

VALHI INC /DE/  
Form DEF 14A  
April 28, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by Registrant:    
Filed by a Party other than the Registrant:

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

Valhi, Inc.  
(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

Edgar Filing: VALHI INC /DE/ - Form DEF 14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

Valhi, Inc.  
Three Lincoln Centre  
5430 LBJ Freeway, Suite 1700  
Dallas, Texas 75240-2697

April 28, 2009

To our Stockholders:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Valhi, Inc., which will be held on Thursday, May 28, 2009, at 10:00 a.m., local time, at our corporate offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas. The matters to be acted upon at the meeting are described in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Whether or not you plan to attend the meeting, please cast your vote as instructed on the enclosed proxy card or voting instruction form as promptly as possible to ensure that your shares are represented and voted in accordance with your wishes. Your vote, whether given by proxy or in person at the meeting, will be held in confidence by the inspector of election as provided in our bylaws.

Sincerely,

Steven L. Watson  
President and Chief Executive Officer

---

Valhi, Inc.  
Three Lincoln Centre  
5430 LBJ Freeway, Suite 1700  
Dallas, Texas 75240-2697

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held May 28, 2009

To the Stockholders of Valhi, Inc.:

The 2009 Annual Meeting of Stockholders of Valhi, Inc. will be held on Thursday, May 28, 2009, at 10:00 a.m., local time, at our corporate offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas, for the following purposes:

- (1) to elect the seven director nominees named in the proxy statement to serve until the 2010 Annual Meeting of Stockholders; and
- (2) to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The close of business on March 31, 2009 has been set as the record date for the meeting. Only holders of our common stock at the close of business on the record date are entitled to notice of, and to vote at, the meeting. A complete list of stockholders entitled to vote at the meeting will be available for examination during normal business hours by any of our stockholders, for purposes related to the meeting, for a period of ten days prior to the meeting at our corporate offices.

You are cordially invited to attend the meeting. Whether or not you plan to attend the meeting, please cast your vote as instructed on the enclosed proxy card or voting instruction form as promptly as possible to ensure that your shares are represented and voted in accordance with your wishes. If you choose, you may still vote in person at the meeting even though you previously cast your vote.

By Order of the Board of Directors,

A. Andrew R. Louis, Secretary

Dallas, Texas  
April 28, 2009

Important Notice Regarding the Availability of Proxy Materials for the  
Annual Stockholder Meeting to Be Held on May 28, 2009.

This proxy statement and annual report to stockholders (including Valhi's Annual Report on Form 10-K for the fiscal year ended December 31, 2008) are available at [www.valhi.info/investor](http://www.valhi.info/investor).

---

TABLE OF CONTENTS

TABLE OF CONTENTS

GLOSSARY OF TERMS

GENERAL INFORMATION

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

CONTROLLING STOCKHOLDER

SECURITY OWNERSHIP

Ownership of Valhi  
Ownership of Related Companies

ELECTION OF DIRECTORS

Nominees for Director

EXECUTIVE OFFICERS

CORPORATE GOVERNANCE

Controlled Company Status, Director Independence and Committees  
2008 Meetings and Standing Committees of the Board of Directors  
Audit Committee  
Management Development and Compensation Committee  
Executive Committee  
Non-Management and Independent Director Meetings  
Stockholder Proposals and Director Nominations for the 2010 Annual Meeting of Stockholders  
Communications with Directors  
Compensation Committee Interlocks and Insider Participation  
Code of Business Conduct and Ethics  
Corporate Governance Guidelines  
Availability of Corporate Governance Documents

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS AND OTHER INFORMATION

Compensation Discussion and Analysis  
Compensation Committee Report  
Summary of Cash and Certain Other Compensation of Executive Officers  
2008 Grants of Plan-Based Awards  
Outstanding Equity Awards at December 31, 2008  
Option Exercises and Stock Vested  
Pension Benefits  
Nonqualified Deferred Compensation  
Director Compensation

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

CERTAIN RELATIONSHIPS AND TRANSACTIONS

Related Party Transaction Policy  
Relationships with Related Parties  
Intercorporate Services Agreements  
Insurance Matters  
Tax Matters  
Provision of Utility Services to TIMET  
CompX Loan from TFMC  
Simmons Family Matters

AUDIT COMMITTEE REPORT

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM MATTERS

Independent Registered Public Accounting Firm  
Fees Paid to PricewaterhouseCoopers LLP  
Preapproval Policies and Procedures

OTHER MATTERS

2008 ANNUAL REPORT ON FORM 10-K

ADDITIONAL COPIES

---

GLOSSARY OF TERMS

“CDCT” means the Contran Amended and Restated Deferred Compensation Trust, an irrevocable “rabbi trust” established by Contran to assist it in meeting certain deferred compensation obligations that it owes to Harold C. Simmons.

