

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  x

Filed by a Party other than the Registrant  ..

Check the appropriate box:

- x 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)**

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
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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](http://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

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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)**

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