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June 27, 2012

Securities and Exchange Commission  
Branch of Filing and Reports  
450 Fifth Street N. W.  
Washington, D. C. 20549

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Re. Valspar (Commission File 1-3011)  
11-K Filings of Employee Benefit Plans  
December 31, 2011

To Whom It May Concern:

In accordance with the requirements of the Securities and Exchange Commission, we are filing Form 11-K for the following Benefit Plans of The Valspar Corporation (commission file number 1-3001):

- Valspar Savings and Retirement Plan
- Valspar 401(K) Plan for Hourly Employees.

As also required by the S.E.C. we are enclosing for each of the Plans, the Audited Statements of net assets available for benefits for the latest two fiscal years and the statement of changes in net assets available for benefits for the latest fiscal year.

If there are any questions please feel free to contact me at (612) 851-7358.

Thanks in advance for your kind attention in processing these filings.

Best Regards,

Tyler N. Treat

Vice-President and Treasurer  
The Valspar Corporation

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Exhibit 99.11

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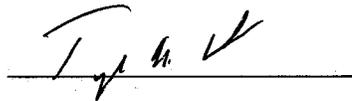
CERTIFICATION PURSUANT TO  
18 U.S.C. ss. 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Valspar Corporation 401 (k) Employee Plan for Hourly Employees and the Valspar Corporation Savings & Retirement Plan on form 11-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tyler N. Treat, the Chair of the Benefits Administrative Committee of The Valspar Corporation, certify, pursuant to 18 U.S.C. ss. 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information in the report fairly presents, in all material respects, the net assets available for benefits of the Plans.

Date: June 27, 2012

By:



Tyler N. Treat  
Chair of Benefits Administrative  
Committee of The Valspar Corporation

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009 to December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-3011

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

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REQUIRED INFORMATION

The following financial statements shall be furnished for the plan:

1. An audited statement of financial condition as of the end of the two fiscal years of the plan (or such lesser period as the plan has in existence).
2. An audited statement of income and changes in plan equity for each of the latest three fiscal years of the plan (or such lesser period as the plan has been in existence).
3. The statements required by Items 1 and 2 shall be prepared in accordance with the applicable provisions of Article 6A of Regulation S-X (17 CFR 210.6A-01-.6A-05).
4. In lieu of the requirements of Items 1-3 above, plans subject to ERISA may file plan financial statements and schedules prepared in accordance with the financial reporting requirements of ERISA. To the extent required by ERISA, the plan financial statements shall be examined by an independent accountant, except that the "limited scope exemption" contained in Section 103(a)(3)(C) of ERISA shall not be available.

Note: A written consent of the accountant is required with respect to the plan annual financial statements which have been incorporated by reference in a registration statement on Form S-8 under the Securities Act of 1933. The consent should be filed as an exhibit to this annual report. Such consent shall be currently dated and manually signed.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Valspar Savings and Retirement Plan  
The Valspar 401(k) Plan for Hourly Employees

Date June 27, 2012

\_\_\_\_\_  
Tyler N. Treat  
Chair of Benefits Administrative  
Committee of The Valspar Corporation

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2011 AND 2010**

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**408**

**VALSPAR 401K FOR HOURLY EMPLOYEES  
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CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Benefits Administrative Committee  
Valspar 401(k) Plan for Hourly Employees  
Minneapolis, Minnesota

We have audited the accompanying statement of net assets available for benefits of Valspar 401(k) Plan for Hourly Employees as of December 31, 2011, and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Valspar 401(k) Plan for Hourly Employees as of December 31, 2011, and the changes in its net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*  
CliftonLarsonAllen LLP

Minneapolis, Minnesota  
June 26, 2012



### Report of Independent Registered Public Accounting Firm

To the Administrative Committee and Plan Trustees  
Valspar 401(k) Plan for Hourly Employees

In our opinion, the accompanying statement of net assets available for benefits presents fairly, in all material respects, the net assets available for benefits of the Valspar 401(k) Plan for Hourly Employees (the Plan) at December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Plan's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether this statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A handwritten signature in cursive script that reads "McGladrey LLP".

Minneapolis, Minnesota  
June 27, 2011

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2011 AND 2010**

|   | 2011                 | 2010                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>INVESTMENTS (at Fair Value)</b>  |                      |                      |
| Interest in The Valspar Corporation Master Trust  | \$ 45,189,599        | \$ 41,912,547        |
| <b>RECEIVABLES</b>  |                      |                      |
| Employer Contributions Receivable   | 202,820              | 632,147              |
| Notes Receivable from Participants  | 2,022,714            | 1,769,317            |
| Total Receivables   | 47,415,133           | 44,314,011           |
| Adjustment from Fair Value to Contract Value for Fully Benefit Responsive Investment Contract | (58,296)             | (28,881)             |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>  | <b>\$ 47,356,837</b> | <b>\$ 44,285,130</b> |

*See accompanying Notes to Financial Statements.*

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
YEAR ENDED DECEMBER 31, 2011**

**ADDITIONS TO (DEDUCTIONS FROM) NET ASSETS AVAILABLE  
FOR BENEFITS ATTRIBUTED TO:**

**INVESTMENT INCOME**

|  |              |
|--|--------------|
| Interest in Investment income of The Valspar Corporation<br>Master Trust | \$ 3,655,328 |
|--|--------------|

**INTEREST INCOME ON NOTES RECEIVABLE FROM  
PARTICIPANTS**

89,532

**CONTRIBUTIONS**

|                     |                |
|---------------------|----------------|
| Employee            | 1,756,663      |
| Employer            | <u>894,886</u> |
| Total Contributions | 2,651,549      |

**DISTRIBUTIONS TO PARTICIPANTS**

(3,177,251)

**ADMINISTRATIVE COSTS**

(19,674)

**NET INCREASE PRIOR TO TRANSFERS**

3,199,484

**TRANSFERS TO OTHER VALSPAR PLANS, NET**

(127,777)

**NET INCREASE AFTER TRANSFERS**

3,071,707

**NET ASSETS AVAILABLE FOR BENEFITS**

|                   |                   |
|-------------------|-------------------|
| Beginning of Year | <u>44,285,130</u> |
|-------------------|-------------------|

|             |                             |
|-------------|-----------------------------|
| End of Year | <u><u>\$ 47,356,837</u></u> |
|-------------|-----------------------------|

*See accompanying Notes to Financial Statements.*

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 1 DESCRIPTION OF THE PLAN**

The following description of Valspar 401 (k) Plan for Hourly Employees (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

**General**

The Valspar Corporation (the Company) established the Plan to provide retirement and other benefits for employees and their beneficiaries. The Plan is a defined-contribution plan that is available to hourly employees as defined in accordance with the Plan. The Plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company has appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Transfer of Assets**

Transfers both in and out of the Plan occur as a result of employees changing positions and their status in collective bargaining agreements within the Company.

**Eligibility**

Individuals become eligible to defer wages after the employee has completed one hour of service. Participants must complete 365 days of service to share in the Company's contributions to the Plan.

**Contributions**

Employees electing to participate in the Plan make voluntary contributions on a pretax basis subject to certain limits. Upon becoming eligible to participate, participants are automatically enrolled to defer 4% of their eligible compensation unless otherwise instructed by the participants. Participants are allowed to change their salary deferral percentage at any time. The Company has agreed to contribute an amount equal to 100% of the first 2% and 50% of the next 2% of each employee's contributions up to a maximum match of 3% of eligible wages. Additionally, the Company may elect to contribute a discretionary matching contribution (not to exceed 100% of Company matching contributions) for eligible participants who are employed on the last day of the Plan year subject to certain provisions. The Company made a discretionary match of 33% of Company matching contributions made during the year ended December 31, 2011.

The Plan allows participants who are age 50 and older to make catch up contributions. Participants may also contribution amounts representing distributions from other qualified plans.

**Vesting**

Employee and employer contributions vest immediately upon the participant completing one hour of service. A participant who is not credited with one hour of service after December 31, 2007, shall continue to be subject to the vesting rules of the prior Plan document in effect at the time of the participant's termination.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 1 DESCRIPTION OF PLAN (CONTINUED)**

**Vesting (Continued)**

Forfeitures resulting from the termination of Plan participants with less than 100% vesting reduce the Company's contributions in the year of forfeiture. During the year ended December 31, 2011, \$20,000 of forfeitures were applied against employer contributions. There were approximately \$25,000 and \$71,000 of forfeitures outstanding at December 31, 2011 and 2010, respectively.

**Investment Options**

Participants currently have the option to allocate Plan contributions among several investment options, including the common stock of the Company. All choices vary in types of investments, rates of return and investment risk. Participants may elect to have all or part of their account balances and future contributions invested in one fund, transferred to another fund, or in any combination.

**Participant Accounts**

Each participant's account is credited with the participant's and Company's contributions and an allocation of plan earnings. Allocations are based on participants' earnings and account balances, as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Dividends**

Dividends on Company stock are either reinvested in The Valspar Corporation Stock Fund or distributed to participants. Dividends on The Valspar Corporation common stock received by The Valspar Corporation Master Trust (the Master Trust) totaled approximately \$5,411,000 for the year ended December 31, 2011. For the year ended December 31, 2011, the financial statements and Master Trust footnote reflect only the amount of dividends reinvested, which totaled approximately \$5,347,000 at the Master Trust level.

**Distributions to Participants**

Participants may elect to receive benefits in the form of a lump-sum distribution, an in-kind distribution of employer securities, a direct rollover to an IRA account or another qualified employee benefit plan, or in a series of installments over the life expectancy of the participant or the joint life expectancies of such participant and such participant's designated beneficiary. However, according to the Plan, benefits will be paid in the form of a lump-sum distribution in the event that the participant's vested account balance does not exceed \$5,000. In-service and hardship distributions are also allowed subject to Plan provisions.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 1 DESCRIPTION OF PLAN (CONTINUED)**

**Notes from Participants**

Participants are permitted to borrow from their fund accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50% of the vested balance. The repayment period is not to exceed 60 months; however, prior to January 1, 2009, participants were allowed to have notes outstanding for the purchase of a principal residence for a reasonable period of time, often exceeding the 60-month repayment period. The notes are secured by the balance in the participant's account and bear interest at the prime rate plus 1%. Interest rates ranged from 4.25% to 9.25% at December 31, 2011. Principal and interest are paid ratably through Washington DC deductions over the terms of the notes, which expire through 2015.

**Plan Administration**

The Plan is administered by the Company, which absorbs a portion of the administrative costs of the Plan, with the Plan absorbing the major portion. The Trustee is responsible for holding the assets of the Plan and participant record keeping.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The accompanying financial statements reflect transactions on the accrual basis of accounting.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**Fully Benefit-Responsive Investment Contract**

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statements of net assets available for benefits present the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. See Note 5 for further discussion.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investment Valuation and Income Recognition**

Investments in the Master Trust are stated at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Realized gains and losses related to sales of investments are recorded on a trade-date basis. Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

**Tax Status**

The Plan obtained its latest determination letter on August 17, 2011, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan Administrator believes the Plan, as currently designed, is being operated under the applicable requirements of the Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

**Termination of the Plan**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, all participants would become fully vested in their accounts.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 3 INVESTMENTS IN THE VALSPAR CORPORATION MASTER TRUST**

Investments of the Plan are held in the Master Trust. The Master Trust also holds assets of the Valspar Savings and Retirement Plan.

Fidelity serves as the trustee of the Master Trust, and participants can choose among several investment options. Participants may change their investment elections and allocations daily in 1% increments.

