VALSPAR CORP
Form DEF 14A
January 22, 2016

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 24, 2016

The annual meeting of stockholders of The Valspar Corporation will be held at 1101 South 3rd Street, Minneapolis, Minnesota 55415 on Wednesday, February 24, 2016 at 9:00 a.m., for the following purposes:

Proposal 1	To elect as directors (Class III) the three individuals nominated by the Board of Directors for a term of three years;
Proposal 2	To cast an advisory vote to approve the compensation of our named executive officers as stated in the Corporation's proxy statement ("Say-on-Pay" vote); and
Proposal 3	To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending October 28, 2016.

To transact such other business as may properly come before the meeting or any adjournments thereof.

Stockholders of record at the close of business on December 28, 2015 are entitled to notice of and to vote at the meeting.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement of the matters to be considered at the meeting. A copy of the Annual Report for the year ended October 30, 2015 also accompanies this Notice.

By Order of the Board of Directors,

ROLF ENGH,
Secretary

Approximate Date of Mailing of Proxy Materials:
January 22, 2016

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held February 24, 2016

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

- Ÿ Proxy Statement for the Annual Meeting of Stockholders
- Ÿ Annual Report to Stockholders, including Form 10-K, for the year ended October 30, 2015

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 and 2.**

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 24, 2016

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 Delaware law and our By-laws, an action of the stockholders 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, or a majority of the votes cast in the election of directors. Accordingly, an abstention on any matter other than the election of directors will have the same effect as a vote against that matter.

A “street name” holder is the beneficial owner of shares held in a stock brokerage account or by a bank, trust or other nominee. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the voting instruction form provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If the broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter. Consequently, non-votes generally do not have the same effect as a negative vote on the matter.

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 and 2.

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 eleven directors serving on the Board of Directors. The terms of Class III directors will expire at the Annual Meeting.

The Board of Directors has nominated William M. Cook, Gary E. Hendrickson and Mae C. Jemison, M.D. for re-election as Class III directors. David R. Lumley, a Class I director, was appointed to the Board of Directors on June 10, 2015. Unless otherwise directed by the stockholders, it is intended that shares represented by proxy will be voted in favor of the election of the three nominees listed in Class III below, to hold office until the annual meeting in 2019 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
Director since 2012 Operating Advisor, Clayton, Dubilier & Rice, LLC
Age — 55

Mr. Ballbach has been an Operating Advisor with Clayton, Dubilier & Rice ("Clayton"), a private equity investment firm, since June 2014. In connection with his role as an Operating Advisor at Clayton, Mr. Ballbach currently serves as Chairman and director for Solenis, LLC, a specialty chemicals manufacturer, which is a portfolio company of Clayton. 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 also served as a director and member of the audit committee of The Timken Company, a publicly traded global manufacturer of bearings and related components, until mid-2014. Mr. Ballbach's background and experience make him well qualified to serve as a director of the Corporation.

Ian R. Friendly
Director since 2009 Retired Executive Vice President; Chief Operating Officer, U.S. Retail, General Mills, Inc.
Age — 55

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

Ms. Haugarth retired as Executive Vice President; President, Independent Business and Supply Chain Services, SUPERVALU INC. on December 26, 2015, a position she held since February 2013. SUPERVALU INC. operates retail food stores and provides food distribution and other supply chain services. 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.

David R. Lumley Director since 2015 Age — 61	Retired President and Chief Executive Officer of Spectrum Brands Holdings, Inc.

Mr. Lumley retired as President and Chief Executive Officer of Spectrum Brands Holdings, Inc. on April 1, 2015 and as a Director on September 30, 2015. Spectrum Brands Holdings, Inc. is a global and diversified consumer products company and a leading supplier of consumer batteries, residential locksets, residential builders' hardware, plumbing, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn and garden and home pest control products, personal insect repellents, and auto care products. Mr. Lumley served as Director from April 2010 to September 30, 2015; as President and Chief Executive Officer from June 2010 to April 1, 2015; as President, Global Batteries & Personal Care and Home & Garden from January 2007 to November 2013; as Co-Chief Operating Officer from January 2007 to April 2010.

Mr. Lumley's background includes more than 25 years of experience in the consumer products industry, including executive leadership roles at Newell Rubbermaid, EAS, Brunswick Bicycles, Outboard Marine Corporation, Wilson Sporting Goods Co. and other companies. Mr. Lumley also serves as a director of Husqvarna AB. Mr. Lumley's background and experience make him well qualified to serve as a director of the Corporation.

CLASS II Directors Continuing in Office Until 2018

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

Jack J. Allen
Director since 2011
Age — 58

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 Retired Partner, KPMG LLP
Age — 67

Mr. Bode retired as Partner from KPMG LLP in January 2005. Mr. Bode was elected to 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 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
Director since 1997 Retired Executive Chairman, Bemis Company, Inc.
Age — 65

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
Director since 2013 Retired Chairman, President and Chief Executive Officer, Cytec Industries Inc.
Age — 57

Mr. Fleming retired as Chairman, President and Chief Executive Officer of Cytec Industries Inc. in December 2015, which is when Cytec Industries Inc. merged with Solvay, SA. Mr. Fleming held this position since 2009. Cytec Industries Inc. (now Solvay) is a global specialty material and chemical technologies company. 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 Nominees for Term Expiring in 2019

William M. Cook
Director since 2010 Chairman, Donaldson Company, Inc.
Age — 62

Mr. Cook has held his position as Chairman of Donaldson Company, Inc., a global provider of air and liquid filtration systems, since August 2005. Mr. Cook served as Chief Executive Officer and President of Donaldson Company, Inc. from August 2004 to April 2015.

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. In addition to being a director for the Donaldson Company, Inc., Mr. Cook also serves as a lead director and audit committee member 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
Director since 2009 Chairman, President and Chief Executive Officer, The Valspar Corporation
Age — 59

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.

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.

Mae C. Jemison, M.D. President, The Jemison Group, Inc.
Director since 2002
Age — 59

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 Kimberly-Clark Corporation and a member of the National Academy of Medicine. In the last five years, Dr. Jemison was also a director of the Scholastic Corporation.

