



**Rolf Engh**  
Executive Vice President  
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December 16, 2010

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T 612.851-7705      Ms. Elizabeth Murphy  
F 612.486-7979      Secretary  
reng@valspar.com    Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re:    Dodd-Frank Proposed Whistleblower Rules  
       File No. S7-33-10

Dear Ms. Murphy:

Please accept our comments on the proposed rules published by the U.S. Securities and Exchange Commission (the "Commission") to implement the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934.

While the Commission has acknowledged the value of corporate compliance and ethics programs, the proposed rules do not do enough to support and reinforce these programs. Modifications to the proposed rules are necessary to ensure that they do not have the effect of undermining corporate compliance systems and the ability to conduct thorough and balanced internal reviews. We strongly urge the Commission to reconsider the proposed rules and create a regulatory scheme that supports internal corporate compliance and reporting structures.

Specifically, the Commission could ensure internal compliance programs continue to play a vital role in deterring, detecting and remedying potential legal violations: 1) Require whistleblowers to first report alleged violations through a company's internal compliance program as a condition for eligibility for any financial award under the Act. 2) Require whistleblowers to wait ninety days before reporting to the Commission after reporting internally. 3) Impose *negative* consequences on whistleblowers for failure to report concerns via the internal compliance process before going to the Commission, e.g. making the failure to make an internal report a factor in determining the amount of the award (as opposed to a "permissible consideration"). 4) Require the whistleblower to provide evidence the corporation failed to appropriately respond to a concern raised via an internal compliance program. These revisions would promote a proper balance between supporting the continued vitality of internal compliance programs and implementing Congressional intent to reward good faith whistleblowers.

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We also urge the Commission to adopt a rule that disqualifies persons with legal, compliance, audit, supervisory or governance responsibilities from the definition of "whistleblower", unless a company does not disclose information about misconduct to the Commission within a "reasonable time" or otherwise proceeds in "bad faith." Additionally, the terms "reasonable time" and "bad faith" are vague and do not create any clear guidelines to determine when such persons would qualify as a whistleblower. The lack of clear guidelines and the possibility of large financial awards create potential conflicts of interest for those whose job it is to investigate and report misconduct. This proposal would eliminate the inherent conflict.

Finally, the proposed rules do not adequately address the fact that large financial incentives could motivate individuals to make false, incorrect or bad faith submissions. Unfounded allegations could lead to expensive and distracting investigations, which could cause irreparable damage to the reputations of the corporation or its employees. The proposed rules address this concern only in part by requiring whistleblowers to make declarations under oath and subject to penalties of perjury. We do not believe that the proposed rules go far enough to protect corporate and individual reputations. We urge the Commission to allow a corporation to seek stronger sanctions against an employee who willfully and in bad faith makes a complaint to the government that is wholly unfounded.

Thank you for the opportunity to submit comments regarding the Commission's proposed rules to implement the Whistleblower Provisions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rolf Engh', written in a cursive style.

Rolf Engh, Esq.  
Executive Vice President, General Counsel and Secretary