The value of the Plan's interest in the Master Trust is based on the beginning of the year value of the Plan's interest in the trust plus actual contributions and allocated investment income, less actual distributions and allocated administrative expenses. The Plan's interest in the fair value of the Master Trust was 7.2% and 6.9% on December 31, 2011 and 2010, respectively. Investments in the Master Trust are determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not approximate these percentage interests in returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

The Plan provides for investments in various investment securities, including Company stock which, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. At December 31, 2011 and 2010, approximately 45% and 43%, respectively, of the Master Trust's net assets were invested in the common stock of The Valspar Corporation. The underlying value of the Valspar Corporation Stock Fund is dependent on the performance of The Valspar Corporation and the market's evaluation of such performance. Due to the level of risk associated with certain investment securities, including The Valspar Corporation common stock, it is reasonably possible that changes in the values of investment securities have occurred since December 31, 2011, or will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 3 INVESTMENTS IN THE VALSPAR CORPORATION MASTER TRUST (CONTINUED)**

The values of investments of the Master Trust in which the Plan invests are as follows:

|  | <u>2011</u>           | <u>2010</u>           |
|--|-----------------------|-----------------------|
| The Valspar Corporation Stock Fund                     | \$ 283,777,599        | \$ 265,328,937        |
| Fully Benefit-Responsive Contract:                     |                       |                       |
| Fidelity Managed Income Portfolio II Fund              | 64,936,289            | 63,006,020            |
| Common Collective Trust:                               |                       |                       |
| Fidelity U.S. Equity Index Fund                        | 30,501,073            | 31,693,420            |
| Mutual Funds:  |                       |                       |
| Marsico Focus Fund                                     | 36,175,933            | 40,175,758            |
| Dodge and Cox Stock Fund                               | 34,577,216            | 39,969,120            |
| Frontegra Iron Bridge SMID Fund                        | 28,516,082            | 31,150,141            |
| Fidelity Diversified International Fund                | 23,945,558            | 29,557,005            |
| PIMCO Total Return Institutional Fund                  | 29,500,149            | 25,765,609            |
| Fidelity Freedom 2025 Fund*                            | 14,887,428            | 13,264,359            |
| Fidelity Freedom 2030 Fund*                            | 13,968,465            | 11,299,179            |
| Fidelity Freedom 2020 Fund*                            | 13,679,007            | 10,769,931            |
| Fidelity Freedom 2015 Fund*                            | 11,979,245            | 10,209,567            |
| Fidelity Freedom 2035 Fund*                            | 11,052,489            | 9,406,277             |
| Fidelity Freedom 2040 Fund*                            | 7,165,688             | 6,637,608             |
| Fidelity Freedom 2010 Fund*                            | 3,414,894             | 6,622,824             |
| Vanguard Total Bond Market Fund                        | 9,962,762             | 6,149,469             |
| Fidelity Freedom 2045 Fund*                            | 6,488,306             | 5,384,340             |
| Fidelity Freedom 2050 Fund*                            | 2,898,448             | 2,308,318             |
| Fidelity Freedom Income Fund*                          | 2,309,542             | 2,044,992             |
| T.R. Price Institutional U.S. Structured Research Fund | 1,324,024             | 658,660               |
| Total  | <u>\$ 631,060,198</u> | <u>\$ 611,401,534</u> |

\*Fund share class was "K" class as of December 31, 2011

Investment results of the Master Trust, excluding interest income from notes to participants, for the year ended December 31, 2011 are as follows:

Investment Results:

Net Appreciation in Fair Value of Investments:

|                                      |                      |
|--------------------------------------|----------------------|
| The Valspar Corporation Common Stock | \$ 33,510,483        |
| Common Collective Trust              | 644,150              |
| Mutual Funds                         | <u>(16,243,508)</u>  |
| Total                                | 17,911,125           |
| Interest and Dividends *             | <u>10,841,782</u>    |
| Total Investment Results             | <u>\$ 28,752,907</u> |

\* The fully benefit-responsive contract earned only interest and dividends during 2011.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 4 FAIR VALUE MEASUREMENTS**

Accounting guidance establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

*Level 2* – Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

**The Valspar Corporation Stock Fund**

The Valspar Corporation Stock Fund consists primarily of shares of The Valspar Corporation common stock, valued at the closing price reported on the New York Stock Exchange. The fund also contains interest-bearing cash, miscellaneous receivables, and accrued income existing at year-end, offset by the benefit payable in The Valspar Corporation common stock.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Fully Benefit-Responsive Contract and Common Collective Trust**

The investment in the common collective trust (Fidelity U.S. Equity Index Fund) is recorded at the underlying net asset value per unit, which approximates fair value based on the audited financial statements of these funds. The investment in the fully benefit-responsive investment contract (Fidelity Managed Income Portfolio II Fund) is stated at fair value on the statement of net assets available for benefits, with an adjustment from fair value to contract value on that statement. Investment contracts are generally valued at contract value, rather than fair value, to the extent they are fully benefit-responsive. The fair value of the fully benefit-responsive investment contract is calculated using a discounted cash flow model which considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying portfolio securities. See further discussion at Note 5.

**Mutual Funds**

Mutual funds are valued at the prices reported in the active markets in which the securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value hierarchy the Master Trust's investments at fair value as of December 31, 2011 and 2010:

|   | 2011                  |                      |             | Total                 |
|---|-----------------------|----------------------|-------------|-----------------------|
|   | Level 1               | Level 2              | Level 3     |                       |
| The Valspar Corporation Common Stock            | \$ 283,777,599        | \$ -                 | \$ -        | \$ 283,777,599        |
| Fully Benefit-Responsive Contract               | -                     | 64,936,289           | -           | 64,936,289            |
| Equity Common Collective Trust                  | -                     | 30,501,073           | -           | 30,501,073            |
| Mutual Funds:                                   |                       |                      |             |                       |
| Large Cap Funds                                 | 72,077,173            | -                    | -           | 72,077,173            |
| Balance Funds                                   | 87,843,512            | -                    | -           | 87,843,512            |
| Bond Funds                                      | 39,462,911            | -                    | -           | 39,462,911            |
| Mid Cap Fund                                    | 28,516,082            | -                    | -           | 28,516,082            |
| International Fund                              | 23,945,558            | -                    | -           | 23,945,558            |
| Total Master Trust Investments<br>at Fair Value | <u>\$ 535,622,835</u> | <u>\$ 95,437,362</u> | <u>\$ -</u> | <u>\$ 631,060,197</u> |

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

|   | 2010                  |                      |             | Total                 |
|---|-----------------------|----------------------|-------------|-----------------------|
|   | Level 1               | Level 2              | Level 3     |                       |
| The Valspar Corporation Common Stock            | \$ 265,328,937        | \$ -                 | \$ -        | \$ 265,328,937        |
| Fully Benefit-Responsive Contract               | -                     | 63,006,020           | -           | 63,006,020            |
| Equity Common Collective Trust                  | -                     | 31,693,420           | -           | 31,693,420            |
| Mutual Funds:                                   |                       |                      |             |                       |
| Large Cap Funds                                 | 80,803,538            | -                    | -           | 80,803,538            |
| Balance Funds                                   | 77,947,395            | -                    | -           | 77,947,395            |
| Bond Funds                                      | 31,915,078            | -                    | -           | 31,915,078            |
| Mid Cap Fund                                    | 31,150,141            | -                    | -           | 31,150,141            |
| International Fund                              | 29,557,005            | -                    | -           | 29,557,005            |
| Total Master Trust Investments<br>at Fair Value | <u>\$ 516,702,095</u> | <u>\$ 94,699,440</u> | <u>\$ -</u> | <u>\$ 611,401,534</u> |

**NOTE 5 FAIR VALUE OF INVESTMENTS REPORTED AT NET ASSET VALUE**

Accounting guidance provides clarification on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can now be determined using net asset value (NAV) as a practical expedient when the fair value is not readily determinable, unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used.

The following table sets forth additional disclosures of the Mater Trust's investments whose fair value is estimated using NAV as of December 31, 2011 and 2010:

|   | Fair Value<br>2011   | Fair Value<br>2010   |
|---|----------------------|----------------------|
| Fully Benefit-Responsive Contract:            |                      |                      |
| Fidelity Managed Income Portfolio II Fund (a) | \$ 64,936,289        | \$ 63,006,020        |
| Common Collective Trust:                      |                      |                      |
| Fidelity U.S. Equity Index Fund (b)           | 30,501,073           | 31,693,420           |
| Total   | <u>\$ 95,437,362</u> | <u>\$ 94,699,440</u> |

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

**NOTE 5 FAIR VALUE OF INVESTMENTS REPORTED AT NET ASSET VALUE (CONTINUED)**

- (a) The objective of the fund is to preserve capital and achieve a competitive level of income over time. To achieve its investment objective, it invests in assets (typically fixed-income securities or bond funds and may include derivative instruments such as futures contracts and swap agreements) and enters into "wrapper" contracts issued by third parties and invests in cash equivalents represented by shares in a money market fund. The portfolio may invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. The beneficial interest in the net assets of the portfolio is represented by units. Issues and redemptions of units are recorded, upon receipt of unit holders' instructions in good order, based on the next determined NAV per unit. NAV per unit is determined each business day.
- (b) This objective of the fund is to provide investment results that correspond to the total return performance of common stocks publicly traded in the United States. Under normal conditions, 90% of the portfolio's universe will be invested in securities of the companies which comprise the S&P 500 Index. In addition to its investments in securities, a portion of the portfolio's assets may be in stock index futures and options and collective investment vehicles or shares of investment companies that are managed by the Trustee or its affiliates. The portfolio may transfer uninvested cash balances into joint trading accounts, which are then invested in repurchase agreements, or invest directly with institutions in repurchase agreements. The beneficial interest in the net assets of the portfolio is represented by units. Issues and redemptions of units are recorded, upon receipt of unit holders' instructions in good order, based on the next determined NAV per unit. NAV per unit is determined each business day.

For the assets above, there are no unfunded commitments or restrictions on redemption at the Plan or Master Trust level.

**VALSPAR 401(K) PLAN FOR HOURLY EMPLOYEES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**NOTE 6    TRANSACTIONS WITH PARTIES IN INTEREST**

Origination and record-keeping fees for notes receivable from participants are charged to the participants' individual accounts.

During the year ended December 31, 2011, the Master Trust purchased approximately 1,272,300 shares of common stock of the Company at a cost of approximately \$44,853,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$5,411,000 for the year ended December 31, 2011. These transactions are exempt party-in-interest transactions.

Certain plan investments are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative fees paid to the Trustee also qualify as party-in-interest transactions.



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the registration statement on Form S-8 of Valspar 401(k) Plan for Hourly Employees of our report dated June 26, 2012, with respect to the statement of net assets available for benefits of Valspar 401(k) Plan for Hourly Employees as of December 31, 2011, the related statement of changes in net assets available for benefits for the year then ended, which report appears in the December 31, 2011 annual report on Form 11-K of the Valspar 401(k) Plan for Hourly Employees.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 27, 2012



**Consent of Independent Registered Public Accounting Firm**

To the Board of Directors of Valspar Corporation:

We consent to the incorporation of our report dated June 27, 2011, relating to the December 31, 2010, financial statements of the Valspar 401(k) Plan for Hourly Employees, which appears in this Form 11-K as of and for the year ended December 31, 2011.

A handwritten signature in cursive script that reads "McGladrey LLP".

Minneapolis, Minnesota  
June 27, 2011

# Valspar Profit Sharing Plan

Financial Report  
April 30, 2010

McGladrey & Pullen, LLP  
Certified Public Accountants  
1000 North Dearborn Street  
Chicago, Illinois 60610  
Tel: 312.424.2000  
Fax: 312.424.2001  
www.mcgladrey.com

The following table shows the assets of the Valspar Profit Sharing Plan as of April 30, 2010. The assets are reported in U.S. dollars and are measured at fair value. The fair value of the assets is determined based on the quoted market prices of the securities as of the reporting date. The assets are reported in the following table:

| Asset           | Fair Value |
|-----------------|------------|
| Common Stock    | 100,000.00 |
| Preferred Stock | 0.00       |
| Bonds           | 50,000.00  |
| Other           | 0.00       |
| Total           | 150,000.00 |



McGladrey & Pullen, LLP  
Certified Public Accountants  
801 Nicollet Mall  
West Tower Ste 1100  
Minneapolis, MN 55402-2526  
O 612.332.4300  
www.mcgladrey.com

June 29, 2011

Mr. Vince Opat  
The Valspar Corporation  
P.O. Box 1461  
Minneapolis, MN 55440

Dear Vince:

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of Valspar Profit Sharing Plan as of April 30, 2010, and December 31, 2009. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, Valspar Profit Sharing Plan will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, Valspar Profit Sharing Plan also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Valspar Profit Sharing Plan seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,

A handwritten signature in black ink that reads "Tim D. McNeal". The signature is written in a cursive, flowing style.

Tim D. McNeal, Partner  
612.376.9358

wpd  
Attachment



**Report of Independent Registered Public Accounting Firm**

To the Administrative Committee and Plan Trustees  
Valspar Profit Sharing Plan

We have audited the accompanying statements of net assets available for benefits of the Valspar Profit Sharing Plan (the Plan) as of April 30, 2010, and December 31, 2009, and the related statement of changes in net assets available for benefits for the four-month period ended April 30, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of April 30, 2010, and December 31, 2009, and the changes in net assets available for benefits for the four-month period ended April 30, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Board of Directors of The Valspar Corporation, the Plan's sponsor, elected to merge the Plan into the Valspar Savings and Retirement Plan by April 30, 2010.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
June 29, 2011

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**Valspar Profit Sharing Plan**  
**Statements of Net Assets Available for Benefits**  
**April 30, 2010 and December 31, 2009**

JUN 28 2012

|  | April 30,<br>2010 | December 31,<br>2009 |
|--|-------------------|----------------------|
| <b>Investments, at fair value (Notes 2 – 4):</b>   |                   |                      |
| Interest in The Valspar Corporation Master Trust   | \$ -              | \$ 8,090,064         |
| Employer contributions receivable  | -                 | 149,850              |
| Notes from participants (Note 1)   | -                 | 11,973               |
| <b>Net assets available for benefits, at fair value</b>  | -                 | 8,251,887            |
| <br>   |                   |                      |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract (Note 2) | -                 | 25,488               |
| <b>Net assets available for benefits</b>   | <b>\$ -</b>       | <b>\$ 8,277,375</b>  |

See Notes to Financial Statements.

