

VALSPAR CORP
Form PRER14A
May 13, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Amendment No. 1

to

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under Rule 14a-12

The Valspar Corporation

(Name of Registrant as Specified in its Charter)

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

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION, DATED MAY 13, 2016

[], 2016

Dear Stockholder:

You are cordially invited to attend a special meeting of the stockholders of The Valspar Corporation, a Delaware corporation (Valspar, the Company, we, our or us), which we will hold at [], on [], at [], lo
time (such meeting, including any adjournment or postponement thereof, the special meeting).

At the special meeting, holders of our common stock, par value \$0.50 per share (common stock), will be asked to consider and vote on (1) a proposal to adopt the Agreement and Plan of Merger (as it may be amended from time to time, the merger agreement), dated as of March 19, 2016, by and among the Company, The Sherwin-Williams Company, an Ohio corporation (Sherwin-Williams), and Viking Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Sherwin-Williams (Merger Sub), pursuant to which Merger Sub will be merged with and into the Company (the merger), (2) a proposal to approve, on an advisory (non-binding) basis, certain compensation that may be paid or become payable to the Company s named executive officers in connection with the merger, and (3) a proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum. If the merger agreement is adopted and the merger is completed, the Company will become a wholly owned subsidiary of Sherwin-Williams and, at the effective time, each share of common stock issued and outstanding immediately prior to the effective time of the merger (other than dissenting shares and shares owned by the Company, Sherwin-Williams or any of their respective subsidiaries, except for shares of common stock held on behalf of third parties) will be cancelled and converted into the right to receive the merger consideration.

The merger consideration will be \$113.00 per share in cash, without interest, and subject to any applicable withholding taxes. However, if Sherwin-Williams is required, in order to obtain the necessary regulatory approvals, to commit to any divestiture, license, hold separate, sale or other disposition of or with respect to assets, businesses or product lines of Valspar, Sherwin-Williams or their subsidiaries representing, in the aggregate, in excess of \$650 million of net sales, as described in the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture* (which commitment we refer to as a triggering divestiture, with a triggering event deemed to occur when Sherwin-Williams is required pursuant to the regulatory efforts covenant in the merger agreement to take, or cause to be taken, or commit to take, or cause to commit to be taken, an action constituting a triggering divestiture), then the merger consideration will be \$105.00 per share in cash, without interest, and subject to any applicable withholding taxes. **There can be no assurance that a triggering divestiture will not occur, and accordingly there can be no assurance that holders of Valspar common stock will receive \$113.00 per share in cash instead of \$105.00 per share in cash. See the section entitled *The Merger (Proposal 1) Regulatory Approvals*.**

The Valspar board of directors has unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of the Company and its stockholders and has unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. The Valspar board of directors unanimously recommends that the

stockholders of the Company vote (1) **FOR** the proposal to adopt the merger agreement, (2) **FOR** the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger, and (3) **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum.

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THE VALSPAR CORPORATION

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

[], 2016

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that a Special Meeting of the Stockholders of The Valspar Corporation, a Delaware corporation (Valspar, the Company, we, our or us), will be held at [], at [] local time, on [] meeting, including any adjournment or postponement thereof, the special meeting), to consider and vote upon the following proposals:

1. to adopt the Agreement and Plan of Merger, dated as of March 19, 2016 (as it may be amended from time to time, the merger agreement), by and among the Company, The Sherwin-Williams Company, an Ohio corporation (Sherwin-Williams), and Viking Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Sherwin-Williams (Merger Sub), pursuant to which Merger Sub will be merged with and into the Company (the merger);
2. to approve, on an advisory (non-binding) basis, certain compensation that may be paid or become payable to the Company s named executive officers in connection with the merger; and
3. to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum.

The holders of record of our common stock, par value \$0.50 per share (common stock), at the close of business on [], 2016, are entitled to notice of and to vote at the special meeting. Attendance at the special meeting will be limited to Valspar stockholders as of the close of business on the record date or their authorized representatives, as more fully described under the section entitled *The Special Meeting Date, Time and Place of the Special Meeting*. If you wish to attend the special meeting in person, you will need to register for the special meeting and print your admission ticket at www.proxyvote.com. An admission ticket, together with a form of valid government-issued photo identification, must be presented in order to be admitted to the special meeting. Please refer to the section entitled *The Special Meeting Date, Time and Place of the Special Meeting* for further information.

The Valspar board of directors has unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable, fair to and in the best interests of the Company and its stockholders and has unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement.

The Valspar board of directors unanimously recommends that the stockholders of the Company vote (1) FOR the proposal to adopt the merger agreement, (2) FOR the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger, and (3) FOR the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum.

Your vote is important, regardless of the number of shares of common stock you own. The adoption of the merger agreement by the affirmative vote of holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting is a condition to the completion of the merger. Each of the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum, requires the affirmative vote of holders of a majority of the shares of common stock present at the meeting (in person or represented by proxy) and entitled to vote thereon.

If you hold your shares of record (*i.e.*, your name appears on the registered books of the Company), we request that you vote your shares by proxy, even if you plan to attend the special meeting in person. To vote your shares by proxy, you should complete, sign, date and return the enclosed proxy in the enclosed postage-paid

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envelope or submit your proxy by either telephone or on the Internet by following the instructions on the enclosed proxy card, thereby ensuring that your shares of common stock will be represented at the special meeting if you are unable to attend. In-person attendance at the special meeting does not by itself constitute a vote.

If you sign, date and return your proxy card without indicating how you wish to vote on a proposal, your proxy will be voted (1) **FOR** the adoption of the merger agreement, (2) **FOR** the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger, and (3) **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum.

If you hold your shares in street name (*i.e.*, you own your shares beneficially in the name of a stock brokerage account or by a bank, trust or other nominee), we request that you provide your broker, bank or other nominee with instructions on how you would like them to vote your shares using the enclosed voting instruction form they provided to you. If a street name holder does not provide timely instructions, the broker, bank or other nominee will not have the authority to vote on any of the proposals on your behalf. Therefore, unless you attend the special meeting in person with a properly executed legal proxy obtained from your broker, bank or other nominee, your failure to provide instructions to your broker, bank or other nominee will result in your shares of Valspar common stock not being present at the meeting and not being voted on any of the proposals. Consequently, there cannot be any broker non-votes occurring in connection with any of the proposals at the special meeting.

If you fail to vote, the effect will be that your shares of common stock will not be counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote AGAINST the adoption of the merger agreement, but, assuming a quorum is present, will not affect the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum.

Under Delaware law, stockholders who do not vote in favor of the proposal to adopt the merger agreement will have the right to seek appraisal of the fair value of their shares of the Company as determined by the Delaware Court of Chancery if the merger is completed, but only if they submit a written demand for such an appraisal before the vote on the proposal to adopt the merger agreement and comply with the other Delaware law procedures explained in the accompanying proxy statement. See the section entitled *Appraisal Rights*.

You may revoke your proxy at any time before the vote at the special meeting by following the procedures outlined in the accompanying proxy statement.

Your vote is very important. The merger cannot be completed unless holders of a majority of the outstanding shares of common stock entitled to vote at the special meeting vote in favor of the proposal to adopt the merger agreement. A failure to vote your shares of common stock on the proposal to adopt the merger agreement will have the same effect as a vote AGAINST the proposal to adopt the merger agreement.

Before voting your shares, we urge you to, and you should, read the entire proxy statement carefully, including its annexes and the documents incorporated by reference in the proxy statement.

By order of the Board of Directors,

Rolf Engh

Executive Vice President, General Counsel and Secretary

Minneapolis, Minnesota

[], 2016

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SUMMARY

This summary highlights selected information contained in this proxy statement, including with respect to the merger agreement and the merger. We encourage you to, and you should, read carefully this entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement, as this summary may not contain all of the information that may be important to you in determining how to vote. We have included page references to direct you to a more complete description of the topics presented in this summary. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions under the section entitled Where You Can Find Additional Information.

The Companies (page 19)

The Valspar Corporation

The Valspar Corporation, referred to as Valspar, the Company, we, our or us, is a Delaware corporation. Valspar is a global leader in the coatings industry, providing customers with innovative, high-quality products and value-added services. Our approximately 11,000 employees worldwide deliver advanced coatings solutions with best-in-class appearance, performance, protection and sustainability to customers in more than 100 countries. Valspar offers a broad range of superior coatings products for consumers, and highly-engineered solutions for the construction, industrial, packaging and transportation industries. Valspar's reported net sales in fiscal 2015 were \$4.4 billion and its shares are traded on the New York Stock Exchange (NYSE: VAL). Valspar's principal executive offices are located at 1101 South 3rd Street, Minneapolis, Minnesota 55440-1461, and its telephone number is (612) 851-7000.

Additional information about Valspar is contained in its public filings, which are incorporated by reference herein. See the sections entitled *Where You Can Find Additional Information* and *The Companies The Valspar Corporation*.

The Sherwin-Williams Company

The Sherwin-Williams Company, referred to as Sherwin-Williams, is an Ohio corporation. Founded in 1866, Sherwin-Williams is a global leader in the manufacture, development, distribution and sale of coatings and related products to professional, industrial, commercial and retail customers. Sherwin-Williams manufactures products under well-known brands such as Sherwin-Williams®, HGTV HOME® by Sherwin-Williams, Dutch Boy®, Krylon®, Minwax®, Thompson's® Water Seal® and many more. With global headquarters in Cleveland, Ohio, Sherwin-Williams® branded products are sold exclusively through a chain of more than 4,100 company-operated stores and facilities, while the company's other brands are sold through leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers and industrial distributors. The Sherwin-Williams Global Finishes Group distributes a wide range of products in more than 115 countries around the world. Sherwin-Williams' principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1019, and its telephone number is (216) 566-2000. See the section entitled *The Companies The Sherwin-Williams Company*.

Viking Merger Sub, Inc.

Viking Merger Sub, Inc., referred to as Merger Sub, is a Delaware corporation and a wholly owned subsidiary of Sherwin-Williams that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. Merger Sub's principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1019, and its telephone number is (216) 566-2000. See the section

entitled *The Companies Viking Merger Sub, Inc.*

Table of Contents**The Merger (page 25)**

You will be asked to consider and vote upon the proposal to adopt the Agreement and Plan of Merger, dated as of March 19, 2016, by and among the Company, Sherwin-Williams and Merger Sub, which, as it may be amended from time to time, is referred to in this proxy statement as the merger agreement. A copy of the merger agreement is attached as **Annex A**. The merger agreement provides, among other things, that at the effective time of the merger (the effective time), Merger Sub will be merged with and into the Company, with the Company surviving the merger (the surviving corporation) as a wholly owned subsidiary of Sherwin-Williams. Upon completion of the merger, the Company will thereby become a wholly owned subsidiary of Sherwin-Williams, the common stock will no longer be publicly traded and the Company's existing stockholders will cease to have any ownership interest in the Company. Instead, at the effective time, each outstanding share of common stock, par value \$0.50 per share, of the Company (referred to in this proxy statement as the common stock, the Company common stock or the Valspar common stock), other than shares for which the holders thereof have properly demanded appraisal under Delaware law (such shares, dissenting shares) and shares owned by the Company, Sherwin-Williams or any of their respective subsidiaries (except for shares of common stock held on behalf of third parties), will be converted into the right to receive the merger consideration.

The Merger Consideration (page 61)

The merger consideration will be \$113.00 per share in cash, without interest, and subject to any applicable withholding taxes. However, if Sherwin-Williams is required to commit to any divestiture, license, hold separate, sale or other disposition of the assets, businesses or product lines of Valspar, Sherwin-Williams or any of their respective subsidiaries representing, in the aggregate, in excess of \$650 million of net sales to fulfill the conditions of the merger agreement pertaining to regulatory approvals under the antitrust laws, including the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and similar laws in other specified jurisdictions, as described in the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture* (which commitment we refer to as a triggering divestiture, with a triggering event deemed to occur when Sherwin-Williams is required pursuant to the regulatory efforts covenant in the merger agreement to take, or cause to commit to be taken, or commit to take, or cause to be taken, an action constituting a triggering divestiture), then the merger consideration will be \$105.00 per share in cash, without interest, and subject to any applicable withholding taxes. See the section entitled *The Merger (Proposal 1) Regulatory Approvals*. For purposes of the regulatory approvals provisions in the merger agreement, the calculation of net sales with respect to any asset, business or product line will be measured by reference to the net sales of Valspar's corresponding asset, business or product line for the fiscal year ended October 30, 2015, regardless of which asset, business or product line is actually divested. However, the net sales associated with any asset, business or product line of Valspar or its subsidiaries involved in the manufacture, distribution or sale of architectural coatings in Australia will not count toward calculating the \$650 million when determining whether a triggering divestiture has occurred or toward calculating the \$1.5 billion in net sales that represents the limit of Sherwin-Williams' divestiture obligations. The net sales associated with any asset, business or product line of Sherwin-Williams or its subsidiaries involved in the manufacture, distribution or sale of architectural coatings in Australia will count toward the aforesaid \$650 million and \$1.5 billion calculations.

Sherwin-Williams has agreed to use its reasonable best efforts to satisfy the applicable closing conditions without taking, or committing to take, any action that would constitute a triggering divestiture, unless and until (1) Valspar has requested that Sherwin-Williams offer a triggering divestiture or (2) Sherwin-Williams reasonably determines, after communications between Sherwin-Williams and a governmental entity (to which Valspar was a participant) and after further consultation with Valspar, that a triggering divestiture is necessary in order to permit the satisfaction of the applicable closing conditions by the end date, as described in the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture*.

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There can be no assurance that a triggering divestiture will not occur, and accordingly there can be no assurance that holders of Valspar common stock will receive \$113.00 per share in cash instead of \$105.00 per share in cash. See the section entitled *The Merger (Proposal 1) Regulatory Approvals*.

Treatment of Company Equity Awards (page 62)

Stock Options. At the effective time, each Company stock option that is outstanding as of the effective time, whether vested or unvested, will, (1) if granted prior to the date of the merger agreement, be cancelled in consideration for the right to receive a cash payment (without interest and less applicable withholding taxes) equal to the product of (a) the number of shares of Company common stock subject to such option as of the effective time and (b) the excess, if any, of the merger consideration over the exercise price per share of such option as of the effective time or (2) if granted after the date of the merger agreement, be converted into an option to acquire shares of Sherwin-Williams common stock, on the terms and with the adjustments described in the section entitled *The Merger Agreement Treatment of Company Equity Awards Stock Options*.

Time-Based and Performance-Based Restricted Stock Unit Awards. At the effective time, each Company time-based restricted stock unit award and each Company performance-based restricted stock unit award that is outstanding as of the effective time will, (1) if granted prior to the date of the merger agreement, be cancelled in consideration for the right to receive a cash payment (without interest and less applicable withholding taxes) equal to the product of (a) the number of shares of Company common stock subject to such award as of the effective time (with the number of shares subject to each Company performance-based restricted stock unit award being determined based on the level of achievement of the applicable performance goals as described below in *The Merger Agreement Treatment of Company Equity Awards Time-Based and Performance-Based Restricted Stock Unit Awards*) and (b) the merger consideration, or (2) in the case of a Company time-based restricted stock unit award granted after the date of the merger agreement, be converted into a Sherwin-Williams restricted stock unit award, on the terms and with the adjustment described in the section entitled *The Merger Agreement Treatment of Company Equity Awards Time-Based and Performance-Based Restricted Stock Unit Awards*.

Restricted Share Awards. At the effective time, each share of Company common stock subject to vesting, repurchase or other lapse restrictions pursuant to an award granted by the Company that is outstanding as of the effective time will vest in full and become free of restrictions, and will be cancelled and converted automatically into the right of the holder to receive the merger consideration (less applicable withholding taxes).

Conditions to Completion of the Merger (page 77)

Each party's obligation to complete the merger is subject to the satisfaction of the following conditions:

the adoption of the merger agreement by stockholders holding a majority of the shares of Valspar common stock outstanding at the close of business on the record date for the special meeting (the requisite company vote);

no injunction by any court or other tribunal of competent jurisdiction having been entered and continuing to be in effect and no law having been adopted that remains in effect or be effective, in each case, that prevents, enjoins, prohibits or makes illegal the consummation of the merger; and

all waiting periods applicable to the merger under the HSR Act, having expired or been terminated and all other specified filings, notices, approvals and clearances having been obtained or filed or shall have occurred.