“CMRT” means The Combined Master Retirement Trust, a trust Contran sponsors that permits the collective investment by master trusts that maintain assets of certain employee defined benefit plans Contran and related entities adopt.

“Computershare” means Computershare Investor Services, L.L.C., our stock transfer agent and registrar.

“CompX” means CompX International Inc., one of our publicly held subsidiaries that manufactures security products, furniture components and performance marine components.

“Contran” means Contran Corporation, the parent corporation of our consolidated tax group.

“Dixie Rice” means Dixie Rice Agricultural Corporation, Inc., one of our parent corporations.

“EWI” means EWI RE, Inc., a reinsurance brokerage and risk management company wholly owned by NL.

“FAS 123R” means Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment.

“Foundation” means the Harold Simmons Foundation, Inc., a tax-exempt foundation organized for charitable purposes.

“independent directors” means the following directors: Norman S. Edelcup, Thomas E. Barry and W. Hayden McIlroy.

“ISA” means an intercorporate services agreement between Contran and a related company pursuant to which employees of Contran provide certain services, including executive officer services, to such related company on a fixed fee basis.

“Keystone” means Keystone Consolidated Industries, Inc., one of our publicly held sister corporations that manufactures steel fabricated wire products, industrial wire, bar products, billets and wire rod.

“Kronos Worldwide” means Kronos Worldwide, Inc., one of our publicly held subsidiaries that is an international manufacturer of titanium dioxide pigments.

“named executive officer” means any person named in the Summary Compensation table in this proxy statement.

“NL” means NL Industries, Inc., one of our publicly held subsidiaries that is a diversified holding company with principal investments in Kronos Worldwide and CompX.

“non-management directors” means the following directors who are not one of our executive officers: Norman S. Edelcup, Thomas E. Barry, W. Hayden McIlroy and J. Walter Tucker, Jr.

“NYSE” means the New York Stock Exchange.

“PwC” means PricewaterhouseCoopers LLP, our independent registered public accounting firm.



“record date” means the close of business on March 31, 2009, the date our board of directors set for the determination of stockholders entitled to notice of and to vote at the 2009 annual meeting of our stockholders.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Tall Pines” means Tall Pines Insurance Company, an indirect wholly owned captive insurance subsidiary of ours.

“TFMC” means TIMET Finance Management Company, a wholly owned subsidiary of TIMET.

“TIMET” means Titanium Metals Corporation, one of our publicly held sister corporations that is an integrated producer of titanium metals products and that through March 31, 2007 we accounted for on our financial statements using the equity method.

“Tremont” means Tremont LLC, one of our wholly owned subsidiaries.

“Valhi,” “us,” “we” or “our” means Valhi, Inc.

“VHC” means Valhi Holding Company, one of our parent corporations.

“WCS” means Waste Control Specialists LLC, an indirect privately held subsidiary of ours that is engaged in the waste management industry.

Table of Contents

---

Valhi, Inc.  
Three Lincoln Centre  
5430 LBJ Freeway, Suite 1700  
Dallas, Texas 75240-2697

## PROXY STATEMENT

### GENERAL INFORMATION

This proxy statement and the accompanying proxy card or voting instruction form are being furnished in connection with the solicitation of proxies by and on behalf of our board of directors for use at our 2009 Annual Meeting of Stockholders to be held on Thursday, May 28, 2009 and at any adjournment or postponement of the meeting. The accompanying notice of annual meeting of stockholders sets forth the time, place and purposes of the meeting. The notice, this proxy statement, the accompanying proxy card or voting instruction form and our 2008 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, are first being mailed on or about April 28, 2009 to the holders of our common stock at the close of business on March 31, 2009. Our principal executive offices are located at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

Please refer to the Glossary of Terms on page ii for the definitions of certain capitalized or other terms used in this proxy statement.

### QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q: What is the purpose of the annual meeting?

A: At the annual meeting, stockholders will vote on the election of the seven directors named in this proxy statement and any other matter that may properly come before the meeting.

Q: How does the board recommend that I vote?

A: The board of directors recommends that you vote FOR each of the nominees for director named in this proxy statement.

Q: Who is allowed to vote at the annual meeting?

A: The board of directors has set the close of business on March 31, 2009 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting. Only holders of record of our common stock as of the close of business on the record date are entitled to vote at the meeting. On the record date, 113,599,955 shares of our common stock were issued and outstanding. Each share of our common stock entitles its holder to one vote.

Q: How do I vote?

A: If your shares are held by a bank, broker or other nominee (i.e., in "street name"), you must follow the instructions from your nominee on how to vote your shares.