## **Valspar Profit Sharing Plan**

### **Notes to Financial Statements**

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#### **Note 1. Description of the Plan**

The following brief description of Valspar Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

**General:** The Valspar Corporation (the Company) established the Plan to provide retirement and other benefits for all employees and beneficiaries. Due to changes made in the past, employees of the Rockford, Illinois, facility who were not participants in The Valspar Corporation Savings and Retirement Plan were eligible to participate in the Plan upon satisfaction of the eligibility requirements. The Plan was a defined-contribution plan and was subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company had appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Plan merger and transfer of assets:** On January 1, 2008, the Company approved the merger of the Plan with the Valspar Savings and Retirement Plan. The remaining employees in the Plan were primarily subject to a collective bargaining agreement in the Rockford, Illinois, facility. The collective bargaining agreement was renewed on November 15, 2009, and contained provisions for participation in the Valspar Savings and Retirement Plan. Effective January 1, 2010, all employee and employer contributions for eligible employees were made to the Valspar Savings and Retirement Plan. All assets of the Plan were transferred by April 30, 2010, with all dividends paid by that date.

**Eligibility:** Individuals employed in the Rockford, Illinois, facility prior to January 1, 2010, who were part of a collective bargaining agreement were eligible for participation in the Plan.

**Contributions:** Effective January 1, 2010, all employee and employer contributions were made to the Valspar Savings and Retirement Plan or the Valspar 401(k) Plan for Hourly Employees.

**Vesting:** Employee contributions vested immediately, and Company contributions vested after three years of service (except for instances when participants attained the normal retirement age or reached age 60, were terminated (i) on account of permanent disability or (ii) on account of elimination of the participant's job, or upon death, under which circumstances the participant became immediately vested). All contributions vested immediately upon the April 30, 2010, merger.

Forfeitures resulting from the termination of plan participants with less than 100 percent vesting reduced the Company's contributions in the year of forfeiture. There were no significant forfeitures outstanding at December 31, 2009.

**Investment options:** Participants had the option to allocate plan contributions among several investment options, including the common stock of the Company. All choices varied in type of investments, rate of return and investment risk. Participants could elect to have all or part of their account balances and contributions invested in one fund, transferred to another fund, or in any combination.

**Participant accounts:** Each participant's account was credited with the participant's and Company's contributions and an allocation of plan earnings. Allocations were based on participants' earnings and account balances, as defined in the plan document.

**Dividends:** Dividends on Company stock were either reinvested in The Valspar Corporation Stock Fund or distributed to participants.

## **Valspar Profit Sharing Plan**

### **Notes to Financial Statements**

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#### **Note 1. Description of the Plan (Continued)**

**Distributions to participants:** Participants elected to receive benefits in the form of a lump-sum distribution, an in-kind distribution of employer securities, a direct rollover to an IRA account or another qualified employee benefit plan, or in a series of installments over the life expectancy of the participant or joint life expectancies of such participant and such participant's designated beneficiary. However, according to the Plan, benefits were paid in the form of a lump-sum distribution in the event that the participant's vested account balance did not exceed \$5,000.

**Notes from participants:** Participants were permitted to borrow from their fund accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50 percent of the vested balance. The repayment period was not to exceed 60 months. The notes were secured by the balance in the participant's account with interest charged at a rate of prime plus 1 percent. Interest rates ranged from 4.25 percent to 9.25 percent at April 30, 2010, the date of transfer. In connection with the plan merger, participant notes were transferred to either the Valspar Savings and Retirement Plan or the Valspar 401(k) Plan for Hourly Employees.

In September 2010, the Financial Accounting Standards Board (FASB) issued an amendment that provides guidance on how loans to participants should be classified and measured by defined-contribution pension plans. This amendment requires that participant loans be classified as notes from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. This amendment requires retrospective application to all periods presented. It was adopted for the four-month period ended April 30, 2010, and retrospectively applied to December 31, 2009. Prior-year amounts and disclosures have been revised to reflect the retrospective application of adopting this new amendment. The adoption resulted in a reclassification of participant loans totaling \$11,973 from investments to notes from participants as of December 31, 2009. There was no impact on the net assets as of April 30, 2010, or December 31, 2009, as a result of this adoption.

**Termination of the Plan:** Once all plan assets were transferred out to the other plans on April 30, 2010, the Plan was terminated.

**Plan administration:** The Plan was administered by the Company, which absorbed a portion of the administrative costs of the Plan, with the Plan absorbing the major portion. The Trustee was responsible for holding the assets of the Plan and participant record keeping.

#### **Note 2. Significant Accounting Policies**

**Basis of accounting:** The accompanying financial statements reflect transactions on the accrual basis of accounting.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Fully benefit-responsive investment contract:** Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statements of net assets available for benefits as of December 31, 2009, presented the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value.

**Investment valuation and income recognition:** Investments in The Valspar Corporation Master Trust were stated at current fair value as determined by the Trustee, which held the various investments. Fair value was the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income was recorded on the accrual basis, and dividends were recorded on the ex-dividend date. Realized gains and losses related to sales of investments were recorded on a trade-date basis. Investment income and expenses were allocated to the Plan based upon its pro rata share in the net assets of The Valspar Corporation Master Trust.

**Tax status:** The Plan obtained its latest determination letter on February 27, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan was amended after receiving the determination letter. However, the Plan Administrator believes the Plan was being operated under the applicable requirements of the Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

**Subsequent events:** The Plan Administrator has evaluated subsequent events through the date of the auditor's report, which is the date on which the financial statements were issued.

#### Note 3. Investments in The Valspar Corporation Master Trust

Investments of the Plan were held in The Valspar Corporation Master Trust (the Master Trust). The Master Trust also holds assets of Valspar Savings and Retirement Plan and Valspar 401(k) Plan for Hourly Employees. Fidelity serves as the trustee of the Master Trust.

The value of the Plan's interest in the Master Trust was based on the beginning of year value of the Plan's interest in the trust plus actual contributions and allocated investment income, less actual distributions and allocated administrative expenses. The Plan's interest in the fair value of the Master Trust was 1.6 percent on December 31, 2009. Investments in the Master Trust were determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not have approximated this percentage interest in returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 3. Investments in The Valspar Corporation Master Trust (Continued)

At December 31, 2009, approximately 43 percent of the Master Trust's net assets were invested in the common stock of The Valspar Corporation. The underlying value of the Valspar Corporation Stock Fund was dependent on the performance of The Valspar Corporation and the market's evaluation of such performance.

The fair values of investment funds of the Master Trust in which the Plan invested as of December 31, 2009, are as follows:

|  |                      |
|--|----------------------|
| The Valspar Corporation Stock Fund                     | \$ 220,326,464       |
| Fully benefit-responsive contract:                     |                      |
| Fidelity Managed Income Portfolio II Fund              | 64,711,269           |
| Common collective trust:                               |                      |
| Fidelity U.S. Equity Index Fund                        | 28,191,880           |
| Mutual funds:  |                      |
| Dodge & Cox Stock Fund                                 | 36,817,462           |
| Marsico Focus Fund                                     | 34,275,931           |
| PIMCO Total Return Institutional Fund                  | -                    |
| Fidelity Diversified International Fund                | 29,298,403           |
| Frontegra Iron Bridge SMID Fund                        | 22,599,898           |
| Western Asset Core Fund                                | 19,717,261           |
| Fidelity Freedom 2025 Fund                             | 8,791,990            |
| Fidelity Freedom 2010 Fund                             | 7,711,133            |
| Fidelity Freedom 2030 Fund                             | 7,701,214            |
| Fidelity Freedom 2020 Fund                             | 7,019,699            |
| Fidelity Freedom 2015 Fund                             | 6,980,090            |
| Fidelity Freedom 2035 Fund                             | 6,006,281            |
| Vanguard Total Bond Market Fund                        | 4,350,974            |
| Fidelity Freedom 2040 Fund                             | 4,113,507            |
| Fidelity Freedom 2045 Fund                             | 3,302,899            |
| Fidelity Freedom Income Fund                           | 1,781,215            |
| Fidelity Freedom 2050 Fund                             | 1,143,489            |
| T.R. Price Institutional U.S. Structured Research Fund | 429,881              |
|  | <u>\$515,270,940</u> |

#### Note 4. Fair Value Measurements

Accounting guidance was recently issued that establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets measured at fair value as of December 31, 2009.

**The Valspar Corporation Stock Fund:** The Valspar Corporation Stock Fund consisted primarily of shares of The Valspar Corporation common stock, valued at the closing price reported on the New York Stock Exchange. The fund also contained interest-bearing cash, miscellaneous receivables, and accrued income existing at period- or year-end, offset by the benefit payable in The Valspar Corporation common stock.

**Fully benefit-responsive contract and common collective trust:** The investment in the common collective trust (Fidelity U.S. Equity Index Fund) was recorded at the underlying net asset value per unit, which approximated fair value based on the audited financial statements of these funds. The investment in the fully benefit-responsive investment contract (Fidelity Managed Income Portfolio II Fund) was stated at fair value on the statement of net assets available for benefits, with an adjustment from fair value to contract value on that statement. Investment contracts are generally valued at contract value, rather than fair value, to the extent they are fully benefit-responsive. The fair value of the fully benefit-responsive investment contract was calculated using a discounted cash flow model which considered recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying portfolio securities.

**Mutual funds:** Mutual funds were valued at the closing prices reported in the active markets in which securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Master Trust's investments at fair value as of December 31, 2009:

|  | Investments at Fair Value as of December 31, 2009 |               |         |                |
|--|---|---------------|---------|----------------|
|  | Level 1   | Level 2       | Level 3 | Total          |
| The Valspar Corporation common stock         | \$ 220,326,464                                    | \$ -          | \$ -    | \$ 220,326,464 |
| Fully benefit-responsive contract            | -   | 64,711,269    | -       | 64,711,269     |
| Common collective trust                      | -   | 28,191,880    | -       | 28,191,880     |
| Mutual funds:                                |   |               |         |                |
| Large cap funds                              | 71,523,274  | -             | -       | 71,523,274     |
| Balanced funds                               | 54,551,517  | -             | -       | 54,551,517     |
| International funds                          | 29,298,403  | -             | -       | 29,298,403     |
| Bond funds                                   | 24,068,235  | -             | -       | 24,068,235     |
| Mid cap funds                                | 22,599,898  | -             | -       | 22,599,898     |
| Total Master Trust investments at fair value | \$ 422,367,791                                    | \$ 92,903,149 | \$ -    | \$ 515,270,940 |

#### Note 5. Transactions With Parties in Interest

Origination and record-keeping fees for notes from participants were charged to the participants' individual accounts. During the years ended December 31, 2010 and 2009, the Master Trust purchased approximately 1,016,000 shares and 896,000 shares of common stock of the Company at a cost of approximately \$31,207,000 and \$18,451,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$5,063,000 for the year ended December 31, 2010. These transactions are exempt party-in-interest transactions.

Certain plan investments were shares of mutual funds managed by Fidelity. Fidelity was the Trustee as defined by the Plan and, therefore, these transactions qualified as party-in-interest transactions. Administrative fees paid to the Trustee also qualified as party-in-interest transactions.

#### Note 6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2009:

|   |                     |
|---|---------------------|
| Net assets available for benefits per the financial statements                                | \$ 8,277,375        |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract | (25,488)            |
| Net assets available for benefits per Form 5500   | <u>\$ 8,251,887</u> |

The following is a reconciliation of the Plan's net decrease in net assets available for benefits before transfers per the financial statement to the Form 5500 for the period ended April 30, 2010:

|  |                   |
|--|-------------------|
| Net decrease in net assets available for benefits per the financial statement before transfers                   | \$ (33,339)       |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract, beginning of year | 25,488            |
| Net decrease in net assets available for benefits per the Form 5500  | <u>\$ (7,851)</u> |

# Valspar 401(k) Plan for Hourly Employees

Financial Report  
December 31, 2010



**McGladrey & Pullen, LLP**  
Certified Public Accountants  
801 Nicollet Mall  
West Tower Ste 1100  
Minneapolis, MN 55402-2526  
O 612.332.4300  
www.mcgladrey.com

June 29, 2011

Mr. Vince Opat  
The Valspar Corporation  
P.O. Box 1461  
Minneapolis, MN 55440

Dear Vince:

In accordance with your request, we are attaching the preliminary draft of the financial report as of December 31, 2010 and 2009, for Valspar 401(k) Plan for Hourly Employees in PDF format.