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The respective obligations of Sherwin-Williams and Merger Sub to complete the merger are subject to the satisfaction or waiver (in writing) of the following additional conditions:

the accuracy of the representations and warranties of the Company both at and as of March 19, 2016 and at and as of the closing date of the merger (the closing date) (except for any such representations and warranties made as of a particular date or period, which representations and warranties must be true and correct only as of that date or period), subject to a material adverse effect or other materiality standard provided in the merger agreement;

the Company having performed and complied in all material respects with all covenants required by the merger agreement to be performed or complied with by it prior to the closing date; and

Sherwin-Williams receipt of a certificate signed on behalf of the Company by the Chief Executive Officer or Chief Financial Officer of the Company to the effect that each of the conditions described in the two preceding bullet points have been satisfied.

The obligation of the Company to complete the merger is subject to the satisfaction or waiver (in writing) of the following additional conditions:

the accuracy of the representations and warranties of Sherwin-Williams and Merger Sub both at and as of March 19, 2016 and at and as of the closing date (except for any such representations and warranties made as of a particular date or period, which representations and warranties must be true and correct only as of that date or period), subject to a material adverse effect or other materiality standard provided in the merger agreement;

each of Sherwin-Williams and Merger Sub having performed and complied in all material respects with all covenants required by the merger agreement to be performed or complied with by it prior to the closing date; and

the Company's receipt of a certificate signed on behalf of Sherwin-Williams by a senior executive officer of Sherwin-Williams to the effect that each of the conditions described in the two preceding bullet points have been satisfied.

When the Merger Becomes Effective (page 60)

The completion of the merger is subject to the adoption of the merger agreement by the Company's stockholders and the satisfaction of the other closing conditions.

As of the date of the filing of this proxy statement, we expect to complete the merger by the end of the first quarter of 2017. The merger is subject to various regulatory clearances and approvals and other conditions, and it is possible that factors outside the control of Valspar or Sherwin-Williams could result in the merger being completed at a later time, or not at all. There may be a substantial amount of time between the special meeting and the completion of the merger.

We expect to complete the merger promptly following the receipt of all required approvals.

Recommendation of the Valspar Board of Directors (page 32)

After careful consideration, the Valspar board of directors unanimously approved the merger agreement, the merger and the other transactions contemplated by the merger agreement. **The Valspar board of directors unanimously recommends that Valspar stockholders vote FOR the proposal to adopt the merger agreement at the special meeting.**

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Reasons for the Merger (page 32)

For a description of the reasons considered by the Valspar board of directors in deciding to recommend adoption of the merger agreement, see the sections entitled *The Merger (Proposal 1) Reasons for the Merger* and *The Merger (Proposal 1) Recommendation of the Valspar Board of Directors*.

Opinion of Valspar's Financial Advisors (page 92)

BofA Merrill Lynch

On March 19, 2016, at the meeting of the Valspar board of directors, Merrill Lynch, Pierce, Fenner & Smith Incorporated (which we refer to as BofA Merrill Lynch) rendered to the Valspar board of directors its oral opinion, subsequently confirmed in writing, to the effect that, as of March 19, 2016 and based upon and subject to the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken as described in BofA Merrill Lynch's written opinion, the per share price (with per share price defined as \$113, provided that if and only if a triggering event occurs, then the per share price will be \$105), whether or not a triggering event occurs (with triggering event defined as Sherwin-Williams being required pursuant to the regulatory efforts covenant in the merger agreement to take, or cause to be taken, or commit to take, or cause to be taken, an action constituting a triggering divestiture, as described in the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture*), to be received in the merger by the holders of shares of Valspar common stock (other than dissenting shares and shares owned by the Company, Sherwin-Williams or any of their respective subsidiaries (except for shares of common stock held on behalf of third parties), which will be cancelled), was fair, from a financial point of view, to such holders.

The full text of the written opinion of BofA Merrill Lynch, dated March 19, 2016, to the Valspar board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. BofA Merrill Lynch delivered its opinion for the benefit and use of the Valspar board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the merger. BofA Merrill Lynch's opinion did not address any other term or aspect of the merger, and no opinion or view was expressed by BofA Merrill Lynch as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Valspar or in which Valspar might engage or as to the underlying business decision of Valspar to proceed with or effect the merger. BofA Merrill Lynch expressed no opinion or recommendation as to how any Valspar stockholder should vote or act in connection with the merger or any related matter.

Goldman, Sachs & Co.

On March 19, 2016, at a meeting of the Valspar board of directors, Goldman, Sachs & Co. (which we refer to as Goldman Sachs) rendered to the Valspar board of directors its oral opinion, subsequently confirmed in writing, to the effect that, as of March 19, 2016 and based upon and subject to the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken described in Goldman Sachs' written opinion, the per share price, whether or not a triggering event occurs, to be paid to holders (other than Sherwin-Williams and its affiliates) of Valspar common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

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The full text of the written opinion of Goldman Sachs, dated March 19, 2016, which sets forth the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement. The summary of the Goldman Sachs opinion contained in this proxy statement is qualified in its entirety by reference to the full text of Goldman Sachs written opinion. Goldman Sachs advisory services and opinion were provided for the information and assistance of the Valspar board of directors in connection with its consideration of the merger, and the opinion does not constitute a recommendation as to how any holder of Valspar common stock should vote with respect to the merger or any other matter.

For further information, see the sections entitled *The Merger Opinion of BofA Merrill Lynch* and *The Merger Opinion of Goldman Sachs* and **Annexes B and C.**

Interests of the Company's Directors and Executive Officers in the Merger (page 51)

In considering the recommendation of the Company's board of directors with respect to the merger agreement, you should be aware that some of the Company's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of the Company's stockholders generally. Interests of officers and directors that may be different from or in addition to the interests of the Company's stockholders include, among others, treatment of the outstanding Company equity awards pursuant to the merger agreement, potential severance benefits and other payments and rights to ongoing indemnification and insurance coverage. The Company's board of directors was aware of these different or additional interests and considered such interests along with other matters in approving the merger agreement and the transactions contemplated thereby, including the merger. These interests are discussed in more detail in the section entitled *The Merger (Proposal 1) Interests of the Company's Directors and Executive Officers in the Merger.*

Financing (page 50)

In connection with execution of the merger agreement, Sherwin-Williams received debt financing commitments in the amount of \$9.3 billion from Citigroup Global Markets Inc., Citibank, N.A. and certain of their affiliates. The merger, however, is not conditioned upon receipt of this or other financing by Sherwin-Williams.

Material U.S. Federal Income Tax Consequences of the Merger (page 56)

If you are a U.S. holder (as defined under *The Merger (Proposal 1) Material U.S. Federal Income Tax Consequences of the Merger*), the receipt of cash in exchange for shares of common stock pursuant to the merger will generally be a taxable transaction for U.S. federal income tax purposes, and may also be a taxable transaction under applicable state, local or foreign income or other tax laws. You should consult your own tax advisor regarding the particular tax consequences to you of the exchange of shares of common stock for cash pursuant to the merger in light of your particular circumstances (including the application and effect of any state, local or foreign income and other tax laws).

Regulatory Approvals (page 58)

HSR Clearance. Under the HSR Act and related rules, certain transactions, including the merger, may not be completed until notifications have been given and information furnished to the Antitrust Division of the United States Department of Justice (the *Antitrust Division*) and the United States Federal Trade Commission (the *FTC*) and all statutory waiting period requirements have been satisfied. Completion of the merger is subject to the expiration or termination of the applicable waiting period under the HSR Act. On April 8, 2016, both the Company and

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Sherwin-Williams filed their respective Notification and Report Forms with the Antitrust Division and the FTC. On May 9, 2016, the FTC issued a Request for Additional Information and Documentary Materials (a Second Request) to each of Sherwin-Williams and Valspar in connection with the FTC's regulatory review of the

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transaction. The Second Request extends the waiting period for 30 calendar days following the date both parties have substantially complied with the Second Request, unless the waiting period is terminated earlier by the FTC or extended by agreement or court order.

Other Clearances. Completion of the merger is further subject to notification or receipt of certain regulatory approvals, including notification, clearance and/or approval in Australia, Brazil, Canada, China, Ecuador, the European Union, Mexico and Russia.

Commitments to Obtain Approvals. If necessary to obtain the requisite antitrust clearances, Sherwin-Williams has agreed, among other things, to take or commit to the sale, divestiture, license, holding separate or other disposition of, or restriction on, the businesses, assets, properties, product lines or equity interests of, or changes to the conduct of business of, Valspar, Sherwin-Williams and their respective subsidiaries (including the surviving corporation and its subsidiaries). However, Sherwin-Williams will not be required to sell, divest, license, hold separate or otherwise dispose of businesses, assets, properties, product lines and equity interests (1) representing, in the aggregate, more than \$1.5 billion of net sales or (2) of Sherwin-Williams Sherwin-Williams, Krylon or Ronseal trademark or trade name, or any businesses or product lines using any such trademarks or trade names, in any jurisdiction other than Australia. See the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture*.

For purposes of the regulatory approvals provisions in the merger agreement, the calculation of net sales with respect to any asset, business or product line will be measured by reference to the net sales of Valspar's corresponding asset, business or product line for the fiscal year ended October 30, 2015, regardless of which asset, business or product line is actually divested. However, the net sales associated with any asset, business or product line of Valspar or its subsidiaries involved in the manufacture, distribution or sale of architectural coatings in Australia will not count toward calculating the \$650 million when determining whether a triggering divestiture has occurred or toward calculating the \$1.5 billion in net sales that represents the limit of Sherwin-Williams' divestiture obligations. The net sales associated with any asset, business or product line of Sherwin-Williams or its subsidiaries involved in the manufacture, distribution or sale of architectural coatings in Australia will count toward the aforesaid \$650 million and \$1.5 billion calculations.

Appraisal Rights (page 86)

Under the General Corporation Law of the State of Delaware (the DGCL), Valspar stockholders who do not vote for the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares in cash as determined by the Delaware Court of Chancery, but only if they comply fully with all of the applicable requirements of the DGCL, which are summarized in this proxy statement. Any appraisal amount determined by the court could be more than, the same as, or less than the value of the merger consideration. Any stockholder intending to exercise appraisal rights must, among other things, submit a written demand for appraisal to the Company before the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of appraisal rights. Because of the complexity of the DGCL relating to appraisal rights, if you are considering exercising your appraisal rights, we encourage you to seek the advice of your own legal counsel. The discussion of appraisal rights contained in this proxy statement is not a full summary of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL that is attached to this proxy statement as **Annex D**.

Delisting and Deregistration of Company Common Stock (page 51)

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If the merger is completed, the Company common stock will be delisted from the New York Stock Exchange (the NYSE), and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act).

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Alternative Proposals; No Solicitation (page 69)

Pursuant to the merger agreement, none of the Company, its subsidiaries or its and their respective officers, directors, employees or agents, or its and their financial advisors, investment bankers, attorneys, accountants and other representatives (collectively, representatives), may, directly or indirectly:

solicit, initiate or knowingly encourage or facilitate any inquiries regarding, or the making of any proposal or offer, including any proposal or offer to its stockholders, that constitutes, or could reasonably be expected to lead to, a company takeover proposal, as described in the section entitled *The Merger Agreement Alternative Proposals; No Solicitation* ;

engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any other person any information in connection with or for the purpose of encouraging or facilitating, any inquiry, proposal or offer that constitutes, or could reasonably be expected to lead to, a company takeover proposal; or

approve, recommend or enter into, or propose to approve, recommend or enter into, any letter of intent or similar document, agreement, commitment, or agreement in principle with respect to a company takeover proposal.

However, if at any time after March 19, 2016 and before the requisite company vote is obtained, the Company receives a *bona fide* written company takeover proposal from any third party (that did not result from a breach of the non-solicitation provisions of the merger agreement), and if the Valspar board of directors determines in good faith, after consultation with its independent financial advisors and outside legal counsel, that such company takeover proposal constitutes or could reasonably be expected to lead to a company superior proposal, as described in the section entitled *The Merger Agreement Alternative Proposals; No Solicitation Receipt of Company Takeover Proposals*, the Company may:

furnish, pursuant to an acceptable confidentiality agreement, information (including non-public information) with respect to Valspar and its subsidiaries to the person that has made such company takeover proposal and its representatives; provided that Valspar must substantially concurrently provide to Sherwin-Williams any non-public information concerning Valspar or any of its subsidiaries that is provided or made available to such person or its representatives, unless such non-public information has been previously provided to Sherwin-Williams; and

engage in or otherwise participate in discussions or negotiations with the person making such company takeover proposal and its representatives regarding such proposal.

Changes in Board Recommendation (page 71)

The Valspar board of directors has unanimously recommended that Valspar stockholders vote **FOR** the proposal to adopt the merger agreement. The merger agreement permits the Valspar board of directors to make a company adverse recommendation change (as described in the section entitled *The Merger Agreement Alternative Proposals; No*

Solicitation Changes in Board Recommendation) only in certain limited circumstances, as described below.

At any time after March 19, 2016 and prior to the time the requisite company vote is obtained, the Valspar board of directors may make a company adverse recommendation change in response to an intervening event if prior to taking such action, the Valspar board of directors has determined in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with its fiduciary duties under applicable law. Prior to making a company adverse recommendation change in response to an intervening event, Valspar must have given Sherwin-Williams at least four business days prior written notice of its intention to take such action, and at the end of such notice period, the Valspar board of directors must have considered in

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good faith any revisions to the terms of the merger agreement proposed in writing by Sherwin-Williams, and have determined, after consultation with independent financial advisors and outside legal counsel, that the failure to make a company adverse recommendation change would continue to be inconsistent with its fiduciary duties under applicable law. See the section entitled *The Merger Agreement Alternative Proposals; No Solicitation Changes in Board Recommendation*.

Further, at any time after March 19, 2016 and prior to the time the requisite company vote is obtained, if the Valspar board of directors determines in good faith, after consultation with independent financial advisors and outside legal counsel, that a written company takeover proposal made after March 19, 2016 (that did not result from a breach of the non-solicitation provision of the merger agreement) constitutes a company superior proposal, then the Valspar board of directors may (1) make a company adverse recommendation change or (2) cause Valspar to terminate the merger agreement in order to enter into a definitive agreement relating to such company superior proposal, subject to paying the \$300 million termination fee due to Sherwin-Williams under the terms of the merger agreement. Prior to making any such company adverse recommendation change or terminating the merger agreement to enter into a definitive agreement relating to a company superior proposal, (1) Valspar must have given Sherwin-Williams at least four business days prior written notice of its intention to take such action, and have provided Sherwin-Williams the material terms and conditions of, and the identity of the person making, any such company superior proposal and copies of the company superior proposal and any proposed company acquisition agreements and (2) at the end of such notice period, the Valspar board of directors must have considered in good faith any revisions to the terms of the merger agreement proposed in writing by Sherwin-Williams, and have determined, after consultation with its independent financial advisors and outside legal counsel, that the company superior proposal would nevertheless continue to constitute a company superior proposal if the revisions proposed by Sherwin-Williams were to be given effect. See the sections entitled *The Merger Agreement Alternative Proposals; No Solicitation Changes in Board Recommendation* and *The Merger Agreement Termination Fee*.

