obligation to publicly update or revise any of the forward-looking statements after the date of this prospectus supplement to conform them to actual results, whether as a result of new information, future events, or otherwise. All of the forward-looking statements contained in this prospectus supplement, the accompanying prospectus and documents incorporated by reference herein are qualified in their entirety by reference to the factors discussed under the captions Risk Factors in this prospectus supplement and Management's Discussion and Analysis of Financial Condition and Results of Operations in our most recent Form 10-K (incorporated by reference in the accompanying prospectus) and similar sections in our future filings that may be incorporated by reference in the accompanying prospectus.

The above list of uncertainties and other risk factors that may affect results addressed in the forward-looking statements may not be exhaustive. Other sections of this prospectus supplement, the accompanying prospectus and documents incorporated by reference may describe additional uncertainties or risk factors that could adversely impact our business and financial performance. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict these new risk factors, nor can it assess the impact, if any, of these new risk factors on our businesses or the extent to which any factor, or combination of factors, may

cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

S-iv

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about Valspar and this offering. It does not contain all of the information that may be important to you in deciding whether to purchase notes. We encourage you to read the entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated by reference before deciding whether to purchase notes.

The Valspar Corporation

The Valspar Corporation is a leading global coatings and paints manufacturer and distributor, based on revenues and trade publication rankings. We manufacture and distribute a broad portfolio of coatings, paints and related products. We operate our business in two reportable segments: Coatings and Paints. Our net sales in 2008 from our Coatings and Paints segments were \$2,053.7 million and \$1,127.1 million, respectively. Our total net sales in 2008 were \$3,482.4 million.

Our Coatings segment includes a broad range of decorative and protective coatings for metal, wood, plastic and glass, primarily for sale to original equipment manufacturing (OEM) customers. Products within our Coatings segment include primers, top coats, varnishes, inks, sprays, stains, fillers and other coatings used by customers in a wide range of manufacturing industries, including building products, appliances, furniture, transportation, agricultural and construction equipment, metal packaging and metal fabrication. We utilize a wide variety of coatings technologies to meet our customers' coatings requirements, including electrodeposition, powder, solvent-based, waterborne and UV light-cured coatings. This segment includes our packaging product line and our three industrial product lines: coil, general industrial and wood.

Our packaging product line includes coatings for the interior and exterior of metal packaging containers, principally food containers and beverage cans. We also produce coatings for aerosol and paint cans, crowns for glass bottles, plastic packaging and bottle closures. We believe we are the world's largest supplier of metal packaging coatings. Consolidation and globalization of our customers has occurred in this product line, and we have responded by offering a wide variety of packaging coatings products throughout the world.

Our coil coatings are applied to metal coils that are used to manufacture pre-engineered buildings and building components, other metal building and architectural products and appliances. We believe we are the largest supplier of coil coatings in North America. With our broad technology portfolio, we believe we are poised for growth in Asia, South America and Northern and Eastern Europe. The joint venture we established in January 2007 with Tekno S.A. in Brazil strengthened our position in South America, and in the fourth quarter of 2008, we acquired the remaining shares of this business. Our August 2007 acquisition of Teknos Nova Coil TNC Oy in Finland strengthens our position in Northern and Eastern Europe. In December 2007, we acquired control of Aries Coil Coatings S.A. de C.V. (Aries), a privately owned manufacturer of high-performance coil and packaging coatings based in Monterrey, Mexico, which strengthened our North American operations. In the second quarter of 2008, we acquired the remaining shares of this business.

Our general industrial product line provides customers in a wide variety of industries with a single source for powder, liquid and electrodeposition coatings technologies. With our wide range of products and technologies, we are able to supply customers around the world. We have expanded our infrastructure to support customers in Europe, Central and South America and Asia. In 2006, we opened a powder coatings facility in Shanghai, and through the H.B. Fuller powder coatings business acquisition, we added a new powder coatings facility in the United Kingdom.