If you are a stockholder of record, you may:

- vote over the internet at [www.investorvote.com/VHI](http://www.investorvote.com/VHI);
- vote over the telephone by using the voting procedures set forth on the proxy card;

Table of Contents

---

- instruct the agents named on the proxy card how to vote your shares by completing, signing and mailing the enclosed proxy card in the envelope provided; or

- vote in person at the annual meeting.

If you execute a proxy card but do not indicate how you would like your shares voted for one or more of the director nominees named in this proxy statement, the agents will vote FOR the election of each such director nominee and, to the extent allowed by applicable law, in the discretion of the agents on any other matter that may properly come before the meeting.

Q: Who will count the votes?

A: The board of directors has appointed Computershare, our transfer agent and registrar, to receive proxies and ballots, ascertain the number of shares represented, tabulate the vote and serve as inspector of election for the meeting.

Q: Is my vote confidential?

A: Yes. All proxy cards, ballots or voting instructions delivered to Computershare will be kept confidential in accordance with our bylaws.

Q: May I change or revoke my proxy or voting instructions?

A: If you are a stockholder of record, you may change or revoke your proxy instructions in any of the following ways:

- delivering to Computershare a written revocation;
- submitting another proxy card bearing a later date;
- changing your vote on [www.investorvote.com/VHI](http://www.investorvote.com/VHI);
- using the telephone voting procedures set forth on the proxy card; or
- voting in person at the meeting.

If your shares are held by a bank, broker or other nominee, you must follow the instructions from your nominee on how to change or revoke your voting instructions.

Q: What constitutes a quorum?

A: A quorum is the presence, in person or by proxy, of the holders of a majority of the outstanding shares of our common stock entitled to vote at the meeting. Under the applicable rules of the NYSE and the SEC, brokers or other nominees holding shares of record on behalf of a client who is the actual beneficial owner of such shares are authorized to vote on certain routine matters without receiving instructions from the beneficial owner of the shares. If such a broker/nominee who is entitled to vote on a routine matter delivers an executed proxy card and votes on some matters and not others, a matter not voted on is referred to in this proxy statement as a "broker/nominee non-vote." Abstentions, votes withheld from a director nominee and broker/nominee non-votes will be counted as being in attendance at the meeting for purposes of determining whether a quorum is present.

Q: Assuming a quorum is present, what vote is required to elect a director nominee or approve any other matter?

A:

A plurality of the affirmative votes of the holders of our outstanding shares of common stock represented and entitled to be voted at the meeting is necessary to elect each director nominee named in this proxy statement. The accompanying proxy card or voting instruction form provides space for you to withhold authority to vote for any of such director nominees. The election of directors is a routine matter on which a broker/nominee has discretionary authority to vote if such broker/nominee does not receive voting instructions from the beneficial holder of the shares to be voted. Neither shares as to which the authority to vote on the election of directors has been withheld nor broker/nominee non-votes will be counted as affirmative votes to elect director nominees. However, since director nominees need only receive the plurality of the affirmative votes from the holders represented and entitled to vote at the meeting to be elected, a vote withheld or a broker/nominee non-vote regarding a particular nominee will not affect the election of such director nominee.

Table of Contents

---

Except as applicable laws may otherwise provide, the approval of any other matter that may properly come before the meeting will require the affirmative votes of the holders of a majority of the outstanding shares represented and entitled to vote at the meeting. Abstentions and broker/nominee non-votes will not be counted as votes for or against any such other matter.

Q: Who will pay for the cost of soliciting the proxies?

A: We will pay all expenses related to the solicitation, including charges for preparing, printing, assembling and distributing all materials delivered to stockholders. In addition to the solicitation by mail, our directors, officers and regular employees may solicit proxies by telephone or in person for which such persons will receive no additional compensation. Upon request, we will reimburse banking institutions, brokerage firms, custodians, trustees, nominees and fiduciaries for their reasonable out-of-pocket expenses incurred in distributing proxy materials and voting instructions to the beneficial owners of our common stock that such entities hold of record.

#### CONTROLLING STOCKHOLDER

VHC directly held approximately 92.6% of the outstanding shares of our common stock as of the record date. VHC has indicated its intention to have its shares of our common stock represented at the meeting and voted FOR the election of each of the director nominees named in this proxy statement. If VHC attends the meeting in person or by proxy and votes as indicated, the meeting will have a quorum present and the stockholders will elect all the nominees to the board of directors named in this proxy statement.