In conjunction with your request for this document to be provided to you, you understand that the electronic transmission is not entirely secure and that it is possible for confidential financial information to be intercepted by others.

We do not express an opinion at this time on the statements in the report mentioned above because they are preliminary drafts, and we have not as yet completed all of the auditing procedures which we consider necessary.

This preliminary draft is for review and discussion purposes only and is, therefore, subject to change. We ask that you delete it when you have finished with it. Please call with any comments or questions you may have.

Sincerely,

A handwritten signature in black ink that reads "Tim D. McNeal". The signature is written in a cursive, flowing style.

Tim D. McNeal, Partner  
612.376.9358

wpd  
Attachment

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**Report of Independent Registered Public Accounting Firm**

To the Administrative Committee and Plan Trustees  
Valspar 401(k) Plan for Hourly Employees

We have audited the accompanying statements of net assets available for benefits of the Valspar 401(k) Plan for Hourly Employees (the Plan) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
June 29, 2011

**Valspar 401(k) Plan for Hourly Employees**

**Statements of Net Assets Available for Benefits  
December 31, 2010 and 2009**

|  | 2010                 | 2009                 |
|--|----------------------|----------------------|
| Investments, at fair value (Notes 2 – 4):  |                      |                      |
| Interest in The Valspar Corporation Master Trust   | \$ 41,912,547        | \$ 41,078,454        |
| Employer contributions receivable  | 632,147              | 393,491              |
| Notes from participants (Note 1)   | 1,769,317            | 1,997,398            |
| <b>Net assets available for benefits, at fair value</b>  | <b>44,314,011</b>    | <b>43,469,343</b>    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract (Note 2) | (28,881)             | 39,967               |
| <b>Net assets available for benefits</b>   | <b>\$ 44,285,130</b> | <b>\$ 43,509,310</b> |

See Notes to Financial Statements.

**Valspar 401(k) Plan for Hourly Employees**

**Statement of Changes in Net Assets Available for Benefits  
Year Ended December 31, 2010**

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|  |                                    |
|--|------------------------------------|
| Interest in investment income of The Valspar Corporation Master Trust (Note 3) | <u>\$ 8,174,193</u>                |
| Interest income on notes from participants                                     | <u>97,003</u>                      |
| Contributions:   |                                    |
| Employee   | 1,780,784                          |
| Employer   | <u>1,323,575</u>                   |
| <b>Total contributions</b>   | <u><b>3,104,359</b></u>            |
| <b>Total additions</b>   | <b>11,375,555</b>                  |
| Distributions to participants  | (6,548,652)                        |
| Administrative costs   | <u>(34,658)</u>                    |
| <b>Net increase before transfers</b>   | <b>4,792,245</b>                   |
| Transfers to other Valspar plans, net (Note 1)                                 | <u>(4,016,425)</u>                 |
| <b>Net increase after transfers</b>  | <b>775,820</b>                     |
| Net assets available for benefits:   |                                    |
| Beginning of year  | <u>43,509,310</u>                  |
| End of year  | <u><u><b>\$ 44,285,130</b></u></u> |

See Notes to Financial Statements.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 1. Description of the Plan

The following description of Valspar 401(k) Plan for Hourly Employees (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

**General:** The Valspar Corporation (the Company) established the Plan to provide retirement and other benefits for employees and their beneficiaries. The Plan is a defined-contribution plan that is available to hourly employees as defined in accordance with the Plan. The Plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company has appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Transfer of assets:** During 2010 and 2009 transfers both in and out of the Plan occurred as a result of employees changing positions and their status in collective bargaining agreements within the Company.

**Eligibility:** Individuals become eligible to defer wages after the employee has completed one hour of service. Participants must complete one year of service to share in the Company's contributions to the Plan.

**Contributions:** Employees electing to participate in the Plan make voluntary contributions on a pretax basis subject to certain limits. The Company has agreed to contribute an amount equal to 100 percent of the first 2 percent and 50 percent of the next 2 percent of each employee's contributions up to a maximum match of 3 percent of eligible wages. Additionally, the Company may elect to contribute a discretionary matching contribution (not to exceed 100 percent of Company matching contributions). The Company made a discretionary match of 100 percent of Company matching contributions made during the year ended December 31, 2010.

**Vesting:** Employee and employer contributions vest immediately upon the participant completing one hour of service. A participant who is not credited with one hour of service after December 31, 2007, shall continue to be subject to the vesting rules of the prior plan document in effect at the time of the participant's termination.

Forfeitures resulting from the termination of plan participants with less than 100 percent vesting reduce the Company's contributions in the year of forfeiture. During the year ended December 31, 2010, approximately \$100,000 of forfeitures were applied against employer contributions. There were approximately \$71,000 and \$154,000 of forfeitures outstanding at December 31, 2010 and 2009, respectively.

**Investment options:** Participants currently have the option to allocate plan contributions among several investment options, including the common stock of the Company. All choices vary in types of investments, rates of return and investment risk. Participants may elect to have all or part of their account balances and future contributions invested in one fund, transferred to another fund, or in any combination.

**Participant accounts:** Each participant's account is credited with the participant's and Company's contributions and an allocation of plan earnings. Allocations are based on participants' earnings and account balances, as defined in the plan document.

## **Valspar 401(k) Plan for Hourly Employees**

### **Notes to Financial Statements**

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#### **Note 1. Description of the Plan (Continued)**

**Dividends:** Dividends on Company stock are either reinvested in The Valspar Corporation Stock Fund or distributed to participants. Dividends on The Valspar Corporation common stock received by The Valspar Corporation Master Trust (the Master Trust) totaled approximately \$5,063,000 for the year ended December 31, 2010. For the year ended December 31, 2010, the financial statements and master trust footnote reflect only the amount of dividends reinvested, which totaled approximately \$4,980,000 at the master trust level.

**Distributions to participants:** Participants may elect to receive benefits in the form of a lump-sum distribution, an in-kind distribution of employer securities, a direct rollover to an IRA account or another qualified employee benefit plan, or in a series of installments over the life expectancy of the participant or the joint life expectancies of such participant and such participant's designated beneficiary. However, according to the Plan, benefits will be paid in the form of a lump-sum distribution in the event that the participant's vested account balance does not exceed \$5,000.

**Notes from participants:** Participants are permitted to borrow from their fund accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50 percent of the vested balance. The repayment period is not to exceed 60 months; however, prior to January 1, 2009, participants were allowed to have notes outstanding for the purchase of a principal residence for a reasonable period of time, often exceeding the 60-month repayment period. The notes are secured by the balance in the participant's account and bear interest at the prime rate plus 1 percent. Interest rates ranged from 4.25 percent to 9.25 percent at December 31, 2010. Principal and interest are paid ratably through after-tax payroll deductions over the terms of the notes, which expire through 2015.

In September 2010, the Financial Accounting Standards Board (FASB) issued an amendment that provides guidance on how loans to participants should be classified and measured by defined-contribution pension plans. This amendment requires that participant loans be classified as notes from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. This amendment requires retrospective application to all periods presented. It was adopted for the year ended December 31, 2010, and retrospectively applied to December 31, 2009. Prior-year amounts and disclosures have been revised to reflect the retrospective application of adopting this new amendment. The adoption resulted in a reclassification of participant loans totaling \$1,769,317 and \$1,997,398 from investments to notes from participants as of December 31, 2010 and 2009, respectively. There was no impact on the net assets as of December 31, 2010 or 2009, as a result of the adoption.

**Plan administration:** The Plan is administered by the Company, which absorbs a portion of the administrative costs of the Plan, with the Plan absorbing the major portion. The Trustee is responsible for holding the assets of the Plan and participant record keeping.

#### **Note 2. Significant Accounting Policies**

**Basis of accounting:** The accompanying financial statements reflect transactions on the accrual basis of accounting.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Fully benefit-responsive investment contract:** Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statements of net assets available for benefits present the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. See Note 5 for further discussion.

**Investment valuation and income recognition:** Investments in The Valspar Corporation Master Trust are stated at current fair value as determined by the Trustee, which holds the various investments. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Realized gains and losses related to sales of investments are recorded on a trade-date basis. Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

**Tax status:** The Plan obtained its latest determination letter on March 2, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes the Plan, as currently designed, is being operated under the applicable requirements of the Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

**Termination of the Plan:** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, all participants would become fully vested in their accounts.

**Subsequent events:** The Plan Administrator has evaluated subsequent events through the date of the auditor's report, which is the date on which the financial statements were issued.

#### Note 3. Investments in The Valspar Corporation Master Trust

Investments of the Plan are held in The Valspar Corporation Master Trust (the Master Trust). The Master Trust also holds assets of the Valspar Savings and Retirement Plan and the Valspar Profit Sharing Plan.

Fidelity serves as the trustee of the Master Trust, and participants can choose among several investment options. Participants may change their investment elections and allocations daily in 1 percent increments. Participants are allowed to change their salary deferral percentages at any time.

## **Valspar 401(k) Plan for Hourly Employees**

### **Notes to Financial Statements**

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#### **Note 3. Investments in The Valspar Corporation Master Trust (Continued)**

The value of the Plan's interest in the Master Trust is based on the beginning of the year value of the Plan's interest in the trust plus actual contributions and allocated investment income, less actual distributions and allocated administrative expenses. The Plan's interest in the fair value of the Master Trust was 6.9 percent and 8.0 percent on December 31, 2010 and 2009, respectively. Investments in the Master Trust are determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not approximate these percentage interests in returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

The Plan provides for investments in various investment securities, including Company stock which, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. At December 31, 2010 and 2009, approximately 43 percent of the Master Trust's net assets were invested in the common stock of The Valspar Corporation. The underlying value of the Valspar Corporation Stock Fund is dependent on the performance of The Valspar Corporation and the market's evaluation of such performance. Due to the level of risk associated with certain investment securities, including The Valspar Corporation common stock, it is reasonably possible that changes in the values of investment securities have occurred since December 31, 2010, or will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

It is at least reasonably possible that changes in the fair value of The Valspar Corporation common stock in the near term could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

**Valspar 401(k) Plan for Hourly Employees**

**Notes to Financial Statements**

**Note 3. Investments in The Valspar Corporation Master Trust (Continued)**

The fair values of investments of the Master Trust in which the Plan invests are as follows:

|  | December 31           |                       |
|--|-----------------------|-----------------------|
|  | 2010                  | 2009                  |
| The Valspar Corporation Stock Fund                     | \$ 265,328,937        | \$ 220,326,464        |
| Fully benefit-responsive contract:                     |                       |                       |
| Fidelity Managed Income Portfolio II Fund              | 63,006,020            | 64,711,269            |
| Common collective trust:                               |                       |                       |
| Fidelity U.S. Equity Index Fund                        | 31,693,420            | 28,191,880            |
| Mutual funds:  |                       |                       |
| Marsico Focus Fund                                     | 40,175,758            | 34,275,931            |
| Dodge & Cox Stock Fund                                 | 39,969,120            | 36,817,462            |
| Frontegra Iron Bridge SMID Fund                        | 31,150,141            | 22,599,898            |
| Fidelity Diversified International Fund                | 29,557,005            | 29,298,403            |
| PIMCO Total Return Institutional Fund                  | 25,765,609            | -                     |
| Fidelity Freedom 2025 Fund                             | 13,264,359            | 8,791,990             |
| Fidelity Freedom 2030 Fund                             | 11,299,179            | 7,701,214             |
| Fidelity Freedom 2020 Fund                             | 10,769,931            | 7,019,699             |
| Fidelity Freedom 2015 Fund                             | 10,209,567            | 6,980,090             |
| Fidelity Freedom 2035 Fund                             | 9,406,277             | 6,006,281             |
| Fidelity Freedom 2040 Fund                             | 6,637,608             | 4,113,507             |
| Fidelity Freedom 2010 Fund                             | 6,622,824             | 7,711,133             |
| Vanguard Total Bond Market Fund                        | 6,149,469             | 4,350,974             |
| Fidelity Freedom 2045 Fund                             | 5,384,340             | 3,302,899             |
| Fidelity Freedom 2050 Fund                             | 2,308,318             | 1,143,489             |
| Fidelity Freedom Income Fund                           | 2,044,992             | 1,781,215             |
| T.R. Price Institutional U.S. Structured Research Fund | 658,660               | 429,881               |
| Western Asset Core Fund                                | -                     | 19,717,261            |
|  | <u>\$ 611,401,534</u> | <u>\$ 515,270,940</u> |

Investment results of the Master Trust, excluding interest income from notes to participants, for the year ended December 31, 2010, is as follows:

Investment results:

Net appreciation in fair value of investments:

|                                      |                   |
|--------------------------------------|-------------------|
| The Valspar Corporation common stock | \$ 57,147,725     |
| Common collective trust              | 4,138,729         |
| Mutual funds                         | 25,435,796        |
|                                      | <u>86,722,250</u> |

Interest and dividends\*

|                          |                      |
|--------------------------|----------------------|
| Total investment results | <u>8,331,927</u>     |
|                          | <u>\$ 95,054,177</u> |

\*The fully benefit-responsive contract earned only interest and dividends during 2010.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 4. Fair Value Measurements

Accounting guidance was recently issued that establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

**The Valspar Corporation Stock Fund:** The Valspar Corporation Stock Fund consists primarily of shares of The Valspar Corporation common stock, valued at the closing price reported on the New York Stock Exchange. The fund also contains interest-bearing cash, miscellaneous receivables, and accrued income existing at year-end, offset by the benefit payable in The Valspar Corporation common stock.