Our wood product line within the Coatings segment includes decorative and protective coatings for wood furniture, building products, cabinets and floors. With the acquisition of a controlling interest in Huarun Paints in 2006, we believe we are one of the world's largest suppliers of wood coatings. Portions of the wood furniture industry have moved to Asia, and we have color design, manufacturing and technical service capabilities in the region to support this business.

Our architectural product line comprises the largest part of our Paints segment. We offer a broad portfolio of interior and exterior paints, stains, primers, varnishes, high performance floor paints and specialty decorative

S-1

Table of Contents

products. We sell these products primarily into the do-it-yourself and professional markets through home centers, mass merchants, hardware wholesalers and independent dealers. We develop customized merchandising and marketing support programs for our architectural paints customers, enabling them to differentiate their paint departments through point-of-purchase materials, labeling and product and color selection assistance. We offer our own branded products and private label brands for customers. At key customers, we also offer additional marketing and customer support by providing Valspar personnel to train paint department employees and to answer coatings questions in stores. In China, we sell our Huarun brand of architectural coatings through about 600 distributors and more than 2,000 retail outlets.

In 2007, we began to build consumer awareness of the Valspar brand through an integrated marketing campaign. In 2008, we continued to invest in the Valspar brand, along with other significant brands such as Cabot stains and Huarun paints.

Within the Paints segment, we also offer automotive refinish paints and aerosol spray paints that are sold through automotive refinish distributors, body shops, automotive supply distributors and automotive supply retailers. Our Valspar Refinish, De Beer and House of Kolor brands are offered in many countries around the world.

In addition to the main product lines within our two segments, we manufacture and sell specialty polymers, colorants and gelcoats, and we sell furniture protection plans. The specialty polymers and colorants are manufactured for internal use and for external sale to other coatings manufacturers. Our gelcoats and related products are sold to boat manufacturers, shower and tub manufacturers and others.

The Valspar Corporation is a Delaware corporation and was founded in 1806. Our principal executive offices are located at 901 3rd Avenue South, Minneapolis, Minnesota 55402, and our telephone number at that address is (612) 851-7000. Our corporate website address is www.valsparglobal.com. The information on our website is not part of this prospectus supplement.

Table of Contents

The Offering

Issuer	The Valspar Corporation.
Securities Offered	\$ aggregate principal amount of % Senior Notes due 2019.
Maturity	The notes will mature on , 2019.
Interest	Interest on the notes will accrue from , 2009 and will be payable semi-annually on and of each year, beginning , 2009.
Ranking	<p>The notes are our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated debt outstanding from time to time. Holders of the notes will generally have a position junior to the claims of the creditors, including trade creditors, of our subsidiaries. Also, the notes will be effectively subordinated to any secured indebtedness to the extent of the value of the assets securing such indebtedness. As of May 1, 2009, without giving effect to the issuance of the notes and the use of the net proceeds of the notes:</p> <p style="padding-left: 40px;">we had approximately \$981.4 million of outstanding indebtedness on a consolidated basis;</p> <p style="padding-left: 40px;">of such amount, our subsidiaries had an aggregate of approximately \$20.3 million of outstanding indebtedness; and</p> <p style="padding-left: 40px;">we had no secured indebtedness.</p>
Use of Proceeds	We intend to use the net proceeds to repay a portion of our commercial paper borrowings and borrowings under our existing bank credit facilities.
Optional Redemption	<p>We may redeem the notes at our option, at any time in whole or from time to time in part at a redemption price equal to the greater of:</p> <p style="padding-left: 40px;">100% of the principal amount of the notes being redeemed; and</p> <p style="padding-left: 40px;">the Make-Whole Amount (as defined in Description of the Notes Optional Redemption);</p> <p>plus, in each case, accrued and unpaid interest to, but not including, the redemption date.</p>
Repurchase at the Option of Holders Upon a Change of Control	If we experience a change of control repurchase event (which is defined in this prospectus supplement and involves a change in control and related rating of the notes below investment grade), we may be required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest.
Covenants	

The indenture relating to the notes will contain certain covenants for your benefit. These covenants will restrict our ability to:

incur debt secured by liens; or

engage in certain sale-leaseback transactions.