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 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 The Valspar Corporation ("Valspar" or the "Corporation") 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 eleven 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.valspar.com.

The Corporation's Code of Ethics and Business Conduct is available on the "Investors – Corporate Governance" section of our website at www.valspar.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.valspar.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, Mae C. Jemison and David R. Lumley.

Mr. Fleming is the retired Chairman, President and Chief Executive Officer of Cytec Industries Inc. Mr. Cook is the Chairman of Donaldson Company, Inc. Mr. Allen is the retired Executive Vice President and Chief Operating Officer of Navistar, Inc. Mr. Ballbach is the Chairman of Solenis, LLC, a portfolio company of Clayton, Dubilier & Rice. Each of these companies supplies certain products to, or purchases certain products from, the Corporation. See "Certain Relationships and Related Person Transactions" below. The Corporation's purchases from Solenis, LLC and sales to Navistar, Inc. were below the disclosure threshold for related person transactions. The Board considered these relationships and transactions in determining that Messrs. Fleming, Cook, Ballbach and Allen are each independent.

Certain Relationships and Related Person 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.valspar.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 is the Chairman of Donaldson Company, Inc. ("Donaldson"). In fiscal 2015, Donaldson purchased products from the Corporation with an aggregate purchase price of approximately $457,529 and sold products to the Corporation with an aggregate sale price of approximately $38,930.

Shane D. Fleming is the retired Chairman, President and Chief Executive Officer of Cytec Industries Inc. ("Cytec"). In fiscal 2015, the Corporation purchased products from Cytec with an aggregate purchase price of approximately $159,109.

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, including 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. Lumley was appointed to the Board of Directors and Audit Committee of the Board of Directors on June 10, 2015 after following the process described above. Mr. Lumley was originally identified as a director candidate 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 Compensation Committee reviews the design of the Corporation’s compensation policies and practices to ensure our policies and practices do not encourage taking unnecessary or excessive risks, as discussed below.
- 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.

Ÿ 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.

Ÿ 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 2015 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, William M. Cook and David R. Lumley
Compensation Committee	Jeffrey H. Curler, Shane D. Fleming, Ian R. Friendly – Chair, Janel S. Haugarth and Mae C. Jemison
Nominating and Governance	John M. Ballbach,

Committee	John S. Bode, Jeffrey H. Curler – Chair and Ian R. Friendly

The Board of Directors held five meetings during fiscal 2015.

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 fiscal 2015.

The Audit Committee held six meetings during fiscal 2015. The duties and activities of the Audit Committee are described in the Audit Committee Report on page 39. 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 407(d)(5)(i) and (ii) of Regulation S-K.

The Compensation Committee held four meetings during fiscal 2015. 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.

The Nominating and Governance Committee held four meetings during fiscal 2015 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 2015, 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.

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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 are reasonably likely to have a material adverse effect on the Corporation. 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 Compensation Partners, LLC (“Meridian”) in 2014, as discussed on page 13, for our 2015 executive compensation, 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 the fiscal year ended October 30, 2015 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	

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EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis provides information about the Corporation's compensation philosophy and 2015 executive compensation programs for the following named executive officers (the "Named Executives"):

Named Executive Officers

Name	Title	Calendar Year Employed
Gary E. Hendrickson	Chairman, President and CEO	1994
James L. Muehlbauer	Executive Vice President and Chief Financial and Administrative Officer	2013
Rolf Engh	Executive Vice President, General Counsel and Secretary	1993
Howard C. Heckes*	Executive Vice President and President, Global Coatings	2008
Les H. Ireland**	Executive Vice President and President, Global Consumer Paints	2014

*

Mr. Heckes was appointed as Executive Vice President and President, Global Coatings on December 1, 2014. Prior to December 2014, Mr. Heckes was Senior Vice President, Global Consumer for the Corporation and was included in the Committee's review and approval of the 2015 compensation programs for our Named Executives.

** Mr. Ireland was hired by the Corporation on December 1, 2014. As noted throughout this Compensation Discussion & Analysis, due to his hire date, Mr. Ireland's fiscal 2015 compensation was approved after the review and approval of the 2015 compensation programs for each of the other Named Executives.

Executive Summary of Fiscal 2015 Financial Performance and Compensation Highlights

Valspar overcame significant challenges to deliver strong financial results in fiscal 2015, including the following highlights:

Ÿ Net Income increased to $399.5 million, a 15.7% increase over fiscal 2014.

Ÿ Diluted earnings per share increased to $4.85, a 20.9% increase over fiscal 2014.

Ÿ Adjusted Pre-Tax Return on Capital of 23.5%, an 80 basis point increase over fiscal 2014[1].

We achieved these results despite significant negative currency impacts from a strengthening U.S. dollar, a product line change at a significant customer, and comparisons with fiscal 2014 which included a 53rd accounting week. Specifically, the negative currency impact from a strengthening U.S. dollar was much more significant than we had anticipated, and negatively impacted net sales by 5%.

Over our last five fiscal years, we have delivered total shareholder return of 173.2%, or 22.3% on an annualized basis. Over the same period, the S&P 500 increased 95.4%, or 14.3% on an annualized basis. Valspar generated $383 million of operating cash flow in fiscal 2015, compared to $347 million in fiscal year 2014, and we increased our dividend for the 37th straight year, to $1.20 per share (a 15% increase over fiscal 2014). Valspar is also a member of the S&P High Yield Dividend Aristocrats®, which is comprised of companies increasing dividends every year for at least 20 consecutive years.