Termination (page 78)

The merger agreement may be terminated at any time prior to the effective time in the following circumstances:

by the mutual written consent of Valspar and Sherwin-Williams;

by either Valspar or Sherwin-Williams, if:

the merger has not been completed by March 21, 2017, subject to up to two three-month extensions in certain circumstances, to June 21, 2017 and September 21, 2017, respectively (as it may be extended, the end date, as described in the section entitled *The Merger Agreement Termination* ;

an order by a governmental entity of competent jurisdiction has been issued permanently restraining, enjoining or otherwise prohibiting the consummation of the merger, and such order has become final and nonappealable, except that a party will not have the right to terminate if such order resulted due to the intentional material breach by such party of any representation, warranty, covenant or other agreement of such party set forth in the merger agreement; or

if the requisite company vote has not been obtained at the Valspar stockholders meeting or at any adjournment or postponement of the Valspar stockholders meeting; or

by Valspar, if:

Sherwin-Williams or Merger Sub has breached or there is any inaccuracy in any of its representations or warranties, or has breached or failed to perform any of its covenants or other agreements contained in the merger agreement, which (1) would result in a failure of a condition

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to the obligations of Valspar to effect the merger and (2) is either not curable or is not cured by the earlier of the end date and the date that is 30 days following written notice from Valspar to Sherwin-Williams describing such breach or failure; or

at any time prior to the time the requisite company vote is obtained, in accordance with the provisions regarding Valspar's right to terminate the merger agreement to enter into a definitive agreement relating to a company superior proposal; or

by Sherwin-Williams, if:

Valspar has breached or there is any inaccuracy in any of its representations or warranties, or has breached or failed to perform any of its covenants or other agreements contained in the merger agreement (with certain exceptions), which (1) would result in a failure of a condition to the obligations of Sherwin-Williams and Merger Sub to effect the merger and (2) is either not curable or is not cured by the earlier of the end date and the date that is 30 days following written notice from Sherwin-Williams to Valspar describing such breach or failure;

the Valspar board of directors has effected a company adverse recommendation change; or

Valspar has breached (except for any *de minimis* breach) any of its obligations under the non-solicitation provisions of the merger agreement or specified provisions of the merger agreement related to preparing this proxy statement and obtaining the requisite company vote.

Termination Fee (page 79)

Valspar will pay Sherwin-Williams a termination fee in an amount equal to \$300 million in immediately available funds if the merger agreement is terminated in the following circumstances:

if the merger agreement is terminated by Valspar in order to enter into a definitive agreement relating to a company superior proposal;

if the merger agreement is terminated by Sherwin-Williams because (1) the Valspar board of directors has effected a company adverse recommendation change or (2) Valspar has breached (except for any *de minimis* breach) any of its obligations under the non-solicitation provisions of the merger agreement or specified provisions of the merger agreement related to preparing this proxy statement and obtaining the requisite company vote; or

(1) after March 19, 2016, a qualifying transaction (as defined below) has been publicly made and not withdrawn, (2) the merger agreement is thereafter terminated by Valspar or Sherwin-Williams (as applicable) because (i) the merger agreement has not been completed by the end date (if Valspar is in

material breach of its regulatory efforts obligations under the merger agreement), (ii) Valspar breached or there was any inaccuracy in any of its representations or warranties, leading to a termination right or (iii) the requisite company vote was not obtained, and (3) at any time on or before the 12-month anniversary of such termination, Valspar or any of its subsidiaries enters into a definitive agreement with respect to any qualifying transaction or completes a qualifying transaction.

A qualifying transaction is deemed to occur if Valspar receives a *bona fide* proposal or offer made by any person or group of related persons (other than Sherwin-Williams and its subsidiaries), and whether involving a transaction or series of related transactions, for (1) a merger, reorganization, share exchange, consolidation, business combination, recapitalization, dissolution, liquidation or similar transaction involving Valspar, (2) the acquisition by any person or group of related persons (other than Sherwin-Williams and its subsidiaries) of more than 50% of the assets of Valspar and its subsidiaries, on a consolidated basis (in each case, including securities of the subsidiaries of Valspar), or (3) the direct or indirect acquisition by any person or group of related persons (other than Sherwin-Williams and its subsidiaries) of more than 50% of the shares of Company common stock then issued and outstanding.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposals to be voted on at the special meeting. These questions and answers may not address all of the questions that may be important to you as a stockholder of the Company. Please refer to the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to or incorporated by reference in this proxy statement, which you should read carefully and in their entirety. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions under the section entitled Where You Can Find Additional Information.

Q: Why am I receiving this proxy statement?

A: On March 19, 2016, the Company entered into a definitive agreement providing for the merger of Merger Sub, a wholly owned subsidiary of Sherwin-Williams, with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Sherwin-Williams. You are receiving this proxy statement in connection with the solicitation of proxies by the Valspar board of directors in favor of the proposal to adopt the merger agreement and to approve the other related proposals to be voted on at the special meeting.

Q: When and where is the special meeting?

The special meeting will be held at [], at [] local time, on [] (including any adjournment or postponement thereof, the special meeting).

Q: Who is entitled to vote at the special meeting?

A: Only holders of record of Valspar common stock as of the close of business on [], 2016, the record date for the special meeting, are entitled to receive these proxy materials and to vote their shares at the special meeting. As of the close of business on the record date, there were [] shares of common stock outstanding and entitled to vote at the special meeting, held by [] holders of record. Each share of Valspar common stock issued and outstanding as of the record date will be entitled to one vote on each matter submitted to a vote at the special meeting.

Q: What matters will be voted on at the special meeting?

A: You will be asked to consider and vote on the following proposals:

to adopt the merger agreement;

to approve, on an advisory (non-binding) basis, certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger; and

to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum.

Q: How do I attend the special meeting?

A: To attend the meeting, you will need to bring an admission ticket and a form of valid government-issued photo identification. You will need to print an admission ticket in advance by visiting www.proxyvote.com and following the instructions there. In addition, you will need the 16-digit control number to access www.proxyvote.com. You can find your control number:

on your proxy card included in this proxy statement, if it was mailed to you;

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on your Notice of Internet Availability of proxy statement, if you received this proxy statement through electronic delivery; or

on your voting instruction card if you hold your shares in street name through a bank, broker or other nominee.

If you are not a holder of record as of the record date, you may be admitted to the meeting only if you have a valid legal proxy from a holder of record as of the record date who has obtained an admission ticket. You must present that proxy and admission ticket, as well as a form of valid government-issued photo identification, at the entrance to the meeting.

Q: How many shares are needed to constitute a quorum?

A: A quorum will be present if holders of record of a majority of the shares of common stock outstanding on the close of business on the record date are present in person or represented by proxy at the special meeting. If a quorum is not present at the special meeting, the special meeting may be adjourned or postponed from time to time until a quorum is obtained.

As of [], 2016, the record date for the special meeting, there were [] shares of common stock outstanding.

If you submit a proxy but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares will be counted for the purpose of determining whether a quorum is present at the special meeting.

If your shares are held in street name by your broker, bank or other nominee and you do not instruct the nominee how to vote your shares, your broker, bank or other nominee will not vote on your behalf with respect to any of the proposals, and your shares will not be counted for purposes of determining whether a quorum is present for the transaction of business at the special meeting.

Q: What vote of Valspar stockholders is required to adopt the merger agreement?

A: Adoption of the merger agreement requires that stockholders holding a majority of the shares of common stock outstanding at the close of business on the record date for the special meeting vote **FOR** the proposal to adopt the merger agreement. A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. If your shares are held in street name by your broker, bank or other nominee and you do not instruct the nominee how to vote your shares, such failure to instruct your nominee will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

Q: What vote of Valspar stockholders is required to approve the other proposals to be voted upon at the special meeting?

A: Each of the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum, requires the affirmative vote of holders of a majority of the shares of common stock present at the meeting (in person or represented by proxy) and entitled to vote thereon.

An abstention with respect to either proposal will have the same effect as a vote **AGAINST** such proposals, but a failure to vote your shares of common stock (including a failure of your broker, bank or other nominee to vote shares held on your behalf), assuming a quorum is present, will have no effect on such proposals.

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Q: How does the Valspar board of directors recommend that I vote?

A: The Valspar board of directors unanimously recommends that Valspar stockholders vote;

FOR the proposal to adopt the merger agreement;

FOR the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger; and

FOR the proposal regarding adjournment of the special meeting.

For a discussion of the factors that the Valspar board of directors considered in determining to recommend the adoption of the merger agreement, please see the section entitled *The Merger (Proposal 1) Reasons for the Merger; Recommendation of the Valspar Board of Directors*. In addition, in considering the recommendation of the Valspar board of directors with respect to the merger agreement, you should be aware that some of our directors and executive officers have interests that may be different from, or in addition to, the interests of Valspar stockholders generally. For a discussion of these interests, please see the section entitled *The Merger (Proposal 1) Interests of the Company's Directors and Executive Officers in the Merger*.

Q: How do Valspar's directors and officers intend to vote?

A: We currently expect that the Company's directors and executive officers will vote their shares in favor of the proposal to adopt the merger agreement and the other proposals to be considered at the special meeting.

Q: When is the merger expected to be completed?

A: As of the date of this proxy statement, we expect to complete the merger by the end of the first quarter of 2017. However, completion of the merger is subject to the satisfaction or waiver of the conditions to the completion of the merger, which are described in this proxy statement and include various regulatory clearances and approvals, and it is possible that factors outside the control of Valspar or Sherwin-Williams could delay the completion of the merger, or prevent it from being completed at all. There may be a substantial amount of time between the special meeting and the completion of the merger. We expect to complete the merger promptly following the receipt of all required approvals.

Q: What happens if the merger is not completed?

A: If the merger agreement is not adopted by the Company's stockholders, or if the merger is not completed for any other reason, the Company's stockholders will not receive any payment for their shares of common stock in

connection with the merger. Instead, the Company will remain a public company, and shares of our common stock will continue to be registered under the Exchange Act, as well as listed and traded on the NYSE. In the event that either Valspar or Sherwin-Williams terminates the merger agreement, then, in certain circumstances, Valspar will pay Sherwin-Williams a termination fee in an amount equal to \$300 million. See the section entitled *The Merger Agreement Termination Fee*.

Q: What will happen if stockholders do not approve the advisory (non-binding) proposal on certain compensation that may be paid or become payable to the Company's named executive officers in connection with the merger?

A: The inclusion of this proposal is required by the Securities and Exchange Commission (SEC) rules; however, the approval of this proposal is not a condition to the completion of the merger and the vote on this proposal is an advisory vote by stockholders and will not be binding on the Company or Sherwin-Williams. If the merger agreement is adopted by the Company's stockholders and the merger is completed, the merger-related compensation will be paid to the Company's named executive officers in accordance with the terms of their compensation agreements and arrangements even if stockholders fail to approve this proposal.

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Q: What do I need to do now? How do I vote my shares of common stock?

A: We urge you to, and you should, read this entire proxy statement carefully, including its annexes and the documents incorporated by reference in this proxy statement, and to consider how the merger affects you. Your vote is important, regardless of the number of shares of common stock you own.

Voting in Person

Stockholders of record will be able to vote in person at the special meeting. If you are not a stockholder of record but instead hold your shares of common stock in street name through a broker, bank or other nominee, you must provide a legal proxy executed in your favor from your broker, bank or other nominee in order to be able to vote in person at the special meeting.

It is not necessary to attend the special meeting in order to vote your shares. To ensure that your shares of common stock are voted at the special meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the special meeting in person.

Attending the meeting in person does not itself constitute a vote on any proposal.

Shares of Common Stock Held by Record Holder

You can also ensure that your shares are voted at the special meeting by submitting your proxy via:

mail, by completing, signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope;

telephone, by using the toll-free number listed on each proxy card; or

the Internet, at the Internet address provided on each proxy card.

If you sign, date and return your proxy card without indicating how you wish to vote with respect to a proposal, your proxy will be voted **FOR** (1) the proposal to adopt the merger agreement, (2) the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and (3) the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum.

We encourage you to vote by proxy even if you plan on attending the special meeting.

A failure to vote or an abstention will have the same effect as voting **AGAINST** the proposal to adopt the merger agreement. An abstention will have the same effect as voting **AGAINST** the other two proposals, but assuming a quorum is present, a failure to vote will have no effect on the other two proposals.

Shares of Common Stock Held in Street Name

If you hold your shares in street name through a broker, bank or other nominee, you should follow the directions provided by your broker, bank or other nominee regarding how to instruct your broker, bank or other nominee to vote your shares. Without those instructions, your shares will not be voted on any of the proposals, which will have the same effect as voting **AGAINST** the proposal to adopt the merger agreement and no effect on the other two proposals.

Shares of Common Stock Held through the Company's 401(k) Plans

If you hold your shares through the Company's Savings and Retirement Plan or 401(k) Plan for Hourly Employees, you will receive voting instructions from the custodian of the applicable plan.

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Q: Can I revoke my proxy?

A: Yes. You can revoke your proxy at any time before the vote is taken at the special meeting. If you are a stockholder of record, you may revoke your proxy by notifying the Company's Secretary in writing to the Company in care of the Corporate Secretary at P.O. Box 1461, Minneapolis, Minnesota 55440-1461, or by submitting a new proxy by telephone, the Internet or mail, in each case, in accordance with the instructions on the enclosed proxy card and dated after the date of the proxy being revoked. In addition, you may revoke your proxy by attending the special meeting and voting in person; however, simply attending the special meeting will not cause your proxy to be revoked. Please note that if you hold your shares in street name and you have instructed a broker, bank or other nominee to vote your shares, you should instead follow the instructions received from your broker, bank or other nominee to revoke your prior voting instructions. If you hold your shares in street name, you may also revoke a prior proxy by voting in person at the special meeting if you obtain a proxy executed in your favor from your broker, bank or other nominee in order to be able to vote in person at the special meeting. If you hold your shares through the Company's Savings and Retirement Plan or 401(k) Plan for Hourly Employees, you should follow the instructions from the custodian of the applicable plan to revoke your prior voting instructions.

Q: What happens if I do not vote or if I abstain from voting on the proposals?

A: The requisite number of shares to approve the proposal to adopt the merger agreement is based on the total number of shares of common stock outstanding on the record date, not just the shares that are voted. If you do not vote or abstain from voting on the proposal to adopt the merger agreement, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

The requisite number of shares to approve the other two proposals is based on the total number of shares represented in person or represented by proxy with respect to such proposals. If you do not vote, such failure to vote will have no effect on the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger and the proposal regarding adjournment of the special meeting; if you abstain from voting with respect to such proposals, such abstention will have the same effect as a vote **AGAINST** such proposals.

Q: Will my shares of common stock held in street name or another form of record ownership be combined for voting purposes with shares I hold of record?

A: No. Because any shares of common stock you may hold in street name will be deemed to be held by a different stockholder (that is, your custodial bank, broker or other financial nominee) than any shares of common stock you hold of record, any shares of common stock held in street name will not be combined for voting purposes with shares of common stock you hold of record. Similarly, if you own shares of common stock in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card for those shares of common stock because they are held in a different form of record ownership. Shares of common stock held by a corporation or business entity must be voted by an authorized officer of the entity. Please indicate title or authority when completing and signing the proxy card. Shares of common stock held in an individual retirement account must be voted under the

rules governing the account. This means that, to ensure all your shares are voted at the special meeting, you should read carefully any proxy materials received and follow the instructions included therewith.

Q: What does it mean if I get more than one proxy card or voting instruction card?

A: If your shares of common stock are registered differently or are held in more than one account, you will receive more than one proxy or voting instruction card. Please complete and return all of the proxy cards and voting instruction cards you receive (or submit each of your proxies by telephone or the Internet, if available to you) to ensure that all of your shares of common stock are voted.

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Q: What happens if I sell my shares of common stock before completion of the merger?

A: In order to receive the merger consideration, you must hold your shares of common stock through completion of the merger. Consequently, if you transfer your shares of common stock before completion of the merger, you will have transferred your right to receive the merger consideration in the merger.

The record date for stockholders entitled to vote at the special meeting is earlier than the consummation of the merger. If you transfer your shares of common stock after the record date but before the closing of the merger, you will have the right to vote at the special meeting but not the right to receive the merger consideration.

Q: Should I send in my stock certificates or other evidence of ownership now?

A: No. After the merger is completed, you will receive a letter of transmittal and related materials from the paying agent for the merger with detailed written instructions for exchanging your shares of common stock evidenced by stock certificates for the merger consideration. If your shares of common stock are held in street name by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take to effect the surrender of your street name shares in exchange for the merger consideration. **Do not send in your certificates now.**

Q: What is householding and how does it affect me?

A: The SEC permits companies to send a single set of proxy materials to any household at which two or more stockholders reside, unless contrary instructions have been received, but only if the company provides advance notice and follows certain procedures. In such cases, each stockholder continues to receive a separate notice of the meeting and proxy card. Certain brokerage firms may have instituted householding for beneficial owners of common stock held through brokerage firms. If your family has multiple accounts holding common stock, you may have already received householding notification from your broker. Please contact your broker directly if you have any questions or require additional copies of this proxy statement. The broker will arrange for delivery of a separate copy of this proxy statement promptly upon your written or oral request. You may decide at any time to revoke your decision to household, and thereby receive multiple copies.