**Fully benefit-responsive contract and common collective trust:** The investment in the common collective trust (Fidelity U.S. Equity Index Fund) is recorded at the underlying net asset value per unit, which approximates fair value based on the audited financial statements of these funds. The investment in the fully benefit-responsive investment contract (Fidelity Managed Income Portfolio II Fund) is stated at fair value on the statement of net assets available for benefits, with an adjustment from fair value to contract value on that statement. Investment contracts are generally valued at contract value, rather than fair value, to the extent they are fully benefit-responsive. The fair value of the fully benefit-responsive investment contract is calculated using a discounted cash flow model which considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying portfolio securities. See further discussion at Note 5.

**Mutual funds:** Mutual funds are valued at the prices reported in the active markets in which the securities are traded.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Master Trust's investments at fair value as of December 31, 2010 and 2009:

|  | Investments at Fair Value as of December 31, 2010 |               |         |                |
|--|---|---------------|---------|----------------|
|  | Level 1   | Level 2       | Level 3 | Total          |
| The Valspar Corporation common stock         | \$ 265,328,937                                    | \$ -          | \$ -    | \$ 265,328,937 |
| Fully benefit-responsive contract            | -   | 63,006,020    | -       | 63,006,020     |
| Common collective trust                      | -   | 31,693,420    | -       | 31,693,420     |
| Mutual funds:                                |   |               |         |                |
| Large cap funds                              | 80,803,538  | -             | -       | 80,803,538     |
| Balanced funds                               | 77,947,395  | -             | -       | 77,947,395     |
| Bond funds                                   | 31,915,078  | -             | -       | 31,915,078     |
| Mid cap fund                                 | 31,150,141  | -             | -       | 31,150,141     |
| International fund                           | 29,557,005  | -             | -       | 29,557,005     |
| Total Master Trust investments at fair value | \$ 516,702,094                                    | \$ 94,699,440 | \$ -    | \$ 611,401,534 |

|  | Investments at Fair Value as of December 31, 2009 |               |         |                |
|--|---|---------------|---------|----------------|
|  | Level 1   | Level 2       | Level 3 | Total          |
| The Valspar Corporation common stock         | \$ 220,326,464                                    | \$ -          | \$ -    | \$ 220,326,464 |
| Fully benefit-responsive contract            | -   | 64,711,269    | -       | 64,711,269     |
| Common collective trust                      | -   | 28,191,880    | -       | 28,191,880     |
| Mutual funds:                                |   |               |         |                |
| Large cap funds                              | 71,523,274  | -             | -       | 71,523,274     |
| Balanced funds                               | 54,551,517  | -             | -       | 54,551,517     |
| Bond funds                                   | 24,068,235  | -             | -       | 24,068,235     |
| Mid cap fund                                 | 22,599,898  | -             | -       | 22,599,898     |
| International fund                           | 29,298,403  | -             | -       | 29,298,403     |
| Total Master Trust investments at fair value | \$ 422,367,791                                    | \$ 92,903,149 | \$ -    | \$ 515,270,940 |

#### Note 5. Fair Value of Investments Reported at Net Asset Value

Accounting guidance provides clarification on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can now be determined using net asset value (NAV) as a practical expedient, when the fair value is not readily determinable, unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 5. Fair Value of Investments Reported at Net Asset Value (Continued)

The following table sets forth additional disclosures of the Plan's investments whose fair value is estimated using NAV as of December 31, 2010:

|   | <u>Fair Value</u>    |
|---|----------------------|
| Fully benefit-responsive contract:            |                      |
| Fidelity Managed Income Portfolio II Fund (a) | \$ 63,006,020        |
| Common collective trust:                      |                      |
| Fidelity U.S. Equity Index Fund (b)           | <u>31,693,420</u>    |
| Total   | <u>\$ 94,699,440</u> |

- (a) The objective of the fund is to preserve capital and achieve a competitive level of income over time. To achieve its investment objective, it invests in assets (typically fixed-income securities or bond funds and may include derivative instruments such as futures contracts and swap agreements) and enters into "wrapper" contracts issued by third parties and invests in cash equivalents represented by shares in a money market fund. The portfolio may invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. The beneficial interest in the net assets of the portfolio is represented by units. Issues and redemptions of units are recorded, upon receipt of unit holders' instructions in good order, based on the next determined net asset value per unit. Net asset value per unit is determined each business day.
- (b) This objective of the fund is to provide investment results that correspond to the total return performance of common stocks publicly traded in the United States. Under normal conditions, 90 percent of the portfolio's universe will be invested in securities of the companies which comprise the S&P 500 Index. In addition to its investments in securities, a portion of the portfolio's assets may be in stock index futures and options and collective investment vehicles or shares of investment companies that are managed by the Trustee or its affiliates. The portfolio may transfer uninvested cash balances into joint trading accounts, which are then invested in repurchase agreements, or invest directly with institutions in repurchase agreements. The beneficial interest in the net assets of the portfolio is represented by units. Issues and redemptions of units are recorded, upon receipt of unit holders' instructions in good order, based on the next determined net asset value per unit. Net asset value per unit is determined each business day.

For the assets above, there are no unfunded commitments or restrictions on redemption at the Plan or Master Trust level.

#### Note 6. Transactions With Parties in Interest

Origination and record-keeping fees for notes receivable from participants are charged to the participants' individual accounts.

During the years ended December 31, 2010 and 2009, the Master Trust purchased approximately 1,017,000 shares and 896,000 shares of common stock of the Company at a cost of approximately \$31,207,000 and \$18,451,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$5,063,000 for the year ended December 31, 2010. These transactions are exempt party-in-interest transactions.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 6. Transactions With Parties in Interest (Continued)

Certain plan investments are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative fees paid to the Trustee also qualify as party-in-interest transactions.

#### Note 7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2010 and 2009:

|   | 2010                 | 2009                 |
|---|----------------------|----------------------|
| Net assets available for benefits per the financial statements                                | \$ 44,285,130        | \$ 43,509,310        |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract | 28,881               | (39,967)             |
| Net assets available for benefits per Form 5500   | <u>\$ 44,314,011</u> | <u>\$ 43,469,343</u> |

The following is a reconciliation of the net increase in net assets available for benefits before transfers per the financial statement to the Form 5500 for the year ended December 31, 2010:

|  |                     |
|--|---------------------|
| Net increase in net assets available for benefits per the financial statement before transfers                   | \$ 4,792,245        |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract, beginning of year | 39,967              |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract, end of year       | 28,881              |
| Net increase in net assets available for benefits per the Form 5500  | <u>\$ 4,861,093</u> |

# Valspar Savings and Retirement Plan

Financial Report  
December 31, 2010



McGladrey & Pullen, LLP  
Certified Public Accountants  
801 Nicollet Mall  
West Tower Ste 1100  
Minneapolis, MN 55402-2526  
O 612.332.4300  
www.mcgladrey.com

June 29, 2011

Mr. Vince Opat  
The Valspar Corporation  
P.O. Box 1461  
Minneapolis, MN 55440

Dear Vince:

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements of Valspar Savings and Retirement Plan as of December 31, 2010 and 2009. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that electronic transmissions are not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report(s) on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, Valspar Savings and Retirement Plan will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, Valspar Savings and Retirement Plan also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when Valspar Savings and Retirement Plan seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve you.

Sincerely,

A handwritten signature in black ink that reads "Tim D. McNeal". The signature is written in a cursive, flowing style.

Tim D. McNeal, Partner  
612.376.9358

wpd  
Attachment

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**Report of Independent Registered Public Accounting Firm**

To the Administrative Committee and Plan Trustees  
Valspar Savings and Retirement Plan

We have audited the accompanying statements of net assets available for benefits of the Valspar Savings and Retirement Plan (the Plan) as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the year ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, the Board of Directors of The Valspar Corporation, the Plan's sponsor, elected to merge the Valspar Profit Sharing Plan into the Valspar Savings and Retirement Plan by April 30, 2010.

*McGladrey & Pullen, LLP*

Minneapolis, Minnesota  
June 29, 2011

**Valspar Savings and Retirement Plan**

**Statements of Net Assets Available for Benefits  
December 31, 2010 and 2009**

|  | 2010                  | 2009                  |
|--|-----------------------|-----------------------|
| Investments, at fair value (Notes 2 – 4):  |                       |                       |
| Interest in The Valspar Corporation Master Trust   | \$ 569,488,987        | \$ 466,102,422        |
| Employer contributions receivable  | 28,025,076            | 25,309,601            |
| Notes from participants (Note 1)   | 9,275,594             | 8,380,531             |
| <b>Net assets available for benefits, at fair value</b>  | <b>606,789,657</b>    | <b>499,792,554</b>    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract (Note 2) | (593,261)             | 747,584               |
| <b>Net assets available for benefits</b>   | <b>\$ 606,196,396</b> | <b>\$ 500,540,138</b> |

See Notes to Financial Statements.

**Valspar Savings and Retirement Plan**

**Statement of Changes in Net Assets Available for Benefits  
Year Ended December 31, 2010**

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|  |                       |
|--|-----------------------|
| Interest in investment income of The Valspar Corporation Master Trust (Note 3) | <u>\$ 86,335,429</u>  |
| Interest income on notes from participants                                     | <u>469,475</u>        |
| Contributions:   |                       |
| Employee   | 15,666,005            |
| Employer   | <u>33,587,744</u>     |
| <b>Total contributions</b>   | <u>49,253,749</u>     |
| <b>Total additions</b>   | 136,058,653           |
| Distributions to participants  | (42,506,255)          |
| Administrative costs   | <u>(156,601)</u>      |
| <b>Net increase before transfers</b>   | 93,395,797            |
| Transfers from other Valspar plans, net (Note 1)                               | <u>12,260,461</u>     |
| <b>Net increase after transfers</b>  | 105,656,258           |
| Net assets available for benefits:   |                       |
| Beginning of year  | <u>500,540,138</u>    |
| End of year  | <u>\$ 606,196,396</u> |

See Notes to Financial Statements.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 1. Description of the Plan

The following description of Valspar Savings and Retirement Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

**General:** The Valspar Corporation (the Company) established the Plan to provide retirement and other benefits for employees and their beneficiaries. The Plan is a defined-contribution plan that is available to salaried and hourly employees as defined in accordance with the Plan. The Plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company has appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Plan merger and transfer of assets:** On January 1, 2008, the Company approved the merger of the Valspar Profit Sharing Plan with the Valspar Savings and Retirement Plan. All assets of the Valspar Profit Sharing Plan were transferred by April 30, 2010, with all dividends paid by that date.

Additional transfers both in and out of the Plan occurred as a result of employees changing positions and their status in collective bargaining agreements within the Company.

**Eligibility:** Individuals become eligible to defer wages after the employee has completed one hour of service. Participants must complete one year of service to share in the Company's contributions to the Plan.

**Contributions:** Employees electing to participate in the Plan make voluntary contributions on a pretax basis subject to certain limits. The Company has agreed to contribute an amount equal to 100 percent of the first 2 percent and 50 percent of the next 2 percent of each employee's contributions up to a maximum match of 3 percent of eligible wages. Additionally, the Company may elect to contribute a discretionary contribution not to exceed 9 percent of participants' compensation. There was a 9 percent discretionary contribution made for the year ended December 31, 2010. The Company also contributes a nonelective contribution equal to 4 percent of the participants' compensation.