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, 94% 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. However, to

(1) Fiscal 2015 adjusted pre-tax return on capital represents adjusted earnings before taxes ("EBIT") divided by adjusted average capital. Reported EBIT for fiscal 2015 was $645.1 million and Adjusted EBIT was $615.4 million. Adjusted EBIT excludes $48.0 million in pre-tax gain on sale of assets, $26.9 million of pre-tax restructuring and acquisition-related charges, and $8.6 million in income from our Quest acquisition. Average capital for fiscal 2015 was $2.80 billion (the average of Total Capital of $2.94 billion and $2.66 billion for fiscal 2015 and 2014, respectively) and adjusted average capital was $2.62 billion. Adjusted average capital for fiscal 2015 excludes $348.7 million of debt incurred for the Quest acquisition and $12.5 million of deferred taxes related to the Quest acquisition. Fiscal 2014 adjusted pre-tax return on capital represents adjusted EBIT divided by average capital. Reported EBIT for fiscal 2014 was $557.2 million and adjusted EBIT was $598.4 million. Adjusted EBIT for fiscal 2014 excludes $41.1 million of restructuring charges. Average capital for fiscal 2014 was $2.64 billion (the average of Total Capital of $2.66 billion and $2.62 billion for fiscal 2014 and 2013, respectively).

continue to maintain alignment with corporate performance and shareholder interests, the Compensation Committee took the following actions for fiscal 2015 executive compensation:

- Ÿ The Compensation Committee approved a performance-based restricted stock unit award to all Named Executives that has a maximum payout range of 0% to 250% of target based on achievement of financial performance goals over a three-year performance period (instead of restricted stock with a one-year performance period).
- Ÿ Based on the exceptional performance in fiscal 2014, and to continue to motivate and retain the leadership team responsible for such exceptional performance, the Committee increased (i) base salary for all our Named Executives, except for Mr. Ireland; and (ii) the annual target bonus and long-term incentives for Messrs. Hendrickson and Heckes.
- Ÿ To recognize our Named Executives for achieving strong financial results in fiscal 2015, despite the greater than anticipated negative currency impact and other challenges noted above, the Committee approved a discretionary cash bonus for each of our Named Executives equivalent to 73.9% of the incentive bonus target for each Named Executive.

Compensation Program Objectives

We rely on common sense and good judgment in making compensation decisions, based on our overall performance and the performance and responsibilities of our Named Executives. 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 a balance among 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. 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.

We believe that each element of our compensation program should remain competitive to retain, and, as necessary, attract key executive talent. To achieve this objective, the Compensation Committee generally strives to establish a target total direct compensation opportunity, including base salary, annual target incentive and long-term incentive, within a competitive range around the market median (i.e., within 15% above or below the 50th percentile), as determined using both our peer group (listed under “Competitive Assessments” on page 13) and national market survey data (as described under “Competitive Assessments” on page 13). While the Compensation Committee strives to deliver a target total compensation package approximating the market median, judgment is applied when establishing individual compensation opportunities to recognize individual performance, experience relative to external market counterparts, readiness for promotion to a higher level and value to the organization. The Compensation Committee also considers the retention and continued motivation of key executives to deliver long-term performance and value to our shareholders when establishing compensation opportunities. Actual compensation varies above or below the target level based on the degree to which specific performance goals are attained in the variable incentive plans, changes in stock value over time, and the individual performance of each executive.

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

Ÿ *Annual Cash Incentive 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.

Ÿ *Performance-based Restricted Stock Units (PSUs)* — shares are earned if targets are achieved for performance metrics over a three-year period.

In fiscal 2015, we used net income growth, net sales growth and growth in pre-tax return on capital as the performance metrics for our annual cash incentive bonus. We used earnings per share growth over the three-year period beginning in 2015 as the performance metric for our PSUs. The Compensation Committee believes these are the appropriate metrics to incent our executives to drive year-over-year performance and long-term stockholder value.

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 our PSU awards to our Named Executives are earned based on achievement of financial performance measures (such as growth in net income, net sales, pre-tax return on capital and long-term earnings per share growth). We believe that superior performance on these measures increases stockholder value over the long term. In addition, stock options, time-based restricted stock units (RSUs) and PSUs align directly the interests of our executives and stockholders, as the ultimate value of these incentives to executives is directly correlated to our stock price.

To further align the interests of our Named Executives with those of stockholders, we have established stock ownership guidelines for our officers, including our 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. Mr. Ireland has not yet met the ownership threshold; however, he is within the five year grace period. 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. Our Named Executives have a combined total of more than 50 years of service with the Corporation, during which many 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 Compensation 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 vest in equal installments over a three-year period; RSU awards are subject to three-year cliff vesting; and PSU awards vest at the end of the three-year performance period, subject to the achievement of the performance goals.

Compensation Review

Competitive Assessments. The Compensation Committee engages outside compensation consultants from time to time to advise on compensation matters, including competitive benchmarking. For fiscal 2015 executive compensation, the Compensation Committee retained Meridian as the Compensation Committee's compensation consultant until June 2014, at which time the Compensation Committee retained Frederic W. Cook & Company, Inc. ("Cook & Co.") as its compensation consultant on executive and director compensation matters. We use compensation studies provided by these independent advisors 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 assist in the determination of 2015 pay opportunities for our Named Executives, the Compensation Committee reviewed a competitive market assessment conducted in May of 2014 by Meridian. The assessment compared fiscal 2014 base salary, target annual incentive and long-term incentive opportunities for eleven senior management positions at the Corporation, including our Named Executives, with the exception of Mr. Ireland, to similarly situated positions in the marketplace. To develop market comparisons, Meridian reviewed relevant data from our peer group, to the extent available, and size adjusted the data using AonHewitt's Total Compensation Measurement Database, to more accurately align our revenue with the revenue levels of the peer group companies, so that the data would more closely reflect the scope of responsibility for each respective executive officer. The identity of the companies included in the survey report was not considered by the Compensation Committee in its decision-making process and the Compensation Committee did not consider the identity of the individual survey group companies to be material for this purpose. The benchmarking peer group reviewed for the 2015 executive compensation analysis was comprised of 25 manufacturing, specialty chemical, industrial and consumer product companies with sales generally in the range of $2 billion to $15 billion, and a median of $5.7 billion. The companies included in this benchmarking peer group are listed below.