Q: Where can I find more information about Valspar?

A: You can find more information about us from various sources described in the section entitled *Where You Can Find Additional Information*.

Q: Can I access these materials on the Internet?

A: Yes. These proxy materials are available at www.proxyvote.com in PDF and HTML format.

Q: Who can help answer my other questions?

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement or the enclosed proxy card, please contact MacKenzie Partners, Inc., which is acting as the proxy solicitation agent and information agent for the Company in connection with the merger, or the Company.

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105 Madison Avenue

New York, New York 10016

proxy@mackenziepartners.com

Call Collect: (212) 929-5500

or

Toll-Free: (800) 322-2885

or

The Valspar Corporation

c/o Corporate Secretary

P.O. Box 1461

Minneapolis, Minnesota 55440-1461

(612) 851-7000

If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement, and the documents incorporated by reference in this proxy statement, includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that is not based on historical fact, including statements containing the words believe, may, could, would, might, possible, will, should, expect, intend, plan, anticipate or continue, and similar terms. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors and should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved. Valspar assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law. In addition to other factors and matters contained in or incorporated by reference in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

the failure to obtain the requisite company vote;

the possibility that the closing conditions to the contemplated transactions may not be satisfied or waived, including that a governmental entity may prohibit, delay or refuse to grant a necessary regulatory approval;

delay in closing the transaction or the possibility of non-consummation of the transaction;

the potential for regulatory authorities to require divestitures in connection with the proposed transaction and the possibility that Valspar stockholders consequently receive \$105 per share instead of \$113 per share;

the occurrence of any event that could give rise to termination of the merger agreement;

the risk that stockholder litigation in connection with the contemplated transactions may affect the timing or occurrence of the contemplated transactions or result in significant costs of defense, indemnification and liability;

risks inherent in the achievement of cost synergies and the timing thereof;

risks related to the disruption of the transaction to Valspar and its management;

limitations placed on Valspar's ability to operate its business under the merger agreement;

the effect of announcement of the transaction on Valspar's ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties;

fluctuations in the availability and prices of raw materials;

difficult global economic and capital markets conditions;

risks associated with revenues from foreign markets;

interruption, failure or compromise of Valspar's information systems;

changes in the legal and regulatory environment;

and other risks detailed in our filings with the SEC, including the Company's most recent Annual Report on Form 10-K for the fiscal year ended October 30, 2015, and in the Company's Quarterly Reports on Form 10-Q and other documents filed by Valspar with the SEC after the date thereof. See the section entitled *Where You Can Find Additional Information*.

Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements.

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THE COMPANIES

The Valspar Corporation

Valspar is a Delaware corporation. Valspar is a global leader in the coatings industry, providing customers with innovative, high-quality products and value-added services. Our approximately 11,000 employees worldwide deliver advanced coatings solutions with best-in-class appearance, performance, protection and sustainability to customers in more than 100 countries. Valspar offers a broad range of superior coatings products for consumers, and highly-engineered solutions for the construction, industrial, packaging and transportation industries. Valspar's reported net sales in fiscal 2015 were \$4.4 billion, and its shares are traded on the NYSE under the symbol VAL.

Valspar's principal executive offices are located at 1101 South 3rd Street, Minneapolis, Minnesota 55440-1461, and its telephone number is (612) 851-7000.

A detailed description of the Company's business is contained in the Company's Annual Report on Form 10-K for the fiscal year ended October 30, 2015, which is incorporated by reference into this proxy statement. See the section entitled *Where You Can Find Additional Information*.

The Sherwin-Williams Company

Sherwin-Williams is an Ohio corporation. Founded in 1866, Sherwin-Williams is a global leader in the manufacture, development, distribution and sale of coatings and related products to professional, industrial, commercial and retail customers. Sherwin-Williams manufactures products under well-known brands such as Sherwin-Williams®, HGTV HOME® by Sherwin-Williams, Dutch Boy®, Krylon®, Minwax®, Thompson's® Water Seal® and many more. With global headquarters in Cleveland, Ohio, Sherwin-Williams® branded products are sold exclusively through a chain of more than 4,100 company-operated stores and facilities, while the company's other brands are sold through leading mass merchandisers, home centers, independent paint dealers, hardware stores, automotive retailers and industrial distributors. The Sherwin-Williams Global Finishes Group distributes a wide range of products in more than 115 countries around the world. Sherwin-Williams trades on the NYSE under the symbol SHW.

Sherwin-Williams' principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1019, and its telephone number is (216) 566-2000.

Viking Merger Sub, Inc.

Merger Sub is a Delaware corporation and a wholly owned subsidiary of Sherwin-Williams that was formed solely for the purpose of entering into the merger agreement and consummating the transactions contemplated by the merger agreement. Merger Sub has not carried on any activities on or prior to the date of this proxy statement except for activities incidental to its formation and activities in connection with Sherwin-Williams' acquisition of Valspar. Upon completion of the merger, Merger Sub will merge with and into Valspar and will cease to exist.

Merger Sub's principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1019, and its telephone number is (216) 566-2000.

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THE SPECIAL MEETING

We are furnishing this proxy statement to the Company's stockholders as part of the solicitation of proxies by the Valspar board of directors for use at the special meeting or any adjournment or postponement thereof. This proxy statement provides the Company's stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting or any adjournment or postponement thereof.

Date, Time and Place of the Special Meeting

This proxy statement is being furnished to our stockholders as part of the solicitation of proxies by the Valspar board of directors for use at the special meeting to be held on [], starting at [] local time, at [], or at any adjournment or postponement thereof.

To attend the meeting, you will need to bring an admission ticket and a form of valid government-issued photo identification. You will need to print an admission ticket in advance by visiting www.proxyvote.com and following the instructions there. In addition, you will need the 16-digit control number to access www.proxyvote.com. You can find your control number:

on your proxy card included in this proxy statement, if it was mailed to you;

on your Notice of Internet Availability of proxy statement, if you received this proxy statement through electronic delivery; or

on your voting instruction card if you hold your shares in street name through a bank, broker or other nominee.

If you are not a holder of record as of the record date, you may be admitted to the meeting only if you have a valid legal proxy from a holder of record as of the record date who has obtained an admission ticket. You must present that proxy and admission ticket, as well as a form of valid government-issued photo identification, at the entrance to the meeting.

Purposes of the Special Meeting

At the special meeting, Valspar stockholders will be asked to consider and vote on the following proposals:

to adopt the merger agreement, dated as of March 19, 2016, by and among the Company, Sherwin-Williams and Merger Sub, a wholly owned subsidiary of Sherwin-Williams;

to approve, on an advisory (non-binding) basis, certain compensation that may be paid or become payable to the Company's named executive officers in connection with the merger, the value of which is disclosed in the table in the section of this proxy statement entitled *The Merger (Proposal 1) Interests of the Company's Directors and Executive Officers in the Merger*; and

to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum.

Our stockholders must adopt the merger agreement for the merger to occur. If our stockholders fail to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached to this proxy statement as **Annex A**, and the material provisions of the merger agreement are described in the section entitled *The Merger Agreement*.

The vote on executive compensation payable in connection with the merger is a vote separate and apart from the vote to adopt the merger agreement. Accordingly, a stockholder may vote to approve the executive compensation and vote not to adopt the merger agreement and vice versa. Because the vote on executive compensation is advisory in nature only, it will not be binding on either the Company or Sherwin-Williams. Accordingly, if the merger agreement is adopted by the Company's stockholders and the merger is completed, the merger-related compensation may be paid to the Company's executive officers even if the stockholders fail to approve the proposal.

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Valspar does not expect a vote to be taken on any other matters at the special meeting or any adjournment or postponement thereof. If any other matters are properly presented at the special meeting or any adjournment or postponement thereof for consideration, however, the holders of the proxies will have discretion to vote on these matters in accordance with their best judgment.

This proxy statement and the enclosed form of proxy are first being mailed to our stockholders on or about [], 2016.

Record Date and Quorum

The holders of record of Valspar common stock as of the close of business on [], 2016, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. On the record date, [] shares of common stock were outstanding.

The presence at the special meeting, in person or represented by proxy, of the holders of record of a majority of the common stock outstanding at the close of business on the record date will constitute a quorum. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting. However, if a new record date is set for an adjourned special meeting, then a new quorum will have to be established. Proxies received but marked as abstentions will be included in the calculation of the number of shares considered to be present at the special meeting.

Required Vote

Each share of common stock outstanding at the close of business on the record date is entitled to one vote on each of the proposals to be considered at the special meeting.

For the Company to complete the merger, Valspar stockholders holding a majority of the shares of common stock outstanding at the close of business on the record date must vote **FOR** the proposal to adopt the merger agreement. A failure to vote your shares of common stock or an abstention from voting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

Approval of each of the advisory (non-binding) proposal on certain compensation that may be paid or become payable to the Company's named executive officers in connection with the merger and the adjournment proposal requires the affirmative vote of the holders of a majority of the votes cast by the holders of shares entitled to vote thereon, present in person or represented by proxy. An abstention with respect to either proposal will have the same effect as a vote **AGAINST** such proposals, but a failure to vote your shares of common stock (including a failure of your broker, bank or other nominee to vote shares held on your behalf), assuming a quorum is present, will have no effect on these proposals.

As of the record date, there were [] shares of common stock outstanding and [] record holders.

Voting by the Company's Directors and Executive Officers

At the close of business on the record date, directors and executive officers of the Company were entitled to vote [] shares of common stock, or approximately []% of the shares of common stock issued and outstanding on that date. We currently expect that the Company's directors and executive officers will vote their shares in favor of the proposal to adopt the merger agreement and the other proposals to be considered at the special meeting, although they have no obligation to do so.

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Voting; Proxies; Revocation

Attendance

All holders of shares of common stock as of the close of business on [], 2016, the record date, including stockholders of record and beneficial owners of common stock registered in the street name of a broker, bank or other nominee, are invited to attend the special meeting. If you are a stockholder of record, please be prepared to provide proper identification, such as a driver's license. If you hold your shares in street name, you will need to provide proof of ownership, such as a recent account statement or voting instruction form provided by your broker, bank or other nominee or other similar evidence of ownership, along with proper identification.

Voting in Person

Stockholders of record will be able to vote in person at the special meeting. If you are not a stockholder of record, but instead hold your shares of common stock in street name through a broker, bank or other nominee, you must provide a legal proxy executed in your favor from your broker, bank or other nominee in order to be able to vote in person at the special meeting. Attending the meeting in person does not itself constitute a vote on any proposal.

Providing Voting Instructions by Proxy

To ensure that your shares of common stock are voted at the special meeting, we recommend that you provide voting instructions promptly by proxy, even if you plan to attend the special meeting in person.

Shares of Common Stock Held by Record Holder

If you are a stockholder of record, you may provide voting instructions by proxy using one of the methods described below.

Submit a Proxy by Telephone or via the Internet. This proxy statement is accompanied by a proxy card with instructions for submitting voting instructions. You may vote by telephone by calling the toll-free number or via the Internet by accessing the Internet address specified on the enclosed proxy card. Your shares of common stock will be voted as you direct in the same manner as if you had completed, signed, dated and returned your proxy card, as described below.

Submit a Proxy Card. If you complete, sign, date and return the enclosed proxy card by mail so that it is received in time for the special meeting, your shares of common stock will be voted in the manner directed by you on your proxy card.

If you sign, date and return your proxy card without indicating how you wish to vote, your proxy will be voted in favor of each of the proposal to adopt the merger agreement, the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger, and the proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum. If you fail to return your proxy card and you are a holder of record on the record date, unless you attend the special meeting and vote in person, the effect will be that your shares of common stock will not be considered present at the special meeting for purposes of determining whether a quorum is present at the special meeting, will have the same effect as a vote against the proposal to adopt the merger agreement and, assuming a quorum is present, will not affect the advisory (non-binding) proposal to approve certain compensation

that may be paid or become payable to the named executive officers of the Company in connection with the merger, or the vote regarding the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or in the absence of a quorum.

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Shares of Common Stock Held in Street Name

If your shares of common stock are held by a broker, bank or other nominee on your behalf in street name, your broker, bank or other nominee will send you instructions as to how to provide voting instructions for your shares. Many brokerage firms and banks have a process for their customers to provide voting instructions by telephone or via the Internet, in addition to providing voting instructions by a voting instruction form.

In accordance with the rules of the NYSE, brokers, banks and other nominees that hold shares of common stock in street name for their customers do not have discretionary authority to vote the shares with respect to the proposal to adopt the merger agreement, the advisory (non-binding) proposal to approve certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger, or the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies or in the absence of a quorum. Accordingly, if brokers, banks or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to these proposals. Therefore, unless you attend the special meeting in person with a properly executed legal proxy from your broker, bank or other nominee, your failure to provide instructions to your broker, bank or other nominee will result in your shares of Valspar common stock not being present at the meeting and not being voted on any of the proposals. Consequently, there cannot be any broker non-votes occurring in connection with any of the proposals at the special meeting.

Revocation of Proxies

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it at any time before it is voted. If you are a stockholder of record, you may revoke your proxy at any time before the vote is taken at the special meeting by:

submitting a new proxy with a later date, by using the telephone or Internet proxy submission procedures described above, or by completing, signing, dating and returning a new proxy card by mail to the Company;

attending the special meeting and voting in person; or

delivering a written notice of revocation by mail to the Company in care of the Corporate Secretary at P.O. Box 1461, Minneapolis, Minnesota 55440-1461.

Please note, however, that only your last-dated proxy will count. Attending the special meeting without taking one of the actions described above will not in itself revoke your proxy. Please note that if you want to revoke your proxy by mailing a new proxy card to the Company or by sending a written notice of revocation to the Company, you should ensure that you send your new proxy card or written notice of revocation in sufficient time for it to be received by the Company before the special meeting.

If you hold your shares in street name through a broker, bank or other nominee, you will need to follow the instructions provided to you by your broker, bank or other nominee in order to revoke your proxy or submit new voting instructions. If you hold your shares in street name, you may also revoke a prior proxy by voting in person at the special meeting if you obtain a proxy executed in your favor from your broker, bank or other nominee in order to be able to vote in person at the special meeting. If you hold your shares through the Company's Savings and Retirement Plan or 401(k) Plan for Hourly Employees, you should follow the instructions from the custodian of the

applicable plan to revoke your prior voting instructions.

Abstentions

An abstention occurs when a stockholder attends a meeting, either in person or represented by proxy, but abstains from voting. Abstentions will be included in the calculation of the number of shares of common stock present or represented at the special meeting for purposes of determining whether a quorum has been achieved.

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Abstaining from voting will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement. The requisite number of shares to approve the other two proposals is based on the total number of shares represented in person or represented by proxy with respect to such proposals. If you do not vote, such failure to vote will have no effect on the advisory (non-binding) proposal on certain compensation that may be paid or become payable to the named executive officers of the Company in connection with the merger or the proposal regarding adjournment of the special meeting; if you abstain from voting with respect to such proposals, such abstention will have the same effect as a vote **AGAINST** such proposals.

Solicitation of Proxies

The Valspar board of directors is soliciting your proxy, and the Company will bear the cost of this solicitation of proxies. This includes the charges and expenses of brokerage firms and others for forwarding solicitation material to beneficial owners of Valspar's outstanding common stock. The Company has retained MacKenzie Partners, Inc., a proxy solicitation firm, to assist the Valspar board of directors in the solicitation of proxies for the special meeting, and we expect to pay MacKenzie Partners, Inc. approximately \$50,000, plus reimbursement of out-of-pocket expenses. Proxies may be solicited by mail, personal interview, e-mail, telephone, or via the Internet by MacKenzie Partners, Inc. or, without additional compensation, by certain of the Company's directors, officers and employees.

Other Information

You should not return your stock certificate or send documents representing common stock with the proxy card. If the merger is completed, the paying agent for the merger will send you a letter of transmittal and related materials and instructions for exchanging your shares of common stock for the merger consideration.