S-3

Table of Contents

These covenants will, however, be subject to significant exceptions. In addition, neither the indenture nor the notes will limit the amount of indebtedness that we may incur or the amount of assets that we may distribute or invest. We will also be subject to a covenant concerning consolidations, mergers and transfers of substantially all of our property and assets. See [Description of the Notes](#) [Covenants](#).

Further Issues

We may from time to time, without notice to or the consent of the holders of the notes, create and issue additional debt securities having the same terms as and ranking equally and ratably with the notes in all respects, as described under [Description of the Notes](#) [Further Issues](#).

Book-Entry

The notes will be issued in book-entry form and will be represented by a permanent global certificate deposited with, or on behalf of, The Depository Trust Company ([DTC](#)) and registered in the name of Cede & Co., [DTC](#)'s nominee. Beneficial interests in the notes will be shown on, and transfers will be effected only through, records maintained by [DTC](#) or its nominee; and these interests may not be exchanged for certificated notes except in limited circumstances. See [Description of the Notes](#) [Book-Entry; Delivery and Form; Global Notes](#).

Risk Factors

Investing in the notes involves risks. See [Risk Factors](#) for a description of certain risks you should particularly consider before investing in the notes.

Trustee

U.S. Bank, N.A.

Governing Law

New York.

Table of Contents**Summary Financial Information**

The following table sets forth our summary consolidated financial information. The summary operating results data for fiscal years 2008, 2007 and 2006 and the summary financial position data as of October 31, 2008 and October 26, 2007 are derived from our audited consolidated financial statements incorporated by reference in this prospectus supplement. The summary operating results data for fiscal years 2005 and 2004 and the summary financial position data as of October 27, 2006, October 28, 2005 and October 29, 2004 are derived from our audited consolidated financial statements for the years indicated and are not included or incorporated by reference in this prospectus supplement. We have a 4-4-5 week accounting cycle with the fiscal year ending on the Friday on or immediately preceding October 31. Fiscal years 2007, 2006, 2005 and 2004 each included 52 weeks. Fiscal year 2008 included 53 weeks. The summary financial data for the six months ended May 1, 2009 and April 25, 2008 are derived from our unaudited consolidated financial statements for the respective periods. In the opinion of our management, the unaudited financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations and financial position of our company as of the date of and for the periods presented. Historical results are not necessarily indicative of the results to be expected in the future.

The summary consolidated financial information should be read in conjunction with, and is qualified by reference to, our consolidated financial statements and the related notes and the Management's Discussion and Analysis of Financial Condition and Results of Operations sections included in our Annual Report on Form 10-K for the year ended October 31, 2008, and our Quarterly Report on Form 10-Q for the quarter ended May 1, 2009, which we have filed with the SEC and which are incorporated by reference into this prospectus supplement.

	Six Months Ended		Fiscal Year Ended				
	May 1, 2009	April 25, 2008	October 31, 2008	October 26, 2007	October 27, 2006	October 28, 2005	October 29, 2004
	(Unaudited)						
	(In thousands)						
Operating Results:							
Net Sales	\$ 1,307,881	1,601,503	\$ 3,482,378	\$ 3,249,287	\$ 2,978,062	\$ 2,713,950	\$ 2,440,692
Costs and Expenses:							
Cost of Sales	897,401	1,146,777	2,504,947	2,277,490	2,072,157	1,928,352	1,697,176
Operating Expenses	319,143	322,641	684,056	662,224	598,468	514,735	473,719
Income from Operations	91,337	132,085	293,375	309,573	307,437	270,863	269,797
Other (Income) Expense	640	3,943	6,933	(11,860)	3,799	621	(139)
Interest Expense	22,507	29,597	57,745	61,662	46,206	44,522	41,399
Income before Income Taxes	68,190	98,545	228,697	259,771	257,432	225,720	228,537
Net Income	\$ 45,298	\$ 64,862	\$ 150,766	\$ 172,115	\$ 175,252	\$ 147,618	\$ 142,836
Financial Position (at end of period):							
Total Assets	\$ 3,332,444	\$ 3,611,535	\$ 3,520,042	\$ 3,452,281	\$ 3,191,535	\$ 2,732,383	\$ 2,634,258