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		

The Meridian assessment found that each element of total direct compensation (base salary, target annual cash incentives, and long-term incentives) was within the aforementioned competitive range of median (i.e., within 15% above or below the 50th percentile) for all our Named Executives, except Mr. Muehlbauer. While Mr. Muehlbauer's base salary was within 15% of the median, his target total pay opportunity exceeds the competitive range of the median. This positioning reflects the compensation opportunity required to attract Mr. Muehlbauer to the Corporation from a significantly larger organization where he held a similar role.

While most of our Named Executives, except for Mr. Muehlbauer, are positioned within a competitive range of market median, our total shareholder return ("TSR") over the three years prior to the study exceeded the average TSR of our peer group during that same period. As shown below, our TSR for the period July 2011 to July 2014 was 134% as compared to 70% for our peer group and 58% for the S&P 500. The Compensation Committee considered this superior TSR performance when establishing 2015 executive compensation.

Valspar Total Shareholder Return – Relative Performance
(July 2011- July 2014)

	7/25/2011	**7/25/2012**	**7/25/2013**	**7/25/2014**	**3 Yr TSR**	**CAGR**
Valspar	$100	$144	$199	$234	134%	33%
25 Company Benchmarking Peer Group	$100	$107	$143	$170	70%	19%
S&P 500	$100	$102	$132	$158	58%	16%

Compensation Program Elements Awarded in Fiscal 2015

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 Valspar Corporation Amended and Restated Key Employee Annual Bonus and Long-Term Incentive 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.

The chart below indicates how each element of our fiscal 2015 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.

2015 Compensation Element	Pay for Financial Performance	Aligned Interests	Attract and Retain	Comments
Base Salary			**P**	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 Incentive Bonus	**P**	**P**	**P**	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	**P**	**P**	**P**	Future option value is based on share appreciation, which aligns with stockholder interests. Vesting in equal installments over three years and ten-year exercise term promotes retention.
Performance-Based Restricted Stock Units (PSUs)	**P**	**P**	**P**	Earned based on earnings per share growth over a three-year performance period, which incents strong long-term financial performance. The ultimate value of the earned unit depends directly on the performance of our stock, which creates alignment with stockholder interests. Three-year performance-based vesting promotes retention.
Time-Based Restricted Stock Units (RSUs)		**P**	**P**	Creates immediate alignment with stockholder interests, and provides a balance to the performance-based components, with value dependent on share appreciation. Three-year cliff vesting promotes retention.

Change in Control		**P**	**P**	Provides alignment in change of control situation by removing job loss concern and promoting retention.
Other Compensation	**P**		**P**	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.

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Base Salary. Salary adjustments for executive officers are generally considered annually. As described beginning on page 13 under "Competitive Assessments," in setting each Named Executive's base salary, the Compensation 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 Compensation Committee also considers each executive's experience, job responsibilities, performance, internal pay equity and the financial performance of the Corporation. In June 2014, for fiscal 2015 executive compensation, the Compensation Committee considered our Named Executives' salaries, corporate performance and retention of leadership driving such performance, and approved an increase in the base salaries of our Named Executives, except for Mr. Ireland, by an average of 4.7%, and by 5.2% for Mr. Hendrickson. These were the first base salary increases in two years for Messrs. Hendrickson and Engh (Messrs. Ireland and Muehlbauer had not been employed by the Corporation for two years and Mr. Heckes was not a named executive officer in fiscal 2014 or 2013). Mr. Ireland's base salary, annual incentive bonus target and long-term incentive opportunities were established upon his hire in December 2014 using the peer group data used for Mr. Heckes, as their positions have similar roles and responsibilities.

Finally, similar to previous years, in May 2015, the Committee engaged Cook & Co. to conduct an executive compensation study for our 2016 executive compensation and approved our Named Executives' base salaries for the 2016 fiscal year in June 2015. Effective June 1, 2015, the Committee increased base salaries for our Named Executives by an average of 2.5%, and by 3.0% for Mr. Hendrickson.

Annual Cash Incentive Bonus. The Compensation Committee establishes annual cash incentive bonus targets for each Named Executive, expressed as a percentage of his or her base salary earned during the fiscal year. The annual cash incentive bonus for each of the executive officers for fiscal 2015 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 Compensation Committee.

In September 2014, as part of an annual review of total compensation, the Compensation Committee established each Named Executive's annual cash incentive bonus target, as a percentage of base salary based on position, ranging from 70% to 125% of base salary for our Named Executives as follows: Mr. Engh – 70%; Messr. Heckes and Muehlbauer – 75%; and Mr. Hendrickson – 125%. This represented a 10% increase from fiscal 2014 for Mr. Hendrickson and 5% increase from fiscal 2014 for Mr. Heckes. The annual cash incentive bonus targets for Messrs. Muehlbauer and Engh remained the same. Mr. Ireland's annual cash incentive bonus target was also set at 75% of base salary upon his hire in December 2014. In establishing the target percentages, the Compensation 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 pay equity. The Compensation Committee believed the increases for Messrs. Hendrickson and Heckes were appropriate to further incent strong performance in fiscal 2015.

In the first quarter, the Committee established specific performance goals for our 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 2015 were based on corporate financial performance relative to the following financial measures – growth in net income, pre-tax return on capital growth and net sales growth. 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 annual cash 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. We exclude the gain on divestitures, restructuring charges, acquisition-related charges, and benefits from acquisitions from the performance goals so as not to penalize employees for taking actions in the long-term interests of the Corporation and its stockholders.

The Compensation Committee established fiscal 2015 performance goals for our Named Executives in two tiers:

Y Basic performance goals based on three financial measures: net income growth (weighted 60% as a component of the bonus), net sales growth (weighted 30%), and growth in pre-tax return on capital (weighted 10%), with a payout between 0% to 100% of our Named Executive's annual cash incentive bonus target for performance within a range established for each metric; and

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Additional incentive performance goals for exceptional corporate performance based on net income growth with an additional payout of up to 100% of our Named Executive's annual cash incentive bonus target. Payout for the additional goal would only occur if performance exceeded the 100% payout level against the basic net income performance goal. Net income was used to establish the additional incentive performance goals due to its relative importance to stockholders and potential impact on the Corporation's stock price.