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THE MERGER (PROPOSAL 1)

*The description of the merger in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as **Annex A** and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the merger that is important to you. You are encouraged to read the merger agreement carefully and in its entirety.*

Certain Effects of the Merger

Pursuant to the terms of the merger agreement, Merger Sub will be merged with and into the Company, with the Company surviving the merger.

Upon the terms and subject to the conditions of the merger agreement, at the effective time, each share of common stock issued and outstanding immediately before the effective time (other than dissenting shares and shares owned by the Company, Sherwin-Williams or any of their respective subsidiaries (except for shares of common stock held on behalf of third parties), which will be cancelled) will be converted into the right to receive the merger consideration.

The merger consideration will be \$113.00 per share in cash, without interest, and subject to any applicable withholding taxes. However, if Sherwin-Williams is required, in order to obtain the necessary regulatory approvals, to commit to a triggering divestiture, as described in the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture*, then the merger consideration will be \$105.00 per share in cash, without interest, and subject to any applicable withholding taxes. See the section entitled *The Merger (Proposal 1) Regulatory Approvals*.

For purposes of the regulatory approvals provisions in the merger agreement, the calculation of net sales with respect to any asset, business or product line will be measured by reference to the net sales of Valspar's corresponding asset, business or product line for the fiscal year ended October 30, 2015, regardless of which asset, business or product line is actually divested. However, the net sales associated with any asset, business or product line of Valspar or its subsidiaries involved in the manufacture, distribution or sale of architectural coatings in Australia will not count toward calculating the \$650 million when determining whether a triggering divestiture has occurred or toward calculating the \$1.5 billion in net sales that represents the limit of Sherwin-Williams' divestiture obligations. The net sales associated with any asset, business or product line of Sherwin-Williams or its subsidiaries involved in the manufacture, distribution or sale of architectural coatings in Australia will count toward the aforesaid \$650 million and \$1.5 billion calculations.

Sherwin-Williams has agreed to use its reasonable best efforts to satisfy the applicable closing conditions without taking, or committing to take, any action that would constitute a triggering divestiture, unless and until (1) Valspar has requested that Sherwin-Williams offer a triggering divestiture or (2) Sherwin-Williams reasonably determines, after communications between Sherwin-Williams and a governmental entity (to which Valspar was a participant) and after further consultation with Valspar, that a triggering divestiture is necessary in order to permit the satisfaction of the applicable closing conditions by the end date, as described in the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture*.

There can be no assurance that a triggering divestiture will not occur, and accordingly there can be no assurance that holders of Valspar common stock will receive \$113.00 per share in cash instead of \$105.00 per share in cash. See the section entitled *The Merger (Proposal 1) Regulatory Approvals*. Our common stock is currently registered under the Exchange Act and is listed on the NYSE under the symbol VAL.

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Background of the Merger

As part of their ongoing evaluation of Valspar's business and long-term strategic goals and plans, the Valspar board and senior management periodically review, consider and assess, in the context of Valspar's operations, financial performance and industry conditions, potential opportunities for business combinations and mergers, joint ventures and other collaborations, acquisitions, a sale of the company, alternatives for returning capital to Valspar's stockholders and other financial and strategic alternatives. As longstanding advisors of Valspar, Goldman Sachs, as financial advisor to Valspar, and Wachtell, Lipton, Rosen & Katz (Wachtell Lipton), as legal counsel to Valspar, from time to time participated in and assisted the Valspar board with such review of financial and strategic alternatives. The financial and strategic alternatives presented and compared for the Valspar board have included Valspar's continued execution of its strategic plan as an independent, standalone company, share buybacks as a means to increase capital return to Valspar stockholders, bolt-on acquisitions, a strategic merger and a sale of the company, with Sherwin-Williams noted as a potential buyer.

In particular, the potential strategic merger that had in prior years been considered by Valspar senior management and noted for the Valspar board as a possible alternative was a combination of Valspar and another company operating in the same industry in which Valspar operates (Company 1). Following a preliminary review by the Valspar board and management of the potential benefits of a combination of Valspar and Company 1, Gary E. Hendrickson, the Chairman and Chief Executive Officer of Valspar, contacted the chief executive officer of Company 1 in May 2015 and arranged a call to discuss general strategic trends in the industry as well as a potential combination of the two companies. The CEO of Company 1 indicated potential interest in exploring such a transaction further but indicated a desire to do so a few months later in the year rather than immediately.

During a regularly scheduled meeting of the Valspar board in June 2015, at which members of senior management and representatives of Goldman Sachs and Wachtell Lipton were present, Mr. Hendrickson reported to the board on his initial conversation with the CEO of Company 1, and representatives of Goldman Sachs reviewed its preliminary financial analysis of certain strategic and financial alternatives potentially available to Valspar, including the alternatives listed above. Based on a preliminary assessment, the Valspar board believed that a stock-for-stock merger with Company 1 could potentially serve as a means of accelerating Valspar's organic growth and strengthening Valspar's financial performance and could provide Valspar stockholders with greater value than if Valspar continued to execute on its existing strategic plan as an independent company. The Valspar board accordingly authorized management to continue exploratory discussions to gauge Company 1's interest in a stock-for-stock merger.

During late summer and early fall of 2015, Mr. Hendrickson and the CEO of Company 1 met in person, spoke by phone and exchanged emails on a number of occasions. Company 1 continued to demonstrate interest in a potential stock-for-stock combination, and both parties agreed that there was industrial and commercial logic to such a combination.

At a board meeting on September 16, 2015, Mr. Hendrickson updated the Valspar board on his discussions with the CEO of Company 1, and the Valspar board continued to support management's advancement of discussions with Company 1.

At a regularly scheduled board meeting on September 29, 2015, the Valspar board again reviewed, together with members of senior management and representatives of Goldman Sachs and Wachtell Lipton, various strategic and financial alternatives potentially available to Valspar, including those previously presented as well as a more intensive evaluation of a possible stock-for-stock merger with Company 1. At this meeting, the Valspar board authorized management to engage with Company 1 with respect to key terms of a potential stock-for-stock transaction.

On September 30, 2015, Mr. Hendrickson sent an email to the CEO of Company 1, attaching a one-page non-binding illustrative term sheet containing certain key terms of a business combination between the two

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companies. Throughout late 2015 and into January 2016, Mr. Hendrickson and the CEO of Company 1 had a number of high-level telephone and email conversations regarding a few of the key terms of a stock-for-stock merger of Valspar and Company 1. Although both Valspar and Company 1 continued to believe a transaction between the two companies could be beneficial for both parties and their respective stockholders, the two companies never reached agreement on the economic terms of a transaction, and both sides believed that more work needed to be done to assess the full range of expected synergies of a combination before they could negotiate or agree to economic terms. Accordingly, an in-person meeting in mid-December was arranged between Mr. Hendrickson and other senior executives of Valspar, as well as representatives of Goldman Sachs, and the CEO and three other senior executives of Company 1, as well as representatives of Company 1's financial advisors, to discuss the strategic plans of each company and to work together to mutually identify expected synergies on the basis of such plans. Valspar and Company 1 also hired an independent accounting firm to further analyze their expected synergies and entered into a mutual confidentiality agreement, which included mutual standstill provisions.

While Valspar and Company 1 continued discussions and analysis of synergies, the Valspar board and senior management continued to consider whether an alternative path, including a sale of the company, could provide Valspar stockholders with greater value. In this regard, the Valspar board was cognizant that Sherwin-Williams, and possibly other industry participants, might have an interest in acquiring Valspar alone on a premium basis but might be unlikely to have an interest or ability to acquire on a premium basis the combined company resulting from a potential combination of Valspar and Company 1.

At each of the June 2015 and September 2015 board meetings, as part of its periodic reviews of alternatives for maximizing stockholder value, a sale of the company was one of the various strategic alternatives presented to and considered by the Valspar board, and Sherwin-Williams was presented at each of these meetings as an obvious potential acquiror, given its relative size, financial and balance sheet strength, businesses and geographic footprint, among other reasons. In addition, over the course of more than three decades, Sherwin-Williams had intermittently contacted Valspar to indicate its interest in acquiring Valspar if and when the time was right for both parties. Prior to Mr. Hendrickson assuming the role of CEO of Valspar, Mr. Hendrickson's predecessor was approached by Christopher M. Connor, who was then Sherwin-Williams' Chief Executive Officer and is now its executive Chairman, who had proposed an acquisition of Valspar by Sherwin-Williams. On that occasion, Mr. Hendrickson's predecessor stated that Valspar was not then interested in a sale transaction, and Mr. Connor indicated that Sherwin-Williams would not pursue an acquisition of Valspar on an unsolicited basis. In 2011, at a dinner involving Messrs. Hendrickson and Connor, Mr. Connor made comments that suggested to Mr. Hendrickson that Sherwin-Williams might be interested should Valspar ever determine to sell itself.

In light of Sherwin-Williams' prior interest and the perception of Sherwin-Williams as a financially capable and logical strategic buyer, BofA Merrill Lynch, which had previously served as a financial advisor to Valspar, was invited to a meeting of the Valspar board on December 9, 2015 to deliver a presentation explaining the potential rationale for, and a preliminary financial analysis of, an acquisition by Sherwin-Williams. On January 6, 2016, the Valspar board met, together with members of senior management and representatives of Goldman Sachs, BofA Merrill Lynch and Wachtell Lipton, to discuss the progress being made with respect to a merger with Company 1 and to further consider whether Valspar should contact Sherwin-Williams to determine whether it would be interested at the current time in acquiring Valspar and, if so, at what price. The Valspar board also discussed with its financial advisors whether to contact any other potential bidders to probe their interest. The board discussed with Valspar's financial advisors whether Sherwin-Williams would be the most logical acquiror of Valspar and, in light of Sherwin-Williams' industry position, complementary businesses and geographic footprint, as well as the projected cost synergies that would result from the combination, together with Sherwin-Williams' strong balance sheet and financial position, determined, after discussions with its financial and legal advisors, that Sherwin-Williams would be the potential transaction partner most likely to offer the best combination of value and closing certainty to Valspar's

stockholders and, further, that if there were another buyer capable of and willing to make a more compelling offer to acquire Valspar, agreeing to and announcing a transaction with Sherwin-Williams would be the best way to elicit any such offer.

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On January 7, 2016, Mr. Hendrickson telephoned Mr. Connor, who had recently become the executive Chairman of Sherwin-Williams, with John G. Morikis being appointed as Sherwin-Williams' new Chief Executive Officer, to arrange a dinner to discuss a matter of potential interest to both parties. Mr. Connor accepted the invitation, and on January 12, 2016 Mr. Hendrickson and Mr. Connor met in Cleveland, Ohio. At this meeting, Mr. Hendrickson informed Mr. Connor that Valspar was considering a potential strategic transaction that could effectively preclude an acquisition of Valspar by Sherwin-Williams, but that Valspar would consider an offer from Sherwin-Williams if it were compelling and preemptive and presented a very high degree of closing certainty. Mr. Connor responded that an acquisition of Valspar was something that he and the Sherwin-Williams board periodically discussed and viewed as a potentially compelling and transformative transaction from the perspective of Sherwin-Williams' stockholders and the combined company's customers and, accordingly, Sherwin-Williams would have interest in a potential acquisition. Mr. Hendrickson informed Mr. Connor that, because Valspar was in discussions regarding a potential strategic transaction, if Sherwin-Williams wished to convince the Valspar board to focus on Sherwin-Williams rather than on Valspar's other alternatives, Mr. Hendrickson would need to hear from Mr. Connor quickly as to price and deal certainty. Mr. Connor said that he would discuss the matter with the Sherwin-Williams board and get back to Mr. Hendrickson.

On January 14, 2016, the Valspar board, together with members of senior management and representatives of Wachtell Lipton, Goldman Sachs and BofA Merrill Lynch, met telephonically to receive a report on discussions with Company 1 and the initial outreach by Mr. Hendrickson to Mr. Connor. The Valspar board was informed that discussions were ongoing with Company 1 with respect to anticipated synergies of a stock-for-stock merger but that no agreement had been reached on the economic terms of a combination and that such discussions as to economic terms, in light of the stock-for-stock structure of such potential transaction, were made more challenging by the relative movement of each party's stock price during recent months. As to Sherwin-Williams, the Valspar board was informed that Sherwin-Williams had responded positively at the initial dinner between Mr. Hendrickson and Mr. Connor and that a price proposal was expected from Sherwin-Williams in the next two weeks.

On January 18, 2016, Sherwin-Williams and Valspar entered into a confidentiality agreement, which included standstill provisions, in order to further facilitate discussions and due diligence between the parties. To facilitate Sherwin-Williams' development of an acquisition proposal, on January 20, 2016, members of senior management of each of Valspar and Sherwin-Williams met in Minneapolis, Minnesota to discuss Valspar's business and operations.

On January 27, 2016, Messrs. Connor and Morikis telephoned Mr. Hendrickson to propose that Sherwin-Williams acquire Valspar at \$106 per share in cash, assuming satisfactory due diligence and negotiation of transaction documentation.

Later on the same day, Mr. Hendrickson called Messrs. Connor and Morikis, informing them that he did not view Sherwin-Williams' proposal as compelling or preemptive as they had discussed and that he doubted the Valspar board would view \$106 per share as compelling or preemptive, and that, accordingly, in order to convince the Valspar board to focus on Sherwin-Williams rather than Valspar's other alternatives, Sherwin-Williams would need to increase its proposal and clearly indicate its willingness to provide a high level of closing certainty in the transaction. Mr. Hendrickson reminded Messrs. Connor and Morikis that the discussions between Valspar and a third party made it imperative for Sherwin-Williams to put its best foot forward on an accelerated timetable.

On January 28, 2016, Mr. Hendrickson telephoned a senior executive of a company with significant operations in the industry (Company 2) to inquire on a hypothetical basis whether Company 2 would have any interest in acquiring Valspar. The Valspar board believed, based on input from senior management and representatives of Valspar's advisors, that Company 2 was potentially capable of acquiring both Valspar and Company 1. During that conversation, Mr. Hendrickson suggested as a possible rationale for such a transaction the potential synergies that

could be achieved if the acquisition of Valspar by Company 2 were followed by a subsequent acquisition of Company 1 by Company 2.

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On January 29, 2016, the Valspar board convened, together with members of senior management and representatives of Goldman Sachs, BofA Merrill Lynch and Wachtell Lipton, to receive an update and discuss Valspar's alternatives. The Valspar board discussed potential responses to Sherwin-Williams with respect to price and closing certainty. The Valspar board also considered whether to contact any other potential buyers of Valspar, but determined not to do so in light of the ongoing discussions with Sherwin-Williams and Company 1, the outreach to Company 2 and the Valspar board's belief that no other party would likely be in a position to offer greater value and closing certainty than Sherwin-Williams.

On January 30, 2016, Messrs. Morikis and Connor telephoned Mr. Hendrickson to propose a revised price of \$110 per Valspar share in cash and to suggest that regulatory counsel for each of the parties (Wachtell Lipton in the case of Valspar and Weil, Gotshal & Manges in the case of Sherwin-Williams) should discuss regulatory considerations involved in a combination of Valspar and Sherwin-Williams. Mr. Hendrickson responded that if Sherwin-Williams wished to convince the Valspar board to focus on Sherwin-Williams rather than Valspar's other alternatives, Sherwin-Williams would need to accept all of the closing risk such that there would be no reasonable possibility that a transaction, once entered into, would not be completed.

Between January 30 and February 5, 2016, Mr. Hendrickson and each of Mr. Connor and Mr. Morikis had several further communications regarding price and allocation of closing risk. Following consultation with Valspar's advisers, and mindful of the valuation discussions held with the Valspar board, Mr. Hendrickson, believing that providing a target to Sherwin-Williams would be the best way to convince Sherwin-Williams to increase its price, indicated that he personally would be willing to recommend to the Valspar board a transaction at \$115 per share where Sherwin-Williams bore substantially all closing risk. In response, Mr. Connor stated that the difference between \$110 and \$115 would be something that Sherwin-Williams would be willing to consider and that he could possibly begin to bridge that gap but that there would need to be a discussion of a reasonable allocation of closing risk. Mr. Hendrickson maintained the position that he was willing to recommend a transaction at \$115 per share where Sherwin-Williams bore substantially all closing risk.