**Vesting:** Employee and employer contributions vest immediately upon the participant completing one hour of service. A participant who is not credited with one hour of service after December 31, 2007, shall continue to be subject to the vesting rules of the prior plan document in effect at the time of the participant's termination.

Forfeitures resulting from the termination of plan participants with less than 100 percent vesting reduce the Company's contributions in the year of forfeiture. During the year ended December 31, 2010, approximately \$50,000 of forfeitures were applied against employer contributions. There were approximately \$73,000 and \$108,000, of forfeitures outstanding at December 31, 2010 and 2009, respectively.

**Investment options:** Participants currently have the option to allocate plan contributions among several investment options, including the common stock of the Company. All choices vary in types of investments, rates of return and investment risk. Participants may elect to have all or part of their account balances and future contributions invested in one fund, transferred to another fund, or in any combination.

**Participant accounts:** Each participant's account is credited with the participant's and the Company's contributions and an allocation of plan earnings. Allocations are based on participants' earnings and account balances, as defined in the plan document.

## **Valspar Savings and Retirement Plan**

### **Notes to Financial Statements**

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#### **Note 1. Description of the Plan (Continued)**

**Dividends:** Dividends on Company stock are either reinvested in The Valspar Corporation Stock Fund or distributed to participants. Dividends on The Valspar Corporation common stock received by The Valspar Corporation Master Trust (the Master Trust) totaled approximately \$5,063,000 for the year ended December 31, 2010. For the year ended December 31, 2010, the financial statements and master trust footnote reflect only the amount of dividends reinvested, which totaled approximately \$4,980,000 at the master trust level.

**Distributions to participants:** Participants may elect to receive benefits in the form of a lump-sum distribution, an in-kind distribution of employer securities, a direct rollover to an IRA account or another qualified employee benefit plan, or in a series of installments over the life expectancy of the participant or the joint life expectancies of such participant and such participant's designated beneficiary. However, according to the Plan, benefits will be paid in the form of a lump-sum distribution in the event that the participant's vested account balance does not exceed \$5,000.

**Notes from participants:** Participants are permitted to borrow from their fund accounts a minimum of \$1,000 up to a maximum of the lesser of \$50,000 or 50 percent of the vested balance. The repayment period is not to exceed 60 months; however, prior to January 1, 2009, participants were allowed to have notes outstanding for the purchase of a principal residence for a reasonable period of time, often exceeding the 60-month repayment period. The notes are secured by the balance in the participant's account and bear interest at the prime rate plus 1 percent. Interest rates ranged from 4.25 percent to 9.25 percent at December 31, 2010. Principal and interest are paid ratably through after-tax payroll deductions over the terms of the notes, which expire through 2032.

In September 2010 the Financial Accounting Standards Board (FASB) issued an amendment that provides guidance on how loans to participants should be classified and measured by defined-contribution pension plans. This amendment requires that participant loans be classified as notes from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. This amendment requires retrospective application to all periods presented. It was adopted for the year ended December 31, 2010, and retrospectively applied to December 31, 2009. Prior-year amounts and disclosures have been revised to reflect the retrospective application of adopting this new amendment. The adoption resulted in a reclassification of participant loans totaling \$9,275,594 and \$8,380,531 from investments to notes from participants as of December 31, 2010 and 2009, respectively. There was no impact on the net assets as of December 31, 2010 or 2009, as a result of the adoption.

**Plan administration:** The Plan is administered by the Company, which absorbs a portion of the administrative costs of the Plan, with the Plan absorbing the major portion. The Trustee is responsible for holding the assets of the Plan and participant record keeping.

#### **Note 2. Significant Accounting Policies**

**Basis of accounting:** The accompanying financial statements reflect transactions on the accrual basis of accounting.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Fully benefit-responsive investment contract:** Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statements of net assets available for benefits present the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. See Note 5 for further discussion.

**Investment valuation and income recognition:** Investments in The Valspar Corporation Master Trust are stated at current fair value as determined by the Trustee, which holds the various investments. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Realized gains and losses related to sales of investments are recorded on a trade-date basis. Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

**Tax status:** The Plan obtained its latest determination letter on March 2, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes the Plan, as currently designed, is being operated under the applicable requirements of the Code.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan had maintained its tax-exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

**Termination of the Plan:** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, all participants would become fully vested in their accounts.

**Subsequent events:** The Plan Administrator has evaluated subsequent events through the date of the auditor's report, which is the date on which the financial statements were issued.

#### Note 3. Investments in The Valspar Corporation Master Trust

Investments of the Plan are held in The Valspar Corporation Master Trust (the Master Trust). The Master Trust also holds assets of the Valspar 401(k) Plan for Hourly Employees and the Valspar Profit Sharing Plan.

Fidelity serves as the trustee of the Master Trust, and participants can choose among several investment options. Participants may change their investment elections and allocations daily in 1 percent increments. Participants are allowed to change their salary deferral percentages at any time.

## **Valspar Savings and Retirement Plan**

### **Notes to Financial Statements**

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#### **Note 3. Investments in The Valspar Corporation Master Trust (Continued)**

The value of the Plan's interest in the Master Trust is based on the beginning of the year value of the Plan's interest in the trust, plus actual contributions and allocated investment income, less actual distributions and allocated administrative expenses. The Plan's interest in the fair value of the Master Trust was 93.1 percent and 90.4 percent on December 31, 2010 and 2009, respectively. Investments in the Master Trust are determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not approximate these percentage interests in the returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

The Plan provides for investments in various investment securities, including Company stock, which, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. At December 31, 2010 and 2009, approximately 43 percent of the Master Trust's net assets were invested in the common stock of The Valspar Corporation. The underlying value of The Valspar Corporation Stock Fund is dependent on the performance of The Valspar Corporation and the market's evaluation of such performance. Due to the level of risk associated with certain investment securities, including The Valspar Corporation common stock, it is reasonably possible that changes in the values of investment securities have occurred since December 31, 2010, or will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

**Valspar Savings and Retirement Plan**

**Notes to Financial Statements**

**Note 3. Investments in The Valspar Corporation Master Trust (Continued)**

The fair values of investments of the Master Trust in which the Plan invests are as follows:

|  | December 31           |                       |
|--|-----------------------|-----------------------|
|  | 2010                  | 2009                  |
| The Valspar Corporation Stock Fund                     | \$ 265,328,937        | \$ 220,326,464        |
| Fully benefit-responsive contract:                     |                       |                       |
| Fidelity Managed Income Portfolio II Fund              | 63,006,020            | 64,711,269            |
| Common collective trust:                               |                       |                       |
| Fidelity U.S. Equity Index Fund                        | 31,693,420            | 28,191,880            |
| Mutual funds:  |                       |                       |
| Marsico Focus Fund                                     | 40,175,758            | 34,275,931            |
| Dodge & Cox Stock Fund                                 | 39,969,120            | 36,817,462            |
| Frontegra Iron Bridge SMID Fund                        | 31,150,141            | 22,599,898            |
| Fidelity Diversified International Fund                | 29,557,005            | 29,298,403            |
| PIMCO Total Return Institutional Fund                  | 25,765,609            | -                     |
| Fidelity Freedom 2025 Fund                             | 13,264,359            | 8,791,990             |
| Fidelity Freedom 2030 Fund                             | 11,299,179            | 7,701,214             |
| Fidelity Freedom 2020 Fund                             | 10,769,931            | 7,019,699             |
| Fidelity Freedom 2015 Fund                             | 10,209,567            | 6,980,090             |
| Fidelity Freedom 2035 Fund                             | 9,406,277             | 6,006,281             |
| Fidelity Freedom 2040 Fund                             | 6,637,608             | 4,113,507             |
| Fidelity Freedom 2010 Fund                             | 6,622,824             | 7,711,133             |
| Vanguard Total Bond Market Fund                        | 6,149,469             | 4,350,974             |
| Fidelity Freedom 2045 Fund                             | 5,384,340             | 3,302,899             |
| Fidelity Freedom 2050 Fund                             | 2,308,318             | 1,143,489             |
| Fidelity Freedom Income Fund                           | 2,044,992             | 1,781,215             |
| T.R. Price Institutional U.S. Structured Research Fund | 658,660               | 429,881               |
| Western Asset Core Fund                                | -                     | 19,717,261            |
|  | <u>\$ 611,401,534</u> | <u>\$ 515,270,940</u> |

Investment results of the Master Trust, excluding interest income from notes to participants, for the year ended December 31, 2010, are as follows:

Investment results:

Net appreciation in fair value of investments:

|                                      |                      |
|--------------------------------------|----------------------|
| The Valspar Corporation common stock | \$ 57,147,725        |
| Common collective trust              | 4,138,729            |
| Mutual funds                         | <u>25,435,796</u>    |
|                                      | 86,722,250           |
| Interest and dividends*              | <u>8,331,927</u>     |
| Total investment results             | <u>\$ 95,054,177</u> |

\*The fully benefit-responsive contract earned only interest and dividends during 2010 and 2009.

## **Valspar Savings and Retirement Plan**

### **Notes to Financial Statements**

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#### **Note 4. Fair Value Measurements**

Accounting guidance was recently issued that establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

**Level 1:** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

**Level 2:** Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

**The Valspar Corporation Stock Fund:** The Valspar Corporation Stock Fund consists primarily of shares of The Valspar Corporation common stock, valued at the closing price reported on the New York Stock Exchange. This fund also contains interest-bearing cash, miscellaneous receivables and accrued income existing at year-end, offset by the benefit payable in The Valspar Corporation common stock.

**Fully benefit-responsive contract and common collective trust:** The investment in the common collective trust (Fidelity U.S. Equity Index Fund) is recorded at the underlying net asset value per unit, which approximates fair value based on the audited financial statements of these funds. The investment in the fully benefit-responsive investment contract (Fidelity Managed Income Portfolio II Fund) is stated at fair value on the statement of net assets available for benefits, with an adjustment from fair value to contract value on that statement. Investment contracts are generally valued at contract value, rather than fair value, to the extent they are fully benefit-responsive. The fair value of the fully benefit-responsive investment contract is calculated using a discounted cash flow model which considers recent fee bids as determined by recognized dealers, discount rate and the duration of the underlying portfolio securities. See further discussion at Note 5.

**Mutual funds:** Mutual funds are valued at the closing prices reported in the active markets in which the securities are traded.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

#### Note 4. Fair Value Measurements (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Master Trust's investments at fair value as of December 31, 2010 and 2009:

|  | Investments at Fair Value as of December 31, 2010 |               |         |                |
|--|---|---------------|---------|----------------|
|  | Level 1   | Level 2       | Level 3 | Total          |
| The Valspar Corporation common stock         | \$ 265,328,937                                    | \$ -          | \$ -    | \$ 265,328,937 |
| Fully benefit-responsive contract            | -   | 63,006,020    | -       | 63,006,020     |
| Common collective trust                      | -   | 31,693,420    | -       | 31,693,420     |
| Mutual funds:                                |   |               |         |                |
| Large cap funds                              | 80,803,538  | -             | -       | 80,803,538     |
| Balanced funds                               | 77,947,395  | -             | -       | 77,947,395     |
| Bond funds                                   | 31,915,078  | -             | -       | 31,915,078     |
| Mid cap fund                                 | 31,150,141  | -             | -       | 31,150,141     |
| International fund                           | 29,557,005  | -             | -       | 29,557,005     |
| Total Master Trust investments at fair value | \$ 516,702,094                                    | \$ 94,699,440 | \$ -    | \$ 611,401,534 |

|  | Investments at Fair Value as of December 31, 2009 |               |         |                |
|--|---|---------------|---------|----------------|
|  | Level 1   | Level 2       | Level 3 | Total          |
| The Valspar Corporation common stock         | \$ 220,326,464                                    | \$ -          | \$ -    | \$ 220,326,464 |
| Fully benefit-responsive contract            | -   | 64,711,269    | -       | 64,711,269     |
| Common collective trust                      | -   | 28,191,880    | -       | 28,191,880     |
| Mutual funds:                                |   |               |         |                |
| Large cap funds                              | 71,523,274  | -             | -       | 71,523,274     |
| Balanced funds                               | 54,551,517  | -             | -       | 54,551,517     |
| Bond funds                                   | 24,068,235  | -             | -       | 24,068,235     |
| Mid cap fund                                 | 22,599,898  | -             | -       | 22,599,898     |
| International fund                           | 29,298,403  | -             | -       | 29,298,403     |
| Total Master Trust investments at fair value | \$ 422,367,791                                    | \$ 92,903,149 | \$ -    | \$ 515,270,940 |