In the first quarter of fiscal 2015, the Compensation Committee established the following performance goals for each of the financial performance measures:

Basic Performance Goals (as adjusted) — 100% Potential Maximum Payout

USD (000s)	**Entry Point: 0% Payout**	**Basic Goal: 100% Payout**	**Weighting**
Net Income	$374,000	$378,000	60%
Net Sales	4,522,400	4,633,000	30%
Pre-Tax Return on Capital	22.7%	23.4%	10%

Additional Incentive Performance Goals — 100% Potential Additional Payout

USD (000s)	**Entry Point: No Additional Bonus**	**Additional Goal: 100% Additional Payout**	**Weighting**
Net Income	$ 378,000	$ 393,000	100%

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 goal was established to incent and reward exceptional performance in net income. For the purposes of determining performance for annual cash incentive bonus payouts, we also exclude the gain on divestitures, restructuring charges, acquisition-related charges, and benefits from acquisitions (as further discussed below) as those items were not anticipated in the established performance goals.

The Corporation achieved net sales of $4.39 billion and adjusted net sales of $4.31 billion. We also achieved adjusted net income of $378.9 million and 23.5% adjusted pre-tax return on capital. The fiscal 2015 adjusted net sales exclude $79.3 million in sales associated with our purchase of the performance coating businesses of Quest Specialty Chemicals. Our adjusted net income excludes the $37.2 million after tax gain on the divestiture of a non-strategic specialty product offering in our Coatings segment, $18.8 million of after-tax restructuring and acquisition-related charges and a $2.2 million net income benefit from our Quest acquisition.

Accordingly, the Corporation achieved the basic performance goals for net income growth (0.24% higher than the “Basic Goal – 100% Payout”) and pre-tax return on capital growth (80 basis points higher than the “Basic Goal – 100% Payout”), but did not achieve the basic performance goal for net sales growth (4.6% below the “Entry Point – 0%”). In addition, the Corporation achieved 6.1% of the additional incentive performance goal for net income growth, above the basic goal. Therefore, the total incentive payout was 76.1% of the annual cash incentive bonus target for each of our Named Executives.

Discretionary Bonus for Fiscal 2015. As discussed in the “Executive Summary of Fiscal 2015 Financial Performance and Compensation Highlights,” fiscal 2015 was a year in which we overcame significant challenges and delivered strong financial results. These challenges included greater than anticipated negative currency impacts from a strengthening U.S. dollar, a product line change at a significant customer and comparisons with fiscal 2014 which included a 53rd accounting week. In recognition of this performance, the Compensation Committee approved a discretionary cash bonus for each of our Named Executives equivalent to 73.9% of the annual cash incentive bonus target for each Named Executive. The payment of this discretionary bonus, along with the annual cash incentive bonus discussed above, resulted in each Named Executive receiving the following in total discretionary and annual cash incentive bonuses: (i) Mr. Hendrickson: $1,896,635; (ii) Mr. Muehlbauer: $700,573; (iii) Mr. Heckes: $630,865; (iv) Mr. Ireland: $501,923; and (v) Mr. Engh: $502,595. See the “Summary Compensation Table” on page 23 for the actual amount of the Discretionary Bonus.

Stock Options, PSUs and RSUs (Long-Term Incentives). Long-term incentive opportunities for fiscal 2015 were provided in the form of stock options, PSU and RSU awards.

Under our executive compensation program, the Compensation Committee establishes a Long-Term Incentive Target Value ("LTI Target") for each participant annually. In setting the individual LTI Targets, the Compensation 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 2015, the LTI Target opportunity consisted of:

- A stock option grant (40% of total target LTI Target value). Stock options are awarded in October, prior to the start of the fiscal year and vest in equal installments over a three-year period.
- A performance-based restricted stock unit (PSU) award (35% of total LTI Target value, compared to restricted stock awards with a target award representing 25% total LTI Target value for fiscal 2014). The PSUs are approved in October prior to the beginning of the fiscal year and then granted in January during the fiscal year. The PSUs awarded for 2015 have a maximum payout range of zero to 250% of target based on achievement of financial performance goals during a three-year performance period. The PSU awards are settled in stock for employees in the United States and in cash for employees outside the United States at the end of the three-year performance period. See "Performance-Based Restricted Stock Units (PSUs) for Fiscal 2015-2017" below.
- A time-based restricted stock unit (RSU) award (25% of total LTI Target value) is approved in October prior to the start of the fiscal year and then granted in January during the fiscal year, subject to a three-year cliff vesting. The time-vesting component is intended to balance the LTI program by offering an award to enhance long-term retention while preserving the program's heavy emphasis on financial performance and linkage to share price appreciation. The RSU awards are settled in stock for employees in the United States and in cash for employees outside the United States.

For example, if an executive had an LTI Target opportunity of $800,000 for fiscal 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, subject to the achievement of three-year performance goals with a maximum payout range of zero to 250% if the performance goals are achieved (i.e. $0-$700,000, based on the market value of the common stock on the date of the award), and (iii) an RSU award with a value of $200,000, granted in January.

Unvested stock options, PSU and RSU awards are subject to forfeiture if the participant's employment with the Corporation terminates prior to vesting for any reason other than death, disability, retirement or a change in control. See "Potential Payments Upon Termination or Change in Control" starting on page 27.

The future value of these stock options, PSU and RSU awards depends on the value of the Corporation's common stock, thus aligning the interests of our 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 the Corporation to attract and retain talented executives. Further, the PSU awards are designed to reward our Named Executives for exceptional performance based on objective financial measures, which are considered by the Compensation Committee to enhance stockholder value.

The Corporation's annual stock option awards are granted in October and typically vest in equal installments over a three-year period. 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 awards outside of the annual grant cycle for new hires, promotions or other reasons deemed appropriate by the Compensation Committee. Grants to executive officers are approved by the Compensation Committee with effective dates on or after the date of such approval.