Edgar Filing: VALSPAR CORP - Form 424B2

Working Capital*	477,539	513,320	435,897	458,141	389,394	432,966	387,743
Property, Plant and Equipment, Net	459,361	516,717	489,716	514,396	459,605	427,822	428,431
Long-Term Debt, Excluding Current Portion	695,392	807,900	763,129	648,988	350,267	706,415	549,073
Stockholders Equity	1,414,114	1,424,778	1,452,868	1,380,797	1,240,063	1,061,092	1,000,363
Other Statistics:							
Property, Plant and Equipment Expenditures	\$ 23,316	\$ 17,833	\$ 43,045	\$ 76,940	\$ 75,417	\$ 62,731	\$ 61,375
Depreciation and Amortization Expense	42,641	39,388	80,831	71,811	68,716	68,395	60,537
Research and Development Expense	45,612	47,350	96,552	90,322	82,608	79,286	75,880

* Defined as accounts receivable plus inventory less accounts payable.

Table of Contents

RISK FACTORS

You should carefully consider the following risk factors and the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended October 31, 2008 which is incorporated by reference into this prospectus supplement and the accompanying prospectus, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. The following is not intended as, and should not be construed as, an exhaustive list of relevant risk factors. There may be other risks that a prospective investor should consider that are relevant to its own particular circumstances or generally.

Risks Related to Our Business

Deterioration of economic conditions could harm our business.

Our business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, the availability of capital markets, consumer spending rates, energy availability and costs (including fuel surcharges), and the effects of governmental initiatives to manage economic conditions. The recent volatility in financial markets and the deterioration of national and global economic conditions could impact our operations as follows:

the value of our investments in debt and equity securities may decline, including our assets held in pension plans;

financial stability of our customers and suppliers may be compromised, which could result in additional bad debts for us or non-performance by suppliers; and

it may become more costly or difficult to obtain financing to fund operations or investment opportunities, or to refinance our debt in the future.

Additionally, we utilize hedges and other derivative financial instruments to reduce our exposure to various interest rate risks, which qualify for hedge accounting for financial reporting purposes. Volatile fluctuations in market conditions could cause these instruments to become ineffective, which could require any gains or losses associated with these instruments to be reported in our earnings each period.

Fluctuations in the supply and prices of raw materials could negatively impact our financial results.

We purchase the raw and intermediate materials needed to manufacture our products from a number of suppliers. The majority of our raw materials are petroleum-based derivatives and minerals and metals. Under normal market conditions, these materials are generally available on the open market. From time to time, however, the prices and availability of these raw materials may fluctuate significantly, which could impair our ability to procure necessary materials, or increase the cost of manufacturing our products. During the past three to four years, our raw material costs have increased significantly. When raw material costs increase, our profit margins are reduced unless and until we are able to pass along the increases to our customers through higher prices. If raw material costs continue to increase, and if we are unable to pass along, or are delayed in passing along, raw material cost increases to our customers, we will experience profit margin reductions.

Many of our customers are in cyclical industries, which may affect the demand for our products.

Many of our customers, especially for our industrial products, are in businesses and industries that are cyclical in nature and sensitive to changes in general economic conditions. As a result, the demand for our products by these customers depends, in part, upon general economic conditions. In 2007 and 2008, the downward trend in the U.S. housing market negatively affected sales of our architectural paints and industrial coatings applied to new and existing homes and to consumer products for home use. Downward economic cycles affecting the industries of our customers will reduce sales of our products. When general economic conditions deteriorate, we may suffer reductions in our sales and profitability.

S-6

Table of Contents

The industries in which we operate are highly competitive and some of our competitors may be larger and may have greater financial resources than we do.