On February 2, 2016, the senior executive of Company 2 called Mr. Hendrickson and informed him that, given Valspar's current market valuation, Company 2 had no interest in a transaction involving Valspar.

On February 5, 2016, the Valspar board again convened, together with members of senior management and representatives of Goldman Sachs, BofA Merrill Lynch and Wachtell Lipton, received an update, and discussed Valspar's alternatives.

On February 8, 2016, Messrs. Morikis and Connor telephoned Mr. Hendrickson to indicate that Sherwin-Williams would be willing to accept closing risk—including by committing to divest such assets, if any, as might possibly be necessary to obtain the regulatory approvals required to complete the transaction—but only at a price of \$105 per share in cash. Mr. Hendrickson indicated his disappointment that Sherwin-Williams had lowered its price from its prior proposals.

After February 8, representatives of Goldman Sachs and BofA Merrill Lynch, at the direction of the Valspar board, and representatives of Citigroup Global Markets Inc. (Citi), Sherwin-Williams' financial advisor, had a number of conversations regarding price and allocation of closing risk. In the course of these conversations, Citi indicated that Sherwin-Williams was willing to pay \$110 per share with a limited reverse termination fee payable to Valspar in the event regulatory approval was not obtained, and that Sherwin-Williams might be able to provide additional value if the parties could agree on a reasonable allocation of regulatory risk, but that \$105 per share was the maximum price Sherwin-Williams would be willing to pay if it bore substantially all closing risk.

Between February 8 and February 18, Valspar management and its advisors worked to determine whether there might be a way to bridge the valuation and closing risk gap between Valspar and Sherwin-Williams. Valspar considered some customary approaches, involving a single purchase price and varying levels of divestiture commitments and break-up fees, none of which appeared acceptable to both parties. Valspar management and its advisors then considered a dual-price framework in which Sherwin-Williams would agree to

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make any divestitures necessary to complete the deal but that the price it would pay would vary depending on the amount of divestitures required. The rationale was that this construct would satisfy Valspar's desire for closing certainty and would, in a low- or no-divestiture scenario, which Valspar considered to be likely, provide Valspar stockholders with full value for their shares undiscounted for closing risk, while also addressing Sherwin-Williams concern about paying full price for Valspar in mid- to high-divestiture scenarios in which Sherwin-Williams might not be able to obtain the full expected benefits of the transaction. Valspar's management believed that a dual-price structure could potentially be acceptable to both parties, and determined to raise it with Sherwin-Williams.

On February 18, 2016, Mr. Hendrickson telephoned Messrs. Morikis and Connor to suggest the dual-price framework, proposing a price of \$115 per share in cash if less than a specified level of divestitures were needed to obtain regulatory clearances and \$108 per share in cash if more than such specified level of divestitures were needed to obtain regulatory clearances. At the \$108 per share price level, Sherwin-Williams would be required to accept substantially all of the closing risk (including committing to divest such assets, if any, as might possibly be necessary to obtain the regulatory clearances required to complete the transaction) such that there would be no reasonable possibility that a transaction, once entered into, would not be completed. Mr. Hendrickson indicated that the guiding principle for determining the threshold at which the price would be lowered from \$115 to \$108 should be a quantification of the assets, product lines or businesses that would, if divested, meaningfully diminish the fundamental synergy assumptions underlying Sherwin-Williams' rationale for the transaction.

On February 21, 2016, representatives of Citi reached out to representatives of Goldman Sachs and BofA Merrill to lay the groundwork for a call that Mr. Morikis planned to make to Mr. Hendrickson the next day. Citi informed Goldman Sachs and BofA Merrill that Mr. Morikis would convey the price proposal when he spoke to Mr. Hendrickson the next day, but that with respect to regulatory risk, Sherwin-Williams would be willing to take all actions necessary to obtain the required regulatory clearances, except that it would not be required to divest assets representing more than \$1.3 billion of revenues, and that the low-end per share price would be paid if Sherwin-Williams was required to divest assets representing more than \$400 million of revenues.

On February 22, 2016, Mr. Morikis telephoned Mr. Hendrickson. Mr. Morikis expressed appreciation for Valspar's proposal of the dual-price framework, but proposed that the high-end price per share be \$112 and the low-end price per share be \$105. Mr. Morikis was emphatic that \$105 per share was the highest price Sherwin-Williams would offer in any scenario in which Sherwin-Williams had risk of being required to divest certain assets that it viewed as important to Sherwin-Williams' ability to achieve the full expected benefits of the transaction. In response to this proposal, Mr. Hendrickson suggested that Sherwin-Williams do its best to improve its high-end per share price before the Valspar board meeting scheduled for the next day. Mr. Hendrickson also explained that, consistent with the previously described guiding principles for determining the divestiture thresholds, the price should not change unless Sherwin-Williams was required to divest assets representing more than \$600 million of revenues and that Sherwin-Williams should be required to take all actions needed to obtain regulatory approvals unless it would be required to divest assets representing more than \$1.5 billion of revenues. Again, Mr. Hendrickson suggested that Sherwin-Williams do its best to improve its proposal with respect to price and regulatory risk allocation before the upcoming Valspar board meeting.

Later on February 22, 2016, Mr. Morikis called Mr. Hendrickson to let him know that Sherwin-Williams could increase its high-end price to \$112.50 per share, leaving the low-end price at \$105 per share, and could agree to Mr. Hendrickson's proposed thresholds of \$600 million and \$1.5 billion. In response, Mr. Hendrickson proposed that the two companies' respective chief financial officers meet to discuss the assumptions in Sherwin-Williams' valuation model to determine whether Sherwin-Williams could potentially increase its top-end price even further. Later that day, James L. Muehlbauer, Valspar's Executive Vice President, Chief Financial and Administrative Officer, and Sean P. Hennessy, Sherwin-Williams' Senior Vice President - Finance and Chief Financial Officer, discussed assumptions in

Sherwin-Williams model, as planned.

On February 23, 2016, at a meeting of the Valspar board at which members of senior management and representatives of Goldman Sachs, BofA Merrill Lynch and Wachtell Lipton were present, Mr. Hendrickson

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reported his communications with Sherwin-Williams to Valspar's directors, and representatives of Goldman Sachs and BofA Merrill Lynch provided the Valspar board with revised preliminary financial analyses of an acquisition of Valspar by Sherwin-Williams, a stock-for-stock merger with Company 1, Valspar's execution of management's standalone plan and certain other potential strategic alternatives reasonably available to Valspar. With respect to Company 1, it was noted that, throughout the same period as Valspar and Sherwin-Williams were discussing the potential acquisition, there continued to be periodic contact between the principals of Valspar and Company 1, although the discussions had been moving slowly and did not address the economic terms of the potential combination. Given this, the progress of negotiations with Sherwin-Williams and the estimated value from a transaction with Sherwin-Williams as compared to a stock-for-stock merger with Company 1, it was the consensus of the Valspar board that Valspar should focus on whether an acceptable transaction with Sherwin-Williams could be finalized. As mid-February neared, Valspar and Company 1 deferred negotiating economic terms pending each company's upcoming announcement of quarterly earnings. With respect to Sherwin-Williams, the Valspar board was updated on the status of negotiations regarding price and regulatory risk, including Sherwin-Williams' latest proposal of a high-end price of \$112.50 and a low-end price of \$105 with a divestiture cap of \$1.5 billion. The Valspar board again discussed whether to contact any other potential bidders and again concluded not to do so based on its belief, following further discussion with its financial advisors, that Sherwin-Williams would be the potential transaction partner most likely to offer the best combination of value and closing certainty to Valspar's stockholders and, further, that if there were another buyer capable of and willing to make a more compelling offer to acquire Valspar, agreeing to and announcing a transaction with Sherwin-Williams would be the best way to elicit any such offer. Following discussion, the Valspar board directed Mr. Hendrickson to contact Mr. Morikis to see whether he could obtain a higher price.

On February 24, 2016, Mr. Morikis informed Mr. Hendrickson that, following the conversation between their respective CFOs, Sherwin-Williams would be able to offer a high-end price of \$113 and a low-end price of \$105, which he said was Sherwin-Williams' best and final offer. Sherwin-Williams' proposal regarding regulatory risk remained unchanged from February 22. Later that day, the Valspar board reconvened and was informed of Sherwin-Williams' revised proposal. Following discussion, it was the consensus of the Valspar board that the revised proposal would be an acceptable basis for a transaction and directed Valspar's management and financial and legal advisors to seek to negotiate a definitive transaction on those economic terms.

On February 26, 2016, Wachtell Lipton sent an initial draft of the merger agreement to Sherwin-Williams' outside legal counsel, Jones Day. On March 2, 2016, Valspar opened an electronic data room containing materials in response to Sherwin-Williams' due diligence requests, granting access to Sherwin-Williams and its legal and financial advisors.

From March 2 through March 16, 2016, Valspar, Sherwin-Williams and their respective legal and financial advisors discussed and negotiated the terms of the merger agreement, and Sherwin-Williams and its advisors continued its due diligence review of Valspar. In these discussions, the parties negotiated open transaction terms, including the divestiture cap (\$1.5 billion, measured using Valspar's 2015 net sales excluding its Australian business), the amount of the triggering divestitures (\$650 million, measured using Valspar's 2015 net sales excluding its Australian business), the termination fee payable by Valspar to terminate the merger agreement to accept a competing proposal and in certain other circumstances (\$300 million) and the scope of representations, warranties, covenants and other terms of the merger agreement as described in the section entitled *The Merger Agreement*.

On March 11, 2016, the CEO of Company 1 sent an email to Mr. Hendrickson closing out and ending discussions at that stage.

In the afternoon on March 17, 2016, the Valspar board met in person, together with members of Valspar management and representatives of Goldman Sachs, BofA Merrill Lynch and Wachtell Lipton, to consider the Sherwin-Williams

transaction. Mr. Hendrickson and other members of senior management briefed the board on the status of negotiations with Sherwin-Williams, as well as the status and history of discussions with Company

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1. The board also received an updated financial analysis presentation from representatives of Goldman Sachs and BofA Merrill Lynch, including with respect to Valspar's standalone valuation and a potential acquisition by Sherwin-Williams (based on the latest prices of \$113/\$105). Representatives of Wachtell Lipton discussed the directors' fiduciary duties and presented to the board a detailed summary of the terms of the draft merger agreement and the financing commitment that had been obtained by Sherwin-Williams. After extensive discussions, including as to the matters described in the section entitled *The Merger - Reasons for the Merger; Recommendation of the Valspar Board of Directors*, the Valspar board expressed full support for the Sherwin-Williams transaction and authorized Valspar's management and advisors to seek to resolve remaining open issues and finalize the merger agreement with a view to obtaining final board approval on March 19 and publicly announcing the transaction on March 20.

On March 18, 2016, and throughout the day on March 19, 2016, Valspar, Sherwin-Williams and their respective legal and financial advisors finalized negotiation of the merger agreement.

In the afternoon of March 19, 2016, the Valspar board met telephonically, together with members of Valspar management and representatives of Goldman Sachs, BofA Merrill Lynch and Wachtell Lipton. Representatives of Wachtell Lipton provided directors with an updated summary of the key terms of the merger agreement, and representatives of Goldman Sachs and BofA Merrill Lynch provided directors with an updated financial analysis presentation, which had been updated since the March 17 board meeting for more recent stock trading prices. Representatives of Goldman Sachs and BofA Merrill reviewed their financial analyses of the proposed transaction. After discussion among the board of directors and its advisors, representatives of each of Goldman Sachs and BofA Merrill Lynch delivered an oral opinion, confirmed by delivery of a written opinion dated March 19, 2016, to the board of directors of Valspar to the effect that, as of such date and based upon and subject to the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken described in each financial advisor's written opinion, the per share price, whether or not a triggering event occurs, to be received in the merger by holders of Valspar common stock was fair, from a financial point of view, to such holders. See the sections entitled *The Merger - Opinion of Goldman Sachs and The Merger - Opinion of BofA Merrill Lynch* for more information. The Valspar board reaffirmed its belief, following further discussion with its financial advisors, that Sherwin-Williams was the potential transaction partner most likely to offer the best combination of value and closing certainty to Valspar's stockholders and, further, that if there were another buyer capable of and willing to make a more compelling offer to acquire Valspar, agreeing to and announcing a transaction with Sherwin-Williams would be the best way to elicit any such offer, which offer would not be precluded by the terms of the merger agreement. The Valspar board also believed, based on input from senior management and representatives of Valspar's advisors with respect to Sherwin-Williams' statements made and positions taken during extensive negotiations, that the \$113 and \$105 per share prices were at the maximum amounts that Sherwin-Williams would be willing to pay to acquire Valspar without significant divestitures and with significant divestitures, respectively, and acknowledged the risk that any delay or interruption in the negotiations with Sherwin-Williams could result in Sherwin-Williams withdrawing or lowering its price. Following discussion among the directors, after careful consideration, the Valspar board unanimously determined that the merger agreement and the merger were fair to, advisable and in the best interests of Valspar and its stockholders and unanimously approved the merger agreement and the merger.

Following the Valspar board's and the Sherwin-Williams board's approval of the merger and the merger agreement, during the evening of March 19, 2016, Sherwin-Williams and Valspar finalized and executed the merger agreement.

On March 20, 2016, the parties issued a joint press release announcing execution of the merger agreement.

Reasons for the Merger; Recommendation of the Valspar Board of Directors

The Valspar board, with the assistance of its financial and legal advisors, evaluated the merger agreement, the merger and the other transactions contemplated by the merger agreement, unanimously determined that the merger agreement, the merger and the other transactions contemplated by the merger agreement are advisable,

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fair to and in the best interests of Valspar and its stockholders and unanimously approved the merger agreement and the merger. Accordingly, the Valspar board unanimously recommends that the stockholders of Valspar vote FOR the proposal to adopt the merger agreement.

In the course of reaching its recommendation, the Valspar board considered the following positive factors relating to the merger agreement and the merger, each of which the board believed supported its decision:

Attractive Value. While the Valspar board believed the \$113 per share price to be the likely actual consideration, the Valspar board believed that both \$113 and \$105 provided stockholders with attractive value for their shares of Valspar common stock. The Valspar board considered the current and historical market prices of Valspar common stock, including the market performance of the common stock relative to those of other participants in Valspar's industry and general market indices and against analyst expectations, and the fact that \$113 per share in cash represented a premium of approximately 41% to the volume-weighted average price of Valspar common stock for the 30 days up to and including March 18, 2016, the last trading day before public announcement of the transaction, and a premium of approximately 28% to the 52-week intraday high closing price of Valspar common stock, and that \$105 per share in cash represented a premium of approximately 31% to the volume-weighted average price of Valspar common stock for the 30 days up to and including March 18, 2016 and a premium of approximately 19% to the 52-week intraday high closing price of Valspar common stock.

Best Alternative for Maximizing Stockholder Value. The Valspar board considered that the merger consideration was more favorable to Valspar's stockholders than the potential value that would reasonably be expected to result from other alternatives reasonably available to Valspar, including the continued operation of Valspar on a standalone basis or a stock-for-stock merger with Company 1 (as described in the section entitled *The Merger Background of the Merger*), in light of a number of factors, including:

the Valspar board's assessment of Valspar's business, assets and prospects, its competitive position and historical and projected financial performance, its short-term and long-term capital needs and the nature of the industry in which Valspar operates;

the strategic and financial alternatives reasonably available to Valspar, and the risks and uncertainties associated with those alternatives, none of which were deemed likely to result in value to Valspar's stockholders that would exceed, on a present-value basis, the value of the merger consideration;

the Valspar board's belief, in consultation with its financial advisors, that Sherwin-Williams was the most logical acquiror of Valspar and, in light of Sherwin-Williams' industry position, complementary businesses and geographic footprint, as well as the projected cost synergies that would result from the combination, together with Sherwin-Williams' strong balance sheet and financial position, that Sherwin-Williams would be the potential transaction partner most likely to offer the best combination of value and closing certainty to Valspar's stockholders and, further, that if there were another buyer capable of and willing to make a more compelling offer to acquire Valspar, agreeing to and announcing a transaction with Sherwin-Williams would be the best way to elicit any such offer, which

offer would not be precluded by the terms of the merger agreement; and

the Valspar board's belief, based on input from senior management and Valspar's advisors with respect to Sherwin-Williams' statements made and positions taken during extensive negotiations, that the \$113 and \$105 per share prices reflected in the merger agreement were the maximum amounts that Sherwin-Williams would be willing to pay to acquire Valspar without significant divestitures and with significant divestitures, respectively, and the risk that any delay or interruption in the negotiations with Sherwin-Williams could result in Sherwin-Williams withdrawing or lowering its price.