For fiscal 2015, the Compensation Committee increased the LTI Target opportunities by 22.3% for Mr. Hendrickson and 11.1% for Mr. Heckes. Mr. Heckes was not a named executive officer in fiscal 2014. The Compensation Committee believed the increases would help to incent Messrs. Hendrickson and Heckes to drive long-term performance and shareholder value. The LTI Target opportunities (stock options, RSUs and PSUs) for each Named Executive officer for fiscal 2015 were as follows: Mr. Hendrickson: $5,750,000; Mr. Muehlbauer: $1,450,000; Mr. Engh: $723,000; Mr. Heckes: $1,000,000; and Mr. Ireland: $800,000. (Pursuant to Item 402 of

Regulation S-K, the Option Awards included in the Summary Compensation Table on page 23 and in the Grants of Plan-Based Awards table on page 25 represent the stock options granted on September 30, 2015. These options were granted for the 2016 fiscal year, based on a percentage of 2016 LTI Target Value. The stock options included in the LTI Target opportunities for fiscal 2015 discussed above were previously disclosed in the Summary Compensation Table and the Grants of Plan-Based Awards table in last year's proxy statement, as they were granted in October 2014.)

Performance-Based Restricted Stock Units (PSUs) for Fiscal 2015-2017. Starting in fiscal 2015, our Named Executives each received an annual grant of PSUs as a component of long-term compensation. In fiscal 2015, 35% of each Named Executive's LTI Target value was delivered in the form of a target award of PSUs earned and vesting through a three fiscal year performance period (2015 through 2017). The PSU grants made to our Named Executives and other key executives in fiscal 2015 will be paid out after the end of fiscal 2017 at a level of zero to 250% of target, based upon the extent to which the Corporation achieves goals for year-over-year earnings per share growth in the period as follows:

Ÿ Zero for any year in which threshold performance is not achieved

Ÿ 50% of target for threshold performance

Ÿ 100% of target for target performance

Ÿ 250% of target for maximum performance

Awards are interpolated for performance between threshold and target and between target and maximum. For each year's achievement of year-over-year earnings per share growth, the resulting future payout amount is determined as a percentage of target achievement, subject to the three-year vesting requirements. The awards vest on the third anniversary of the award, or earlier in the case of death, disability, Retirement or a Change in Control. See "Potential Payments Upon Termination or Change in Control" on page 27. The awards to our Named Executives will be paid out in the form of shares of common stock, or cash in the case of non-U.S. participants. The participant also receives dividend equivalents in a cash amount equal to the dividends that would have been paid on the equivalent number of shares of common stock during the three-year performance period. The dividends are paid following the end of the three-year performance period on the number shares of common stock awarded.

In setting the multi-year performance objectives, the Compensation Committee selected levels of earnings per share growth over the three-year performance period that it concluded would appropriately incent executives to achieve corporate goals, and would align the executives' interests with those of current and potential stockholders. The Compensation Committee has determined that achievement of the performance goals will be adjusted to exclude the impacts to earnings per share from restructuring charges, changes in accounting standards, policies or procedures, mergers, acquisitions or divestitures, share repurchase levels that materially differ from planned levels and the impact of foreign currency exchange rates.

The earnings per share growth objectives for the three-year period will be disclosed at the end of the performance period, as these targets are deemed strategic and commercially sensitive. The performance objectives under the PSUs provide strong motivation to execute internal business plans over the three-year period to achieve strong performance, cost controls and significant new business wins. The Compensation Committee intended the plan objectives to be difficult but achievable, requiring strong execution to achieve target level and extraordinary results to achieve levels significantly above target over that period.

The PSU grants made to our Named Executives in January 2015 were as follows:

Named Executive	**Target PSU Grants (#)**	**Grant Date Fair Value of PSU Grants[1]**
G.E. Hendrickson	23,252	$2,023,622
J.L. Muehlbauer	5,864	$ 510,344
R. Engh	2,924	$ 254,476
H.C. Heckes	4,044	$ 351,949
L.H. Ireland	3,235	$ 281,542

(1) The grant date fair value of the PSU grants is calculated in accordance with Accounting Standards Codification Topic 718, “Stock Compensation” (“ASC 718”).

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Changes in Structure of Performance-Based Incentives for Fiscal 2016. For fiscal 2016, the components of executive compensation will not change from those awarded in fiscal 2015, principally consisting of base salary, annual cash incentive bonus, and long term incentive awards based on LTI Target value: PSUs (35% of total LTI Target value based on target level), RSUs (25% of LTI Target value based on fair value) and stock options (40% of LTI Target value based on fair value). However, in December 2015, the Board amended the Key Employee Plan to change the method for determining annual cash incentive bonus payouts and payouts under PSUs, starting with the bonuses and PSU awards for fiscal 2016. Under the new structure for these awards, no amounts will be payable under the awards unless the Corporation achieves minimum objective performance goals. If the minimum goals are achieved, the maximum payout level will be funded, subject to the Compensation Committee's negative discretion to reduce the payouts to levels consistent with actual performance and other factors. This change will preserve maximum tax deductibility under Section 162(m) of the Code, grant the Compensation Committee the latitude to address unforeseeable and uncontrollable events and facilitate the Compensation Committee's ability to assess and reward individual performance.

No Employment Agreements. We do not have employment agreements with any of our 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 30. 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 the Corporation.

No Pension. None of our Named Executives are 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 13.

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.valspar.com, as Exhibit 12 to the Principles of Corporate Governance.

Change in Control Agreements. We have entered into agreements with our Named Executives, providing for the continued employment or compensation, and for the payment of other benefits, after a change in control of the

Corporation. The Key Employee Plan, the 1991 Stock Option Plan ("1991 Plan"), the 2009 Omnibus Equity Plan ("2009 Plan") and the 2015 Omnibus Equity Plan ("2015 Plan") provide that stock options, restricted stock and restricted stock units (performance-based and time-based) granted under such plans shall vest immediately upon a change in control of the Corporation. The change in control agreements for our 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 our Named Executives hired prior to 2008, and two times for those hired in 2008 or later (including Messrs. Muehlbauer, Heckes and Ireland), 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 our 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 Compensation 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. This applies to Messrs. Heckes, Muehlbauer and Ireland.