#### Note 5. Fair Value of Investments Reported at Net Asset Value

Accounting guidance provides clarification on how entities should estimate fair value of certain alternative investments. The fair value of investments within the scope of this guidance can be determined using net asset value (NAV) as a practical expedient, when the fair value is not readily determinable, unless it is probable the investment will be sold at something other than NAV. It also requires disclosure of certain attributes by major category of alternative investments, regardless of whether the practical expedient was used.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 5. Fair Value of Investments Reported at Net Asset Value (Continued)

The following table sets forth additional disclosures of the Plan's investments whose fair value is estimated using NAV as of December 31, 2010:

|   | <u>Fair Value</u>    |
|---|----------------------|
| Fully benefit-responsive contract:            |                      |
| Fidelity Managed Income Portfolio II Fund (a) | \$ 63,006,020        |
| Common collective trust:                      |                      |
| Fidelity U.S. Equity Index Fund (b)           | <u>31,693,420</u>    |
| Total   | <u>\$ 94,699,440</u> |

- (a) The objective of the fund is to preserve capital and achieve a competitive level of income over time. To achieve its investment objective, it invests in assets (typically fixed-income securities or bond funds and may include derivative instruments such as futures contracts and swap agreements) and enters into "wrapper" contracts issued by third parties and invests in cash equivalents represented by shares in a money market fund. The portfolio may invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. The beneficial interest in the net assets of the portfolio is represented by units. Issues and redemptions of units are recorded, upon receipt of unit holders' instructions in good order, based on the next determined net asset value per unit. Net asset value per unit is determined each business day.
- (b) This objective of the fund is to provide investment results that correspond to the total return performance of common stocks publicly traded in the United States. Under normal conditions, 90 percent of the portfolio's universe will be invested in securities of the companies which comprise the S&P 500 Index. In addition to its investments in securities, a portion of the portfolio's assets may be in stock index futures and options and collective investment vehicles or shares of investment companies that are managed by the Trustee or its affiliates. The portfolio may transfer uninvested cash balances into joint trading accounts, which are then invested in repurchase agreements, or invest directly with institutions in repurchase agreements. The beneficial interest in the net assets of the portfolio is represented by units. Issues and redemptions of units are recorded, upon receipt of unit holders' instructions in good order, based on the next determined net asset value per unit. Net asset value per unit is determined each business day.

For the assets above, there are no unfunded commitments or restrictions on redemption at the Plan or Master Trust level.

#### Note 6. Transactions With Parties in Interest

Origination and record-keeping fees for notes from participants are charged to the participants' individual accounts.

During the years ended December 31, 2010 and 2009, the Master Trust purchased approximately 1,017,000 shares and 896,000 shares of common stock of the Company at a cost of approximately \$31,207,000 and \$18,451,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$5,063,000 for the year ended December 31, 2010. These transactions are exempt party-in-interest transactions.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 6. Transactions With Parties in Interest (Continued)

Certain plan investments are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative fees paid to the Trustee also qualify as party-in-interest transactions.

#### Note 7. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2010 and 2009:

|   | <u>2010</u>           | <u>2009</u>           |
|---|-----------------------|-----------------------|
| Net assets available for benefits per the financial statements                                | \$ 606,196,396        | \$ 500,540,138        |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract | 593,261               | (747,584)             |
| Net assets available for benefits per Form 5500   | <u>\$ 606,789,657</u> | <u>\$ 499,792,554</u> |

The following is a reconciliation of the net increase in net assets available for benefits before transfers per the financial statement to the Form 5500 for the year ended December 31, 2010:

|  |                      |
|--|----------------------|
| Net increase in net assets available for benefits per the financial statement before transfers                   | \$ 93,395,797        |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract, beginning of year | 747,584              |
| Adjustment from fair value to contract value for fully benefit-responsive investment contract, end of year       | 593,261              |
| Net increase in net assets available for benefits per the Form 5500  | <u>\$ 94,736,642</u> |

**McGladrey & Pullen**  
Certified Public Accountants

## **Valspar 401(k) Plan for Hourly Employees**

Financial Report  
December 31, 2008

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**Valspar 401(k) Plan for Hourly Employees**

**Statements of Net Assets Available for Benefits  
December 31, 2008 and 2007**

| <b>Assets</b>   | <b>2008</b>          | <b>2007</b>          |
|---|----------------------|----------------------|
| Investments, at fair value (Notes 3 and 4):   |                      |                      |
| Interest in The Valspar Corporation Master Trust  | \$ 29,938,667        | \$ 33,664,294        |
| Loans to participants   | 2,175,579            | 2,189,096            |
| <b>Net assets available for benefits, at fair value</b>   | <b>32,114,246</b>    | <b>35,853,390</b>    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts (Note 2) | 130,698              | 15,556               |
| <b>Net assets available for benefits</b>  | <b>\$ 32,244,944</b> | <b>\$ 35,868,946</b> |

See Notes to Financial Statements.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 1. Description of the Plan

The following description of Valspar 401(k) Plan for Hourly Employees (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions. Effective January 1, 2008, the board of directors of The Valspar Corporation (the Company) elected to change the plan name from The Valspar 401(k) Employee Stock Ownership Plan for Hourly Employees to Valspar 401(k) Plan for Hourly Employees.

**General:** The Company established the Plan to provide retirement and other benefits for employees and their beneficiaries. The Plan is a defined-contribution plan that is available to hourly employees as defined in accordance with the Plan. The Plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company has appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Eligibility:** Individuals become eligible to defer wages after the employee has completed one hour of service. Participants must complete one year of service to share in the Company's contributions to the Plan.

**Contributions:** Employees electing to participate in the Plan make voluntary contributions on a pretax or after-tax basis subject to certain limits. The Company has agreed to contribute an amount equal to 100 percent of the first 2 percent and 50 percent of the next 2 percent of each employee's contributions up to a maximum match of 3 percent of eligible wages. Additionally, the Company may elect to contribute a discretionary matching contribution (not to exceed 3 percent). There was no discretionary match for the year ended December 31, 2008.

**Vesting:** Employee and employer contributions vest immediately upon the participant completing one hour of service. A participant who is not credited with one hour of service after December 31, 2007, shall continue to be subject to the vesting rules of the prior plan document in effect at the time of the participant's termination.

Forfeitures resulting from the termination of plan participants with less than 100 percent vesting reduce the Company's contributions in the year of forfeiture. No forfeitures were applied against Company contributions for the year ended December 31, 2008. There were approximately \$104,000 and \$116,000 of forfeitures outstanding at December 31, 2008 and 2007, respectively. The forfeiture account is invested in various Plan funds and experienced a decline in market value of approximately \$21,000 during the year ended December 31, 2008.

**Investment options:** Participants currently have the option to allocate plan contributions among several investment options, including the common stock of the Company. All choices vary in types of investments, rates of return and investment risk. Participants may elect to have all or part of their account balances and future contributions invested in one fund, transferred to another fund, or in any combination.

**Participant accounts:** Each participant's account is credited with the participant's contributions, the Company's matching contributions, the Company's additional discretionary matching contributions, if any, and an allocation of plan earnings. Allocations are based on participants' earnings and account balances, as defined.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Fully benefit-responsive investment contracts:** As provided in the Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value.

**Investment valuation and income recognition:** Investments in The Valspar Corporation Master Trust are stated at current fair value as determined by the Trustee, which holds the various investments. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income is recorded on the accrual basis. Realized gains and losses related to sales of investments are recorded on a trade-date basis. Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

**Tax status:** The Plan obtained its latest determination letter on March 2, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan Administrator believes the Plan, as currently designed, is being operated under the applicable requirements of the Code.

**Termination of the Plan:** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, all participants would become fully vested in their accounts.

#### Note 3. Investments in The Valspar Corporation Master Trust

Investments of the Plan, other than loans to participants, are held in The Valspar Corporation Master Trust (the Master Trust). The Master Trust also holds assets of Valspar Savings and Retirement Plan and Valspar Profit Sharing Plan.

Fidelity serves as the trustee of the Master Trust, and participants can choose among several investment options. Participants may change their investment elections and allocations daily in 1 percent increments. Participants are allowed to change their salary deferral percentages at any time.

The Plan's interest in the fair value of the Master Trust was 7.9 percent and 6.4 percent on December 31, 2008 and 2007, respectively. Investments of the Master Trust are determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not approximate these percent interests in returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 3. Investments in The Valspar Corporation Master Trust (Continued)

The net investment loss of the Master Trust for the year ended December 31, 2008, was as follows:

|   |                         |
|---|-------------------------|
| Dividends                                     | \$ 10,466,217           |
| Net depreciation in fair value of investments | <u>(145,422,707)</u>    |
|   | <u>\$ (134,956,490)</u> |

#### Note 4. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. The FASB has approved a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Plan partially adopted SFAS No. 157 in 2008, for its financial assets and financial liabilities. The partial adoption of SFAS No. 157 did not have a material impact on the Plan's financial position, results of operations and cash flows.

The framework established under SFAS No. 157 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## Valspar 401(k) Plan for Hourly Employees

### Notes to Financial Statements

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#### Note 4. Fair Value Measurements (Continued)

Loans to participants in the Plan have been classified as Level 3 within the fair value hierarchy. The table below sets forth a summary of changes in the fair value of the loans for the year ended December 31, 2008:

|                                |                     |
|--------------------------------|---------------------|
| Balance, beginning of year     | \$ 8,620,363        |
| Issuance and settlements (net) | 1,110,966           |
| Balance, end of year           | <u>\$ 9,731,329</u> |

#### Note 5. Transactions With Parties in Interest

Origination and record-keeping fees for participant loans are charged to the participants' individual accounts.

During the years ended December 31, 2008 and 2007, the Master Trust purchased approximately 1,054,000 shares and 1,328,000 shares of common stock of the Company at a cost of approximately \$20,171,000 and \$35,698,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$4,649,000 for the year ended December 31, 2008. These transactions are exempt party-in-interest transactions.

Certain Plan investments are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative fees paid to the Trustee also qualify as party-in-interest transactions.

#### Note 6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of the Plan's net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2008 and 2007:

|   | 2008                 | 2007                 |
|---|----------------------|----------------------|
| Net assets available for benefits per the financial statements  | \$ 32,244,944        | \$ 35,868,946        |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, end of year | (130,698)            | (15,556)             |
| Net assets available for benefits per Form 5500   | <u>\$ 32,114,246</u> | <u>\$ 35,853,390</u> |

The following is a reconciliation of the net decrease in net assets available for benefits before transfers per the financial statement to the Form 5500 for the year ended December 31, 2008:

|  |                       |
|--|-----------------------|
| Net decrease in net assets available for benefits per the financial statement before transfers                         | \$ (7,643,927)        |
| Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, beginning of year | 15,556                |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, end of year      | (130,698)             |
| Net decrease in net assets available for benefits per the Form 5500  | <u>\$ (7,759,069)</u> |

**McGladrey & Pullen**  
Certified Public Accountants

## **Valspar Profit Sharing Plan**

Financial Report  
December 31, 2008

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**Valspar Profit Sharing Plan**

**Statements of Net Assets Available for Benefits  
December 31, 2008 and 2007**

| <b>Assets</b>  | <b>2008</b>         | <b>2007</b>         |
|--|---------------------|---------------------|
| Investments, at fair value (Notes 3 and 4):  |                     |                     |
| Interest in The Valspar Corporation Master Trust   | \$ 6,738,100        | \$ 8,349,905        |
| Loans to participants  | 19,246              | 26,775              |
| <b>Total investments</b>   | <b>6,757,346</b>    | <b>8,376,680</b>    |
| Employer contributions receivable  | 34,169              | 82,195              |
| <b>Net assets available for benefits, at fair value</b>  | <b>6,791,515</b>    | <b>8,458,875</b>    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 79,698              | 8,910               |
| <b>Net assets available for benefits</b>   | <b>\$ 6,871,213</b> | <b>\$ 8,467,785</b> |

See Notes to Financial Statements.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 1. Description of the Plan

The following brief description of Valspar Profit Sharing Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions. Effective January 1, 2008, the board of directors of The Valspar Corporation (the Company) elected to change the plan name from The Valspar Profit Sharing Retirement Plan to Valspar Profit Sharing Plan.