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Receipt of Fairness Opinions from BofA Merrill Lynch and Goldman Sachs. The Valspar board considered the financial analysis presentation of BofA Merrill Lynch and Goldman Sachs and the opinions of BofA Merrill Lynch and Goldman Sachs rendered to the Valspar board to the effect that, as of March 19, 2016 and based upon and subject to the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken described therein, the per share price, whether or not a triggering event occurs, to be received in the merger by holders of Valspar common stock was fair, from a financial point of view, to such holders (as more fully described in the sections entitled *The Merger Opinion of BofA Merrill Lynch* and *The Merger Opinion of Goldman Sachs*).

Greater Certainty of Value. The Valspar board considered that the proposed merger consideration is all cash, thereby providing Valspar's stockholders with certainty of value and liquidity for their shares, especially when viewed against the risks and uncertainties inherent in Valspar's business, including the internal and external risks associated with Valspar's standalone strategy.

High Probability of Completion. The Valspar board considered the likelihood of completion of the merger to be high, particularly in light of the terms of the merger agreement, including:

the commitment of Sherwin-Williams in the merger agreement to use its reasonable best efforts to complete the merger, including its commitment to make certain divestitures of assets, businesses and product lines representing up to \$1.5 billion of revenues if required to obtain the necessary antitrust clearances (see the section entitled *The Merger Agreement Efforts to Complete the Merger Divestitures and Triggering Divestiture* for more information), and the Valspar board's belief that such amount represented all assets, if any, as might possibly be necessary to obtain the regulatory clearances required to complete the transaction and that accordingly it was highly likely that the merger could be completed with divestitures, if any, well below such amount;

the absence of a financing condition in the merger agreement and the representations of Sherwin-Williams in the merger agreement as to its financing (see the section entitled *The Merger Financing* for more information); and

the conditions to closing contained in the merger agreement, which are customary in number and scope, and which, in the case of the condition related to the accuracy of Valspar's representations and warranties, are generally subject to a Material Adverse Effect qualification (see the section entitled *The Merger Agreement Conditions to Completion of the Merger* for more information).

Reasonable Likelihood of Obtaining the Higher Price of \$113 Per Share. The Valspar board considered it likely, based on the advice of legal counsel and given the complementary nature of Valspar's and Sherwin-Williams' businesses and the expected benefits of the merger to their customers, that the merger would be completed without the need for divestitures in excess of \$650 million of revenues and that it was accordingly likely that the merger consideration would be \$113 per share in cash rather than \$105 per share in cash (see the section entitled *The Merger Agreement Regulatory Efforts Divestitures and Triggering Divestiture* for more information).

Opportunity to Receive Alternative Proposals and to Terminate the Sherwin-Williams Transaction in Order to Accept a Superior Proposal. The Valspar board considered the terms of the merger agreement permitting Valspar to respond to unsolicited alternative proposals, and the other terms of the merger agreement, including:

Valspar's right, subject to certain conditions, to respond to and negotiate unsolicited acquisition proposals made before the time Valspar's stockholders adopt the merger agreement (see the section entitled *The Merger Agreement - Alternative Proposals; No Solicitation* for more information); and

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the provision of the merger agreement allowing the Valspar board to terminate the merger agreement, in specified circumstances relating to a superior proposal, subject, in specified cases, to payment of a termination fee of \$300 million, which amount the Valspar board believed to be reasonable under the circumstances and taking into account the range of such termination fees in similar transactions, and the unlikelihood that a fee of such size would be a meaningful deterrent to alternative acquisition proposals (see the sections entitled *The Merger Agreement Alternative Proposals; No Solicitation*, *The Merger Agreement Termination* and *The Merger Agreement Termination Fee* for more information).

In the course of reaching its recommendation, the Valspar board also considered the risks and potentially negative factors relating to the merger agreement and the merger, including:

that Valspar stockholders will have no ongoing equity participation in Valspar following the merger, and that such stockholders will therefore cease to participate in Valspar's future earnings or growth, if any, or to benefit from increases, if any, in the value of the common stock;

that Valspar stockholders would likely be asked to vote on adoption of the merger agreement before it is known whether the price per share of Valspar common stock to be paid in the merger is \$113 or \$105;

the possibility, though unlikely from Valspar's perspective, that the merger does not close (including as a result of events outside of either party's control) and that completion of the merger could take up to 18 months after execution of the merger agreement, as well as the risks and costs to Valspar if the merger does not close or if there is uncertainty about the likelihood, timing or effects of completion of the merger, including uncertainty about the effect of the proposed merger on Valspar's employees, potential and existing customers and suppliers and other parties, which may impair Valspar's ability to attract, retain and motivate key personnel and could cause third parties to seek to change or not enter into business relationships with Valspar, as well as the risk of management distraction as a result of the merger and the risk that the trading price of Valspar common stock could be materially adversely affected;

the merger agreement's restrictions on the conduct of Valspar's business before completion of the merger, generally requiring Valspar to conduct its business in the ordinary course and prohibiting Valspar from taking specified actions, which may delay or prevent Valspar from undertaking business opportunities that may arise pending completion of the merger (as more fully described in the section entitled *The Merger Agreement Conduct of Business Pending the Merger*);

the possibility that Valspar be required under the terms of the merger agreement to pay a termination fee of \$300 million (as more fully described in the section entitled *The Merger Agreement Termination Fee*); and

that the receipt of cash by stockholders in exchange for their shares of Valspar common stock pursuant to the merger will be a taxable transaction to Valspar stockholders for U.S. federal income tax purposes (as more fully described in the section entitled *Material U.S. Federal Income Tax Consequences of Merger*).

The foregoing discussion of the information and factors considered by the Valspar board includes the material factors considered by the Valspar board but does not necessarily include all of the factors considered by the Valspar board. In view of the complexity and variety of factors considered in connection with its evaluation of the merger agreement and the merger, the Valspar board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The Valspar board unanimously recommended that the stockholders of Valspar vote in favor of adoption of the merger agreement based upon the totality of information it considered.

Table of Contents**Certain Valspar Unaudited Prospective Financial Information**

In connection with the merger, Valspar's management prepared financial projections of revenue, adjusted EBITDA and adjusted earnings per share for fiscal years 2016 through 2020 (the "Valspar Projections"). The Valspar Projections were prepared for internal use and provided to Valspar's board of directors, for the purposes of considering, analyzing and evaluating the Company's strategic and financial alternatives, including the merger. The Valspar Projections were also provided to the Financial Advisors in connection with rendering their respective fairness opinions to the Valspar board of directors and in performing the related analyses. The Valspar Projections were also provided to Sherwin-Williams and Sherwin-Williams' financial advisor in connection with their respective consideration and evaluation of a merger with Valspar. Valspar does not as a matter of course make public projections as to future performance due to, among other reasons, the inherent difficulty of accurately predicting financial performance for future periods and the uncertainty of underlying assumptions and estimates. However, Valspar is including in this proxy statement a summary of certain limited unaudited prospective financial information for Valspar on a stand-alone basis, without giving effect to the merger, to give Valspar stockholders access to certain nonpublic information provided to Valspar's board of directors and Financial Advisors and to Sherwin-Williams for purposes of considering and evaluating the merger. The inclusion of the Valspar Projections should not be regarded as an indication that the Valspar board of directors, Valspar, the Sherwin-Williams board of directors, Sherwin-Williams, Merger Sub, Goldman Sachs, BofA Merrill Lynch, Citi or any other recipient of this information considered, or now considers, it to be an assurance of the achievement of future results or an accurate prediction of future results, and they should not be relied on as such.

The Valspar Projections and the underlying assumptions upon which the Valspar Projections were based are subjective in many respects, and subject to multiple interpretations and frequent revisions attributable to the cyclicity of Valspar's industry and based on actual experience and business developments. The Valspar Projections reflect numerous assumptions with respect to company performance, industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are difficult to predict, subject to significant economic and competitive uncertainties and beyond Valspar's control. Multiple factors, including those described in the section entitled *Cautionary Statement Concerning Forward-Looking Statements*, could cause the Valspar Projections or the underlying assumptions to be inaccurate. As a result, there can be no assurance that the Valspar Projections will be realized or that actual results will not be significantly higher or lower than projected. Because the Valspar Projections cover multiple years, such information by its nature becomes less reliable with each successive year. The Valspar Projections do not take into account any circumstances or events occurring after the date on which they were prepared. Economic and business environments can and do change quickly, which adds an additional significant level of uncertainty as to whether the results portrayed in the Valspar Projections will be achieved. As a result, the inclusion of the Valspar Projections in this proxy statement does not constitute an admission or representation by Valspar or any other person that the information is material. The summary of the Valspar Projections is not provided to influence Valspar stockholders' decisions regarding whether to vote for the merger proposal or any other proposal.

The Valspar Projections were not prepared with a view toward public disclosure or toward compliance with United States generally accepted accounting principles ("GAAP"), published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither Ernst & Young LLP ("Ernst & Young"), Valspar's independent registered public accounting firm, nor any other accounting firm, has examined, compiled or performed any procedures with respect to the Valspar Projections, and accordingly, Ernst & Young does not express an opinion or any other form of assurance with respect thereto. The Ernst & Young report incorporated by reference in this proxy statement relates to Valspar's historical financial information. It does not extend to the prospective financial information contained herein and should not be read to do so.

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The following is a summary of the Valspar Projections:

Summary of the Valspar Projections

(dollars in millions, except per share data)

	Projected Fiscal Year				
	2016	2017	2018	2019	2020
Revenue	\$ 4,397	\$ 4,701	\$ 4,952	\$ 5,220	\$ 5,513
Adjusted EBITDA ⁽¹⁾	\$ 745	\$ 810	\$ 877	\$ 942	\$ 1,015
Adjusted Earnings Per Share ⁽²⁾	\$ 4.90	\$ 5.59	\$ 6.44	\$ 7.32	\$ 8.42

- (1) Earnings before interest, income taxes and depreciation and amortization (EBITDA) is a non-GAAP measure consisting of net income plus interest expense, provision for income taxes and depreciation and amortization. Projected adjusted EBITDA for fiscal years 2016 through 2020 excludes certain restructuring and acquisition-related charges that have occurred, or may occur, in those fiscal years.
- (2) Projected adjusted earnings per share for fiscal years 2016 through 2020 excludes certain restructuring and acquisition-related charges that have occurred, or may occur, in those fiscal years.

The Valspar Projections do not take into account the possible financial and other effects on Valspar of the merger and do not attempt to predict or suggest future results of the combined company. The Valspar Projections do not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger, the effect on Valspar of any business or strategic decision or action that has been or will be taken as a result of the merger agreement having been executed, or the effect of any business or strategic decisions or actions that would likely have been taken if the merger agreement had not been executed, but that were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the Valspar Projections do not take into account the effect on Valspar of any possible failure of the merger to occur.

For the foregoing reasons, and considering that the special meeting will be held several months after the Valspar Projections were prepared, as well as the uncertainties inherent in any forecasting information, readers of this proxy statement are cautioned not to place unwarranted reliance on the Valspar Projections set forth above. No one has made or makes any representation to any stockholder regarding the information included in the Valspar Projections. Valspar urges all Valspar stockholders to review its most recent SEC filings for a description of its reported financial results. See the section entitled *Where You Can Find Additional Information*.

In addition, the Valspar Projections have not been updated or revised to reflect information or results after the date the Valspar Projections were prepared or as of date of this proxy statement, and except as required by applicable securities laws, Valspar does not intend to update or otherwise revise the Valspar Projections or the specific portions presented to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

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Opinion of Valspar's Financial Advisors

Opinion of BofA Merrill Lynch

On March 19, 2016, at the meeting of the Valspar board of directors, BofA Merrill Lynch rendered to the Valspar board of directors its oral opinion, subsequently confirmed in writing, to the effect that, as of March 19, 2016 and based upon and subject to the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken described in BofA Merrill Lynch's written opinion, the per share price, whether or not a triggering event (as described in the section entitled *The Merger Agreement - Efforts to Complete the Merger - Divestitures and Triggering Divestiture*) occurs, to be received in the merger by the holders of shares of Valspar common stock (other than dissenting shares and shares owned by the Company, Sherwin-Williams or any of their respective subsidiaries (except for shares of common stock held on behalf of third parties), which will be cancelled), was fair, from a financial point of view, to such holders.

The full text of the written opinion of BofA Merrill Lynch, dated March 19, 2016, to the Valspar board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. BofA Merrill Lynch delivered its opinion for the benefit and use of the Valspar board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the merger. BofA Merrill Lynch's opinion did not address any other term or aspect of the merger and no opinion or view was expressed by BofA Merrill Lynch as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Valspar or in which Valspar might engage or as to the underlying business decision of Valspar to proceed with or effect the merger. BofA Merrill Lynch expressed no opinion or recommendation as to how any Valspar stockholder should vote or act in connection with the merger or any related matter.

In connection with its opinion, BofA Merrill Lynch, among other things:

reviewed certain publicly available business and financial information relating to Valspar;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of Valspar furnished by or discussed with the management of Valspar, including certain financial forecasts relating to Valspar prepared by the management of Valspar, including the Valspar Projections (the Valspar Forecasts);

discussed the past and current business, operations, financial condition and prospects of Valspar with members of senior management of Valspar;

reviewed the trading history for shares of Valspar common stock and a comparison of that trading history with the trading histories of other companies BofA Merrill Lynch deemed relevant;

compared certain financial and stock market information of Valspar with similar information of other companies BofA Merrill Lynch deemed relevant;

compared certain financial terms of the merger to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;

reviewed a draft, dated March 19, 2016, of the merger agreement; and

performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to

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or otherwise reviewed by or discussed with BofA Merrill Lynch and relied upon the assurances of the management of Valspar that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Valspar Forecasts, BofA Merrill Lynch was advised by the management of Valspar, and assumed, that the Valspar Forecasts had been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Valspar as to the future financial performance of Valspar.

BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Valspar, nor did BofA Merrill Lynch make any physical inspection of the properties or assets of Valspar. BofA Merrill Lynch did not evaluate the solvency or fair value of Valspar under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of Valspar, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on Valspar or the contemplated benefits to Valspar of the merger in any way meaningful to BofA Merrill Lynch's analysis.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the proposed transaction (other than the per share price, whether or not a triggering event occurs, to the extent expressly specified in its written opinion), including, without limitation, the form or structure of the merger. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the per share price, whether or not a triggering event occurs, to be received by holders of Valspar common stock, and no opinion or view was expressed with respect to any consideration received in connection with the merger by the holders of any other class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the per share price, whether or not a triggering event occurs. Furthermore, no opinion or view was expressed as to the relative merits of the proposed transaction in comparison to other strategies or transactions that might be available to Valspar or in which Valspar might engage or as to the underlying business decision of Valspar to proceed with or effect the merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the proposed merger or any related matter.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect BofA Merrill Lynch's opinion, and BofA Merrill Lynch does not have any obligation to update, revise, or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's Americas Fairness Opinion Review Committee.

In connection with BofA Merrill Lynch's services as Valspar's financial advisor, assuming a per share price of \$113, BofA Merrill Lynch will receive a fee for its services of approximately \$32,000,000, approximately \$30,000,000 of which is contingent upon consummation of the merger. In the event that the per share price is \$105, BofA Merrill Lynch will receive a fee for its services of approximately \$30,000,000, approximately \$28,000,000 of which is contingent upon consummation of the merger. In addition, Valspar has agreed to reimburse BofA Merrill Lynch for its expenses and to indemnify BofA Merrill Lynch against certain liabilities arising out of BofA Merrill Lynch's engagement.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of

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companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Valspar, Sherwin-Williams and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing and in the future may provide, investment banking, commercial banking and other financial services to Valspar and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as joint lead arranger, joint bookrunner for, and/or a lender under, certain term loans, letters of credit, leasing and other credit facilities of Valspar (including acquisition financing), (ii) having acted or acting as joint bookrunner and underwriter in connection with various debt offerings of Valspar and (iii) having provided or providing certain treasury and trade management services and products to Valspar. From February 1, 2014 through January 31, 2016, BofA Merrill Lynch and/or its affiliates received aggregate revenues from Valspar and certain of its affiliates of approximately \$3,000,000 for corporate, commercial and investment banking services.