Retirement. As further discussed under "Definition of Retirement" on page 28, in September 2014, the Board amended the 2009 Plan to modify the definition of retirement, and this amendment carried forward in the 2015 Plan. Accordingly, for stock options, restricted stock and RSUs granted to our Named Executives under the 2009 Plan after fiscal 2014 and under the 2015 Plan, the award will vest upon retirement after age of 55 years if our Named Executive has executed a three-year non-compete agreement and release of claims; has completed three years of continuous prior employment with the Corporation; and has delivered a required prior written notice that the participant is considering retirement at least one year prior to the date of termination. Further, our Named Executive will become entitled to a distribution of any performance award (such as our PSUs), with the consent of the Committee, if the executive retires during the performance period. If the retirement occurs during the first fiscal year of the performance period, the award will be pro-rated for the portion of the fiscal year that is completed. The distributed amount of any such performance award is equal to the pro-rated amount of the award target and based upon the actual achievement level of the performance goals during the performance period as established and approved by the Committee. Payout will occur following the end of the performance period.

For stock options, restricted stock and RSUs granted to our Named Executives under the 2009 Plan through fiscal 2014, the award will vest upon retirement after age 55 with an executed non-compete agreement. Performance awards vest in the same manner as discussed in the prior paragraph.

For stock options and restricted stock granted to our Named Executives prior to the adoption of the 2009 Plan, the award will vest immediately upon retirement after age 60, or upon early retirement after age 55 with an executed non-compete agreement.

Nonqualified Deferred Compensation Plan. Effective April 1, 2014, the Board of Directors adopted and approved the Valspar Corporation Nonqualified Deferred Compensation Plan (the "Nonqualified Plan"). The Nonqualified Plan is an unfunded, nonqualified deferred compensation program sponsored by the Corporation to provide its directors and designated key employees, including our Named Executives, the opportunity to defer compensation. For fiscal 2015, participants had the opportunity to 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.

Other Compensation. We provide perquisites and other benefits, as reflected in the table titled "2015 Components of All Other Compensation," on page 24, 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 our Named Executives do not receive due to plan limitations.

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 our Named Executives, adoption and administration of equity-based compensation plans and programs and determination and approval of compensation for our Named Executives, including the CEO.

The Compensation Committee has the authority to retain, manage and dismiss compensation consultants or other professionals, as it deems necessary or appropriate. The Compensation Committee directs the work of such consultants and professionals, and decisions regarding compensation of our Named Executives are ultimately made by the Compensation Committee and, in the case of our Chairman and Chief Executive Officer, by the Board of Directors. As previously discussed, the Compensation Committee retained Meridian as the Compensation Committee's compensation consultant until June 2014, at which time the Compensation Committee retained Cook & Co. as its compensation consultant. Prior to engaging Meridian and Cook & Co., the Compensation Committee evaluated the independence of each advisor taking into account all factors relevant to the independence from management under SEC rules, NYSE listing standards and such other factors as the Compensation Committee determines relevant. Based on that evaluation, the Compensation Committee determined Meridian and Cook & Co. to be independent. In addition, the Compensation Committee conducted an assessment to evaluate whether the work performed by Meridian or Cook & Co. raises a conflict of interest. Based on that assessment, the Compensation Committee determined that no conflict of interest exists with either advisor. Neither Meridian nor Cook & Co. provided any services to the Corporation, other than for the Compensation Committee, during fiscal 2014, and fiscal 2015, in the case of Cook & Co.

To assist the Compensation Committee, the CEO and Senior Vice President, Human Resources, provide information and recommendations about compensation, programs and policies when requested by the Compensation Committee or its Chair. The other Named Executives have no related involvement with the Compensation Committee. As requested by the Compensation Committee or its Chair, the CEO and other management personnel attend Compensation Committee meetings, but are excused at such times as the Compensation Committee deems appropriate and are never present at times during which the Compensation 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 our 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 our 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).

2015 Summary Compensation Table

The following table presents information concerning compensation paid to or earned by our Named Executives for the fiscal years ended October 30, 2015, October 31, 2014 and October 25, 2013.

Name and Principal Position*	Year	Salary ($)[1]	Bonus ($)[2]	Stock Awards ($)[3]	Option Awards ($)[4]	Non-Equity Incentive Plan Compensation ($)[5]	All Other Compensation ($)[6]	Total ($)[7]
G.E. Hendrickson	2015	$1,011,539	$934,409[5]	$3,469,103	$2,151,639	$ 962,226	$ 568,176	$9,097,092
Chairman, President	2014	969,231	—	3,548,041	1,860,075	2,229,232	534,333	9,140,912
and CEO	2013	950,000	—	1,374,757	1,996,960	378,290	657,416	5,357,423
J.L. Muehlbauer	2015	622,731	345,149	874,826	549,423	355,424	180,589	2,928,142
Executive Vice	2014	606,923	—	1,089,928	469,125	904,467	38,796	3,109,239
President and Chief Financial and Administrative Officer	2013	369,231	—	923,015	2,349,736	102,738	8,006	3,752,726
R. Engh	2015	478,662	247,612	436,195	283,815	254,983	150,696	1,851,963
Executive Vice	2014	462,000	—	543,284	234,000	642,272	105,785	1,987,341
President General Counsel and Secretary	2013	455,000	—	248,019	307,210	110,019	176,176	1,296,424
H.C. Heckes[8] Executive Vice President and President, Global Coatings	2015	560,769	310,806[5]	603,379	402,849	320,059	182,789	2,380,651
L. H. Ireland[9] Executive Vice President and President, Global Consumer Paints	2015	446,154	247,281	967,268	560,095	254,642	47,812	2,523,252

* as of October 30, 2015

(1) Our Named Executives can elect to defer up to 50% of their base salary into the Nonqualified Plan. For fiscal 2015, Mr. Hendrickson deferred 25% of his base salary under the Nonqualified Plan as shown in the 2015 Nonqualified Deferred Compensation table, beginning on page 27.