**General:** The Company previously established the Plan to provide retirement and other benefits for all employees and beneficiaries. Currently, all employees of the Rockford, Illinois, facility who are not participants in a defined-benefit retirement plan sponsored by the Company are eligible to participate in the Plan upon satisfaction of the eligibility requirements. The Plan is a defined-contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company has appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Eligibility:** Under the Plan, employees must be employed in the Rockford, Illinois, facility, be covered by a collective bargaining agreement and have completed one hour of service. Participants must complete one year of service to share in the Company's contributions to the Plan.

**Contributions:** The Company annually determines the amount of the employer contributions. Certain employees are eligible for the cash option of the Plan. The cash option allows participants to choose to receive 4 percent of their compensation as a cash payment or to defer this amount as an employee contribution into the Plan. The employer can also make a discretionary contribution up to 6 percent of a participant's compensation. For the plan year ended December 31, 2008, the Company made a 5 percent discretionary contribution for all participants. Highly compensated and certain other employees are ineligible for the cash option and receive the guaranteed 4 percent of compensation along with their year-end discretionary contribution. All assets of the Plan are to be held for the exclusive benefit of the participants or their beneficiaries.

**Vesting:** Employee contributions vest immediately, and Company contributions vest after three years of service (except for instances when participants attain the normal retirement age or after reaching age 60, are terminated (i) on account of permanent disability or (ii) on account of elimination of the participant's job, or upon death, under which circumstances the participant becomes immediately vested).

Forfeitures resulting from the termination of plan participants with less than 100 percent vesting reduce the Company's contributions in the year of forfeiture. No forfeitures were applied against Company contributions for the year ended December 31, 2008. There were approximately \$122,000 and \$117,000 of forfeitures outstanding at December 31, 2008 and 2007, respectively.

**Investment options:** Participants currently have the option to allocate plan contributions among several investment options, including the common stock of the Company. All choices vary in types of investments, rates of return and investment risk. Participants may elect to have all or part of their account balances and future contributions invested in one fund, transferred to another fund, or in any combination.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Fully benefit-responsive investment contracts:** As provided in the Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value.

**Investment valuation and income recognition:** Investments in The Valspar Corporation Master Trust are stated at current fair value as determined by the Trustee, which holds the various investments. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income is recorded on the accrual basis. Realized gains and losses related to sales of investments are recorded on a trade-date basis. Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

**Tax status:** The Plan obtained its latest determination letter on February 27, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan Administrator believes the Plan, as currently designed, is being operated under the applicable requirements of the Code.

**Termination of the Plan:** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, all participants would become fully vested in their accounts.

#### Note 3. Investments in The Valspar Corporation Master Trust

Investments of the Plan, other than loans to participants, are held in The Valspar Corporation Master Trust (the Master Trust). The Master Trust also holds assets of Valspar Savings and Retirement Plan and Valspar 401(k) Plan for Hourly Employees.

Fidelity serves as the trustee of the Master Trust, and participants can choose among several investment options. Participants may change their investment elections and allocations daily in 1 percent increments. Participants are allowed to change their salary deferral percentages at any time.

The Plan's interest in the fair value of the Master Trust was 1.8 percent and 1.6 percent on December 31, 2008 and 2007, respectively. Investments of the Master Trust are determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not approximate these percent interests in the returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 3. Investments in The Valspar Corporation Master Trust (Continued)

The net investment loss of the Master Trust for the year ended December 31, 2008, was as follows:

|   |                         |
|---|-------------------------|
| Dividends                                     | \$ 10,466,217           |
| Net depreciation in fair value of investments | (145,422,707)           |
|   | <u>\$ (134,956,490)</u> |

#### Note 4. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. The FASB has approved a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Plan partially adopted SFAS No. 157 in 2008, for its financial assets and financial liabilities. The partial adoption of SFAS No. 157 did not have a material impact on the Plan's financial position, results of operations and cash flows.

The framework established under SFAS No. 157 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## Valspar Profit Sharing Plan

### Notes to Financial Statements

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#### Note 5. Transactions With Parties in Interest

Origination and record-keeping fees for participant loans are charged to the participants' individual accounts.

During the years ended December 31, 2008 and 2007, the Master Trust purchased approximately 1,054,000 shares and 1,328,000 shares of common stock of the Company at a cost of approximately \$20,171,000 and \$35,698,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$4,649,000 for the year ended December 31, 2008. These transactions are exempt party-in-interest transactions.

Certain Plan investments are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative fees paid to the Trustee also qualify as party-in-interest transactions.

#### Note 6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2008 and 2007:

|   | 2008                | 2007                |
|---|---------------------|---------------------|
| Net assets available for benefits per the financial statements  | \$ 6,871,213        | \$ 8,467,785        |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, end of year | (79,698)            | (8,910)             |
| Net assets available for benefits per Form 5500   | <u>\$ 6,791,515</u> | <u>\$ 8,458,875</u> |

The following is a reconciliation of the Plan's net decrease in net assets available for benefits before transfers per the financial statement to the Form 5500 for the year ended December 31, 2008:

|  |                       |
|--|-----------------------|
| Net decrease in net assets available for benefits per the financial statement before transfers                         | \$ (2,332,692)        |
| Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, beginning of year | 8,910                 |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, end of year      | (79,698)              |
| Net decrease in net assets available for benefits per the Form 5500  | <u>\$ (2,403,480)</u> |

**McGladrey & Pullen**  
Certified Public Accountants

## **Valspar Savings and Retirement Plan**

Financial Report  
December 31, 2008

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**Valspar Savings and Retirement Plan**

**Statements of Net Assets Available for Benefits  
December 31, 2008 and 2007**

| <b>Assets</b>   | <b>2008</b>           | <b>2007</b>           |
|---|-----------------------|-----------------------|
| Investments, at fair value (Notes 3 and 4):   |                       |                       |
| Interest in The Valspar Corporation Master Trust  | \$ 343,213,951        | \$ 480,950,286        |
| Loans to participants   | 7,536,504             | 6,404,492             |
| <b>Total investments</b>  | <b>350,750,455</b>    | <b>487,354,778</b>    |
| Employer contributions receivable   | 18,903,890            | 8,559,759             |
| <b>Net assets available for benefits, at fair value</b>   | <b>369,654,345</b>    | <b>495,914,537</b>    |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts (Note 2) | 2,328,756             | 416,671               |
| <b>Net assets available for benefits</b>  | <b>\$ 371,983,101</b> | <b>\$ 496,331,208</b> |

See Notes to Financial Statements.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 1. Description of the Plan

The following description of Valspar Savings and Retirement Plan (the Plan) provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions. Effective January 1, 2008, the board of directors of The Valspar Corporation (the Company) elected to change the plan name from The Valspar 401(k) Employee Stock Ownership Plan for Salaried Employees to Valspar Savings and Retirement Plan.

**General:** The Company established the Plan to provide retirement and other benefits for employees and their beneficiaries. The Plan is a defined-contribution plan that is available to salaried and hourly employees as defined in accordance with the Plan. The Plan is subject to the applicable provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Company has appointed Fidelity Management Trust Company (Fidelity or the Trustee) to be the trustee of the Plan.

**Eligibility:** Individuals become eligible to defer wages after the employee has completed one hour of service. Participants must complete one year of service to share in the Company's contributions to the Plan.

**Contributions:** Employees electing to participate in the Plan make voluntary contributions on a pretax or after-tax basis subject to certain limits. The Company has agreed to contribute an amount equal to 100 percent of the first 2 percent and 50 percent of the next 2 percent of each employee's contributions up to a maximum match of 3 percent of eligible wages. Additionally, the Company contributes a performance-based matching contribution if the Company meets certain targeted earnings as defined in accordance with the Plan. There was a 5 percent performance match for the year ended December 31, 2008. The Company also contributes a nonelective contribution of 4 percent of the participants' compensation.

**Vesting:** Employee and Company contributions vest immediately upon the participant completing one hour of service. A participant who is not credited with one hour of service after December 31, 2007, shall continue to be subject to the vesting rules of the prior plan document in effect at the time of the participant's termination.

Forfeitures resulting from the termination of plan participants with less than 100 percent vesting reduce the Company's contributions in the year of forfeiture. No forfeitures were applied against Company contributions for the year ended December 31, 2008. Total forfeitures outstanding at December 31, 2008, was approximately \$76,000. No forfeitures were outstanding at December 31, 2007.

**Investment options:** Participants currently have the option to allocate plan contributions among several investment options, including the common stock of the Company. All choices vary in types of investments, rates of return and investment risk. Participants may elect to have all or part of their account balances and future contributions invested in one fund, transferred to another fund, or in any combination.

**Participant accounts:** Each participant's account is credited with the participant's contributions, the Company's matching contributions, the Company's nonelective contribution, the Company's additional discretionary matching contributions, if any, and an allocation of plan earnings. Allocations are based on participants' earnings and account balances, as defined.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 2. Significant Accounting Policies (Continued)

**Fully benefit-responsive investment contracts:** As provided in the Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the FSP), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required by the FSP, the statements of net assets available for benefits present the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value.

**Investment valuation and income recognition:** Investments in The Valspar Corporation Master Trust are stated at current fair value as determined by the Trustee, which holds the various investments. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Interest income is recorded on the accrual basis. Realized gains and losses related to sales of investments are recorded on a trade-date basis. Investment income and expenses are allocated to the Plan based upon its pro rata share in the net assets of the Master Trust.

**Tax status:** The Plan obtained its latest determination letter on March 2, 2004, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (the Code). The Plan Administrator believes the Plan, as currently designed, is being operated under the applicable requirements of the Code.

**Termination of the Plan:** Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of termination, all participants would become fully vested in their accounts.

#### Note 3. Investments in The Valspar Corporation Master Trust

Investments of the Plan, other than loans to participants, are held in The Valspar Corporation Master Trust (the Master Trust). The Master Trust also holds assets of Valspar 401(k) Plan for Hourly Employees and Valspar Profit Sharing Plan.

Fidelity serves as the trustee of the Master Trust, and participants can choose among several investment options. Participants may change their investment elections and allocations daily in 1 percent increments. Participants are allowed to change their salary deferral percentages at any time.

The Plan's interest in the fair value of the Master Trust was 90.3 percent and 92.0 percent on December 31, 2008 and 2007, respectively. Investments of the Master Trust are determined on a unit-value basis as determined by Fidelity. The Plan's investment returns may not approximate these percent interests in the returns of the Master Trust due to the mix of Master Trust investments held by the Plan.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 3. Investments in The Valspar Corporation Master Trust (Continued)

The net investment loss of the Master Trust for the year ended December 31, 2008, was as follows:

|   |                         |
|---|-------------------------|
| Dividends                                     | \$ 10,466,217           |
| Net depreciation in fair value of investments | (145,422,707)           |
|   | <u>\$ (134,956,490)</u> |

#### Note 4. Fair Value Measurements

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS No. 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS No. 157, fair value measurements are disclosed by level within that hierarchy. The FASB has approved a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Plan partially adopted SFAS No. 157 in 2008, for its financial assets and financial liabilities. The partial adoption of SFAS No. 157 did not have a material impact on the Plan's financial position, results of operations and cash flows.

The framework established under SFAS No. 157 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## Valspar Savings and Retirement Plan

### Notes to Financial Statements

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#### Note 5. Transactions With Parties in Interest

Origination and record-keeping fees for participant loans are charged to the participants' individual accounts.

During the years ended December 31, 2008 and 2007, the Master Trust purchased approximately 1,054,000 shares and 1,328,000 shares of common stock of the Company at a cost of approximately \$20,171,000 and \$35,698,000, respectively. Dividends on common stock of the Company received by the Master Trust totaled approximately \$4,649,000 for the year ended December 31, 2008. These transactions are exempt party-in-interest transactions.

Certain Plan investments are shares of mutual funds managed by Fidelity. Fidelity is the Trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative fees paid to the Trustee also qualify as party-in-interest transactions.

#### Note 6. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2008 and 2007:

|   | 2008                  | 2007                  |
|---|-----------------------|-----------------------|
| Net assets available for benefits per the financial statements  | \$ 371,983,101        | \$ 496,331,208        |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, end of year | (2,328,756)           | (416,671)             |
| Net assets available for benefits per Form 5500   | <u>\$ 369,654,345</u> | <u>\$ 495,914,537</u> |

The following is a reconciliation of the net decrease in net assets available for benefits before transfers per the financial statement to the Form 5500 for the year ended December 31, 2008:

|  |                         |
|--|-------------------------|
| Net decrease in net assets available for benefits per the financial statement before transfers                         | \$ (119,592,062)        |
| Add: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, beginning of year | 416,671                 |
| Less: Adjustment from fair value to contract value for fully benefit-responsive investment contracts, end of year      | (2,328,756)             |
| Net decrease in net assets available for benefits per the Form 5500  | <u>\$ (121,504,147)</u> |