In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Sherwin-Williams and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as administrative agent, joint lead arranger, joint bookrunner for, and/or a lender under, certain leasing and other credit facilities of Sherwin-Williams, (ii) having acted or acting as joint bookrunner, underwriter and/or dealer manager for certain debt offerings of, and share repurchases by, Sherwin-Williams, (iii) having provided or providing certain treasury and trade management services and products to Sherwin-Williams and (iv) having provided or providing certain derivatives and foreign exchange trading services to Sherwin-Williams. From February 1, 2014 through January 31, 2016, BofA Merrill Lynch and/or its affiliates received aggregate revenues from Sherwin-Williams and certain of its affiliates of approximately \$8,000,000 for corporate, commercial and investment banking services.

BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. Valspar selected BofA Merrill Lynch as its financial advisor in connection with the proposed transaction on the basis of BofA Merrill Lynch's experience in similar transactions, its reputation in the investment community and its familiarity with Valspar and its business.

Opinion of Goldman Sachs

On March 19, 2016, at a meeting of the Valspar board of directors, Goldman Sachs rendered to the Valspar board of directors its oral opinion, subsequently confirmed in writing, to the effect that, as of March 19, 2016 and based upon and subject to the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken described in Goldman Sachs' written opinion, the per share price, whether or not a triggering event occurs, to be paid to holders (other than Sherwin-Williams and its affiliates) of Valspar common stock pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated March 19, 2016, which sets forth the assumptions made, procedures followed, factors considered and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Annex C to this proxy statement. The summary of the Goldman Sachs opinion contained in this proxy statement is qualified in its entirety by reference to the full text of Goldman Sachs' written opinion. Goldman Sachs' advisory services and opinion were provided for the information and assistance of the Valspar board of directors in connection with its consideration of the merger,

and the opinion does not constitute a recommendation as to how any holder of Valspar common stock should vote with respect to the merger or any other matter.

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In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and Annual Reports on Form 10-K of Valspar for the five fiscal years ended October 30, 2015;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Valspar;

certain other communications from Valspar to its stockholders;

certain publicly available research analyst reports for Valspar; and

the Valspar Forecasts, which were approved by Valspar for use by Goldman Sachs.

Goldman Sachs also held discussions with members of the senior management of Valspar regarding their assessment of the past and current business operations, financial condition and future prospects of Valspar; reviewed the reported price and trading activity for the shares of Valspar common stock; compared certain financial and stock market information for Valspar with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain recent business combinations in the coatings industry and in other industries; and performed such other studies and analyses and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of rendering its opinion, Goldman Sachs, with the consent of Valspar, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, Goldman Sachs, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs assumed, with the consent of Valspar, that the Valspar Forecasts had been reasonably prepared on a basis reflecting the best then currently available estimates and judgment of Valspar management. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of Valspar, and Goldman Sachs was not furnished with any such evaluation or appraisal. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained, without any adverse effect on the expected benefits of the merger in any way meaningful to its analysis. Goldman Sachs assumed that the merger would be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs' opinion did not address the underlying business decision of Valspar to engage in the merger or the relative merits of the merger as compared to any strategic alternatives that may have been available to Valspar, nor did it address any legal, regulatory, tax or accounting matters. Goldman Sachs' opinion addresses only the fairness from a financial point of view to the holders (other than Sherwin-Williams and its affiliates) of shares of Valspar common stock, as of March 19, 2016, of the per share price, whether or not a triggering event occurs, to be paid to such holders

pursuant to the merger agreement. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the merger agreement or the merger, or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the merger, including the fairness of the merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors or other constituencies of Valspar, nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Valspar, or class of such persons, in connection with the merger, whether relative to the per share price, whether or not a triggering event occurs, to be paid to the holders (other than Sherwin-Williams and its affiliates) of shares of Valspar common stock pursuant to the merger agreement or otherwise. Goldman Sachs did not express any opinion as to the solvency or viability of Valspar or Sherwin-Williams or the ability of Valspar or Sherwin-Williams to pay their respective obligations when they come due. Goldman Sachs opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of,

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March 19, 2016, the date of its opinion, and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after March 19, 2016. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

Goldman Sachs and its affiliates are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs and its affiliates and employees, and funds or other entities they manage or in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of Valspar, Sherwin-Williams, any of their respective affiliates and third parties, or any currency or commodity that may be involved in the merger. Goldman Sachs has acted as a financial advisor to Valspar in connection with, and participated in certain of the negotiations leading to, the merger. Goldman Sachs has provided certain financial advisory and/or underwriting services to Valspar and/or its affiliates from time to time, for which its Investment Banking Division has received, and may receive, compensation, including having acted as bookrunner in connection with the issuance of Valspar's 3.30% Senior Notes due February 2025 (aggregate principal amount \$250,000,000) and 4.40% Senior Notes due February 2045 (aggregate principal amount \$250,000,000) in January 2015; co-manager in connection with the issuance of Valspar's 3.95% Senior Notes due January 2026 (aggregate principal amount \$350,000,000) in July 2015; and dealer in Valspar's \$450 million commercial paper program. During the two-year period ended March 19, 2016, Goldman Sachs has received compensation for financial advisory and/or underwriting services provided to Valspar and/or its affiliates of approximately \$775,000.

Goldman Sachs also has provided certain financial advisory and/or underwriting services to Sherwin-Williams and/or its affiliates from time to time, including acting as Sherwin-Williams' financial advisor in connection with its announced acquisition of Consorcio Comex S.A. de C.V. in September 2013 (which was subsequently terminated). During the two-year period ended March 19, 2016, the Investment Banking Division of Goldman Sachs has not been engaged by Sherwin-Williams or its affiliates to provide financial advisory or underwriting services for which Goldman Sachs has received compensation.

Goldman Sachs may also in the future provide financial advisory and/or underwriting services to Valspar, Sherwin-Williams and their respective affiliates for which Goldman Sachs' Investment Banking Division may receive compensation.

Valspar selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction contemplated by the merger agreement. Under an engagement letter between Valspar and Goldman Sachs and assuming a per share price of \$113, Valspar has agreed to pay Goldman Sachs a transaction fee of approximately \$33,800,000, \$5,000,000 of which became payable upon Valspar's entry into the merger agreement and the remainder of which is payable upon consummation of the merger. In the event that the per share price is \$105, Valspar has agreed to pay Goldman Sachs a transaction fee of approximately \$31,800,000, \$5,000,000 of which became payable upon Valspar's entry into the merger agreement and the remainder of which is payable upon consummation of the merger. In addition, Valspar has agreed to reimburse certain of Goldman Sachs' expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of Goldman Sachs' engagement.

Summary of Material Financial Analyses

The following is a summary of the material financial analyses contained in the joint presentation that was made by BofA Merrill Lynch and Goldman Sachs (which we refer to collectively in this proxy statement as the Financial

Advisors) on March 19, 2016 to the Valspar board of directors in connection with the rendering of their respective opinions described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by either of the Financial Advisors, nor does the order of analyses described represent relative importance or weight given to those analyses by either of the Financial Advisors.

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The financial analyses summarized below, including the per share price references below, are based on the per share price of \$105, which would be the per share price if a triggering event occurs, not because it is the expected per share price but because it represents the lower of the two possible per share price outcomes contemplated by the merger agreement. Each of the Financial Advisors determined that, taking into account its financial analysis, a per share price of \$105 or, if no triggering event occurs, a per share price of \$113, is fair from a financial point of view to the holders of Valspar common stock.

The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by the Financial Advisors, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by either of the Financial Advisors. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by the Financial Advisors. Except as otherwise noted, the following quantitative information is based on data as such data existed, or were publicly available, on or before March 18, 2016, and are not necessarily indicative of current market conditions.

Implied Multiples and Premiums Analysis

The Financial Advisors calculated the premium represented by the per share price in relation to:

the closing price per share of Valspar common stock as of March 18, 2016;

the highest intraday price per share of Valspar common stock over the 52-week period ended March 18, 2016;

the lowest intraday price per share of Valspar common stock over the 52-week period ended March 18, 2016;

the volume weighted average price (VWAP) for the shares of Valspar common stock over the 30-day period ended March 18, 2016;

the VWAP for the shares of Valspar common stock over the 60-day period ended March 18, 2016;

the VWAP for the shares of Valspar common stock over the 90-day period ended March 18, 2016; and

the VWAP for the shares of Valspar common stock over the 52-week period ended March 18, 2016.

The results of these calculations are as follows:

	Premium
March 18, 2016	25.3%
52-Week Intraday High	19.1%
52-Week Intraday Low	48.8%
30-Day VWAP	30.7%
60-Day VWAP	32.3%
90-Day VWAP	30.4%
52-Week VWAP	30.4%

In addition, the Financial Advisors calculated an implied equity value for Valspar using the per share price (Implied Transaction Equity Value) by multiplying the \$105 per share price by the number of diluted outstanding shares of Valspar common stock, calculated using information provided by Valspar management. The Financial Advisors also calculated an implied enterprise value (EV) for Valspar using the \$105 per share price (Implied Transaction Enterprise Value) by adding to the Implied Transaction Equity Value the amount of Valspar's net debt (defined as total debt less cash and cash equivalents) as of January 29, 2016, as reflected in Valspar's quarterly report on Form 10-Q for the quarterly period ended January 29, 2016.

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Using the foregoing, the Financial Advisors calculated the following implied multiples for Valspar:

Implied Transaction Enterprise Value as a multiple of:

Valspar's adjusted EBITDA for the four-quarter period ended January 29, 2016 (LTM adjusted EBITDA) as provided by Valspar management;

the estimate of Valspar's 2016 adjusted EBITDA, calendarized to Valspar's fiscal year end, which ends on the Friday on or immediately preceding October 31 of each year (Fiscal Year), reflected in the Valspar Forecasts;⁽¹⁾

the estimate of Valspar's Fiscal Year 2016 adjusted EBITDA, using the Institutional Broker Estimate System, which we refer to as IBES, consensus estimates;

the estimate of Valspar's Fiscal Year 2017 adjusted EBITDA, reflected in the Valspar Forecast⁽²⁾

the estimate of Valspar's Fiscal Year 2017 adjusted EBITDA, using IBES consensus estimates; and

\$105 per share price as a multiple of:

Valspar's diluted earnings per share (EPS) for the four-quarter period ended January 29, 2016 (LTM EPS), as provided by Valspar management;

the estimate of Valspar's Fiscal Year 2016 adjusted EPS, reflected in the Valspar Forecasts⁽³⁾

the estimate of Valspar's Fiscal Year 2016 adjusted EPS, using IBES consensus estimates;

the estimate of Valspar's Fiscal Year 2017 adjusted EPS, reflected in the Valspar Forecasts⁽⁴⁾ and

the estimate of Valspar's Fiscal Year 2017 adjusted EPS, using IBES consensus estimates.

(1) Projected adjusted EBITDA for fiscal year 2016 excludes certain restructuring and acquisition-related charges that have occurred, or may occur, in that fiscal year.

(2)

Projected adjusted EBITDA for fiscal years 2017 through 2020 excludes certain restructuring and acquisition-related charges that have occurred, or may occur, in those fiscal years.

- (3) Projected adjusted EPS for fiscal year 2016 excludes certain restructuring and acquisition-related charges that have occurred, or may occur, in that fiscal year.
- (4) Projected adjusted EPS for fiscal years 2017 through 2020 excludes certain restructuring and acquisition-related charges that have occurred, or may occur, in those fiscal years.

The results of these calculations are as follows:

	Management	IBES
<u>Implied Transaction Enterprise Value / EBITDA</u>		
LTM (1/29/2016)	15.2x	
Fiscal Year 2016E	14.2x	14.2x
Fiscal Year 2017E	13.0x	13.4x
<u>Per Share Price / EPS</u>		
LTM (1/29/2016)	23.7x	
Fiscal Year 2016E	21.4x	21.6x
Fiscal Year 2017E	18.8x	19.6x

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Selected Publicly Traded Companies Analysis

Using publicly available information and consensus estimates published by IBES and FactSet, each as of March 18, 2016, the Financial Advisors compared financial information and ratios for Valspar with the corresponding information for a selected group of publicly traded companies. For purposes of these analyses, the Financial Advisors selected five publicly traded companies in the coatings industry that, in the professional judgment of the Financial Advisors, have businesses that for purposes of analysis may be considered similar to those of Valspar. The selected companies were:

The Sherwin-Williams Company

PPG Industries, Inc.

RPM International Inc.

Akzo Nobel N.V.

Axalta Coatings Systems, LLC

The Financial Advisors calculated an implied equity value for each of these companies using their respective closing share prices as of March 18, 2016 and the number of diluted shares of each, calculated using its most recent publicly available SEC filings. The Financial Advisors calculated an implied EV for each company by adding the amount of each such company's net debt and non-controlling interest as reflected in its most recent publicly available balance sheet to the calculated implied equity value for each such company.

Using IBES consensus estimates calendarized to Valspar's fiscal year end for each of Fiscal Year 2016 and Fiscal Year 2017 adjusted EBITDA and the implied EVs the Financial Advisors calculated for each company as described above, the Financial Advisors calculated the following implied multiples for each of the selected companies and Valspar:

implied EV as a multiple of Fiscal Year 2016 estimated adjusted EBITDA (EV/Fiscal Year 2016 adjusted EBITDA Multiple); and

implied EV as a multiple of Fiscal Year 2017 estimated adjusted EBITDA (EV/Fiscal Year 2017 adjusted EBITDA Multiple).

Using IBES consensus estimates calendarized to Valspar's fiscal year end for each of Fiscal Year 2016 and Fiscal Year 2017 adjusted EPS and each company's closing share price as of March 18, 2016, the Financial Advisors calculated the following implied multiples for each of the selected companies and Valspar:

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the closing share price as a multiple of Fiscal Year 2016 estimated adjusted EPS (Fiscal Year 2016 P/E Multiple); and

the closing share price as a multiple of Fiscal Year 2017 estimated adjusted EPS (Fiscal Year 2017 P/E Multiple).

A summary of the results of these calculations are reflected in the following table:

	EV/Fiscal Year 2016 Adjusted EBITDA Multiple	EV/Fiscal Year 2017 Adjusted EBITDA Multiple	Fiscal Year 2016 P/E Multiple	Fiscal Year 2017 P/E Multiple
High	15.0x	14.0x	23.5x	20.7x
Mean ⁽¹⁾	11.3x	10.6x	19.2x	17.1x
Low	7.4x	7.2x	14.0x	13.2x
Valspar	11.8x	11.1x	17.3x	15.7x

(1) Excludes Valspar.

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Finally, using publicly available information, IBES consensus estimates and FactSet, each as of March 18, 2016, the Financial Advisors calculated various EV to next 12-months (NTM) adjusted EBITDA multiples for Valspar and the selected publicly traded companies. The Financial Advisors calculated EV to NTM Adjusted EBITDA multiples for each day during the ten-year period ended March 18, 2016, using the closing share price, outstanding shares, net debt and non-controlling interest as reflected in the most recently publicly available balance sheet and estimated NTM EBITDA as of each respective day. Based on such calculations, the Financial Advisors calculated the following multiples:

the EV to NTM adjusted EBITDA multiple on March 18, 2016;

the average EV to NTM adjusted EBITDA multiple over the 1-year period ended March 18, 2016;

the average EV to NTM adjusted EBITDA multiple over the 3-year period ended March 18, 2016;

the average EV to NTM adjusted EBITDA multiple over the 5-year period ended March 18, 2016; and

the average EV to NTM adjusted EBITDA multiple over the 10-year period ended March 18, 2016.

The results of this analysis are summarized in the table below:

Average EV/NTM Adjusted EBITDA

	Valspar Multiple	Average Selected Public Companies Multiple ⁽¹⁾	% Premium /Discount
Current	11.5x	10.8x	6.2%
1-Year	10.7x	11.1x	(3.3%)
3-Year	10.6x	10.9x	(2.4)