(2) This column represents a discretionary cash bonus awarded by the Compensation Committee for fiscal 2015. See "Compensation Program Elements Awarded in Fiscal 2015 – Discretionary Bonus for Fiscal 2015" on page 17.

(3) Valuation of awards based on the grant date fair value of those awards computed in accordance with ASC Topic 718 for the fiscal years indicated. For fiscal 2015, this column represents the aggregate fair value on the date of grant with respect to a performance-based restricted stock unit award (PSU) and time-based restricted stock unit award (RSU) granted in January 2015. For the PSUs, the number of shares granted was at the target level. For a more detailed description of the terms of the PSUs granted to our Named Executives in fiscal 2015, see "Compensation Program Elements Awarded in Fiscal 2015 – Performance-Based Restricted Stock Units (PSUs) for Fiscal 2015-2017" starting on page 19. The maximum amount of these PSU awards, assuming the highest level of performance conditions will be achieved (payout of 250% of target), is as follows (based on the grant date fair value of the award): Mr. Hendrickson, $5,059,054; Mr. Muehlbauer, $1,275,860; Mr. Engh, $636,189; Mr. Heckes, $879,873; and Mr. Ireland, $703,855. For Mr. Ireland, this column also includes the grant date fair value of the restricted stock award of 5,930 shares granted to him on his date of hire in December 2014.

(4) This column represents the aggregate grant date fair value with respect to stock options granted in the fiscal years indicated calculated in accordance with ASC 718. Includes the aggregate grant date fair value with respect to the stock options granted to Mr. Ireland on his hire date in December 2014. 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 30, 2015, which description is incorporated herein by reference.

(5) This column represents the annual cash incentive bonuses earned in fiscal years 2015, 2014 and 2013 (and paid during the first quarter of the following fiscal year) under the Key Employee 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 Nonqualified Plan. For fiscal year 2015, Mr. Hendrickson deferred 80% of his total combined annual cash and discretionary bonus, and Mr. Heckes deferred 70% of his total combined cash and discretionary bonus as shown in the 2015 Nonqualified Deferred Compensation table, beginning on page 27.

(6) This column represents perquisites and other personal benefits; dividends on restricted stock, PSUs and RSUs; and contributions or allocations by the Corporation to defined contribution or savings plans (tax qualified and supplemental), all as shown in the 2015 Components of "All Other Compensation" table below.

(7) The amount shown represents the sum of all columns of the Summary Compensation Table. Additional information about the elements of compensation paid to our Named Executives can be found in "Compensation Program Elements Awarded in Fiscal 2015," beginning on page 15.

(8) Mr. Heckes was appointed to Executive Vice President and President, Global Coatings on December 1, 2014.

(9) Mr. Ireland was appointed to Executive Vice President and President, Global Consumer Paints on December 1, 2014.

The following table presents information concerning components of All Other Compensation referenced in the Summary Compensation Table paid to or earned by our Named Executives for the fiscal year ended October 30, 2015.

2015 Components Of All Other Compensation

Name	Perquisites and Other Personal Benefits[1]	Restricted Stock, PSU and RSU Dividends[2]	Valspar Contribution to Defined Contribution Plans[3]	Lost ERISA[4]	Total
G.E. Hendrickson	$ 69,986	$ 202,534	$ 23,850	$271,806	$568,176
J.L. Muehlbauer	13,798	35,792	23,850	107,149	180,589
R. Engh	17,501	27,358	23,850	81,987	150,696
H.C. Heckes	13,763	49,567	23,850	95,609	182,789
L.H. Ireland	11,708	12,107	23,850	147	47,812

(1) G.E. Hendrickson – $30,328 paid by the Corporation for tax preparation and/or financial planning; $9,000 for automobile allowance; $2,322 for life insurance; $2,557 for personal club dues; $3,191 for long-term disability (“LTD”) premium; $7,712 paid by the Corporation for personal use of corporate aircraft; and $14,876 for commercial airline travel by spouse to customer events where the customer encouraged spouses to attend.

J.L. Muehlbauer – $990 paid by the Corporation for tax preparation and/or financial planning; $9,000 for automobile allowance; $1,242 for life insurance; $2,566 for LTD premium.

R. Engh – $525 paid by the Corporation for tax preparation and/or financial planning; $9,000 for automobile allowance; $3,564 for life insurance; $300 for personal club dues; and $4,112 for LTD premium.

H.C. Heckes – $9,000 for automobile allowance; $1,159 for life insurance; $1,959 for personal club dues; and $1,645 for LTD premium.

L.H. Ireland – $2,500 paid by the Corporation for tax preparation and/or financial planning; $7,962 for automobile allowances; $1,099 for life insurance; $147 for LTD premium.

The LTD premium included above reflects the payment made to each Named Executive in January 2015 for the 2014 calendar year as the payment is based on the calendar year and not the Corporation’s fiscal year.

(2) Dividends paid or accrued on restricted stock, RSU and PSU grants that were subject to a risk of forfeiture during fiscal year 2015.

(3) Annual match and contribution by the Corporation to The Valspar Savings and Retirement Plan. The Valspar Contributions reflect the payments made to each Named Executive in January 2016 for the 2015 calendar year as the payments are based on the calendar year and not the Corporation's fiscal year.

(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 amount included reflects the payment made to each Named Executive in January 2015 for the 2014 calendar year as the payment is based on the calendar year and not the Corporation's fiscal year.

The following table presents information regarding the grants of annual incentive bonus compensation, stock options, restricted stock and restricted stock units (time-based and performance-based) during fiscal 2015 to our Named Executives.

2015 Grants of Plan-Based Awards

		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards[2]			Estimated Possible Payouts Under Equity Incentive Plan Awards[3]			All Other Stock Awards: Number of Shares of Stock	All Other Option Awards: Number of Securities Underlying	Exercise or Base Price of Option	Grant Date Fair Value of Stock and Option
Type of	Grant	Threshold	Target	Maximum	Threshold	Target	Maximum				