All aspects of the coatings and paints business are highly competitive. We face strong competitors in all areas of our business. Any increase in competition may cause us to lose market share or compel us to reduce prices to remain competitive, which could result in reduced margins for our products. Competitive pressures may not only impair our margins but may also impact our revenues and our growth. A number of our competitors are larger than us and may have greater financial resources than we do. Increased competition with these companies could curtail price increases or could require price reductions or increased spending on marketing and sales, any of which could adversely affect our results of operations.

Industry sources estimate that the top ten largest coatings manufacturers represent more than half of the world's coatings sales. Our larger competitors may have more resources to finance acquisitions or internal growth in this competitive environment. Also, we buy our raw materials from large suppliers, primarily chemical companies. In many of our product lines, we then sell our finished goods to large customers, such as do-it-yourself home centers, large equipment manufacturers and can makers. Our larger competitors may have more resources or capabilities to conduct business with these large suppliers and large customers. Finally, many of our larger competitors operate businesses other than paints and coatings. These competitors may be better able to compete during industry downturns.

We have a significant amount of indebtedness.

Our total debt, including notes payable, was \$981.4 million at May 1, 2009. Our level of indebtedness may have important consequences. For example, it:

may require us to dedicate a material portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions or other general corporate purposes;

could make us less attractive to prospective or existing customers or less able to fund potential acquisitions; and

may limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to a competitor that may have lower indebtedness.

Our strategy of growth through acquisitions may not be successful.

Acquisitions have historically contributed significantly to the growth of our company. As part of our growth strategy, we intend to continue pursuing acquisitions of complementary businesses or products and joint ventures. If we are successful in completing such acquisitions, we may experience:

difficulties in assimilating acquired companies and products into our existing business;

delays in realizing the benefits from the acquired companies or products;

diversion of our management's time and attention from other business concerns;

lack of or limited prior experience in any new markets we may enter;

unforeseen claims and liabilities, including unexpected environmental exposures or product liability;

unforeseen adjustments, charges and write-offs;

problems enforcing the indemnification obligations of sellers of businesses or joint venture partners for claims and liabilities;

unexpected losses of customers of, or suppliers to, the acquired business;

difficulty in conforming the acquired business standards, processes, procedures and controls with our operations;

S-7

Table of Contents

variability in financial information arising from the implementation of purchase price accounting;

difficulties in retaining key employees of the acquired businesses; and

challenges arising from the increased scope, geographic diversity and complexity of our operations.

In addition, an acquisition could materially impair our operating results by causing us to incur debt or requiring us to amortize acquisition expenses or the cost of acquired assets. Any of these factors may make it more difficult to repay our debt. We can give no assurance that we will continue to be able to identify, acquire and integrate successful strategic acquisitions in the future or be able to implement successfully our operating and growth strategies within our existing markets or with respect to any future product or geographic diversification efforts.

We derive a substantial portion of our revenues from foreign markets, which subjects us to additional business risks.

We conduct a substantial portion of our business outside of the United States. We and our joint ventures currently have production facilities, research and development facilities, and administrative and sales offices located outside the United States, including facilities and offices located in Australia, Brazil, Canada, China, Finland, France, Germany, Ireland, Malaysia, Mexico, The Netherlands, Singapore, South Africa, Switzerland, Thailand, the United Kingdom and Vietnam. In 2008, revenues from products sold outside the United States accounted for approximately 41% of our net sales.

We expect sales from international markets to continue to represent a significant portion of our net sales. Notwithstanding the benefits of geographic diversification, our business is subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Risks inherent in international operations include the following:

agreements may be difficult to enforce and receivables difficult to collect;

foreign customers may have longer payment cycles;

foreign countries may impose additional withholding taxes or otherwise tax our foreign income, or adopt other restrictions on foreign trade or investment, including currency exchange controls;

foreign operations may experience staffing difficulties and labor disputes;

transportation and other shipping costs may increase;

foreign governments may nationalize private enterprises;

unexpected adverse changes in export duties, quotas and tariffs and difficulties in obtaining export licenses;

intellectual property rights may be more difficult to enforce;

fluctuations in exchange rates may affect product demand and may adversely affect