#### Table of Contents

---

## SECURITY OWNERSHIP

Ownership of Valhi. The following table and footnotes set forth as of the record date the beneficial ownership, as defined by regulations of the SEC, of our common stock held by each individual, entity or group known by us to own beneficially more than 5% of the outstanding shares of our common stock, each director, each named executive officer and all of our directors and executive officers as a group. See footnote 4 below for information concerning the relationships of certain individuals and entities that may be deemed to own indirectly and beneficially more than 5% of the outstanding shares of our common stock. All information is taken from or based upon ownership filings made by such individuals or entities with the SEC or upon information provided by such individuals or entities.

Name of Beneficial Owner	Valhi Common Stock	
	Amount and Nature of Beneficial Ownership (1)	Percent of Class (1)(2)
H a r o l d C . S i m m o n s (3)	154,838(4)	*
V a l h i H o l d i n g C o m p a n y (3)	105,140,163(4)	92.6%
T I M E T F i n a n c e M a n a g e m e n t C o m p a n y (3)	1,257,943(4)	1.1%
H a r o l d S i m m o n s F o u n d a t i o n , I n c . (3)	1,006,500(4)	*
A n n e t t e C . S i m m o n s (3)	200,900(4)	*
T h e C o m b i n e d M a s t e r R e t i r e m e n t T r u s t (3)	115,000(4)	*
T h e A n n e t t e S i m m o n s G r a n d c h i l d r e n ' s T r u s t (3)	34,000(4)	*
	107,909,344(4)	95.0%
T h o m a s E . Barry	13,000	*
N o r m a n S . Edelcup	38,000	*
W . H a y d e n McIlroy	5,500	*
G l e n n R . Simmons	15,652(4)(5)	*
J . W a l t e r T u c k e r , Jr.	253,725(4)(6)	*
S t e v e n L . Watson	28,246(4)	*
W i l l i a m J . Lindquist	30,000(4)(7)	*
R o b e r t D . Graham	-0-(4)	-0-
B o b b y D . O'Brien	30,000(4)(7)	*
All our directors and executive officers as a group (15 persons)	108,524,633(4)(5)(6)(7)	95.3%

\* Less than 1%.

- (1) Except as otherwise noted, the listed entities, individuals or group have sole investment power and sole voting power as to all shares set forth opposite their names. The number of shares and percentage of ownership for each individual or group assumes the exercise by such individual or group (exclusive of others) of stock options that such individual or group may exercise within 60 days subsequent to the record date.
- (2) The percentages are based on 113,599,955 shares of our common stock outstanding as of the record date. NL and a wholly owned subsidiary of NL directly own 3,604,790 and 1,186,200 shares of our common stock, respectively. NL is one of our majority owned subsidiaries and pursuant to Delaware law we treat these shares as treasury stock for voting purposes. For the purposes of calculating the percentage ownership of the outstanding shares of our common stock as of the record date in this proxy statement, such shares are not deemed outstanding.
- (3) The business address of VHC, the Foundation, the CMRT, Harold C. and Annette C. Simmons and The Annette Simmons Grandchildren's Trust is Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697. The business address of TFMC is 1007 Orange Street, Suite 1400, Wilmington, Delaware 19801.
- (4) TIMET is the direct holder of 100% of the outstanding shares of TFMC common stock. VHC, Annette C. Simmons, the CMRT, Harold C. Simmons, NL, we, the CDCT and the Foundation are the holders of approximately 26.1%, 12.1%, 8.5%, 4.2%, 0.8%, 0.5%, 0.4% and 0.2%, respectively, of the outstanding shares of TIMET common stock. NL's percentage ownership of TIMET common stock includes approximately 0.3% directly held by a wholly owned subsidiary of NL.

Dixie Rice is the direct holder of 100% of the outstanding common stock of VHC. Contran is the beneficial holder of 100% of the outstanding common stock of Dixie Rice.

Table of Contents

---



Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is the sole trustee, or held by Mr. Simmons or persons or other entities related to Mr. Simmons. As sole trustee of these trusts, Mr. Simmons has the power to vote and direct the disposition of the shares of Contran stock held by these trusts. Mr. Simmons, however, disclaims beneficial ownership of any Contran shares these trusts hold.

The Foundation directly holds approximately 0.2% of the outstanding shares of TIMET common stock and 0.9% of the outstanding shares of our common stock. The Foundation is a tax-exempt foundation organized for charitable purposes. Harold C. Simmons is the chairman of the board of the Foundation

The CDCT directly holds approximately 0.4% of the outstanding shares of TIMET common stock. U.S. Bank National Association serves as the trustee of the CDCT. Contran established the CDCT as an irrevocable "rabbi trust" to assist Contran in meeting certain deferred compensation obligations that it owes to Harold C. Simmons. If the CDCT assets are insufficient to satisfy such obligations, Contran must satisfy the balance of such obligations. Pursuant to the terms of the CDCT, Contran retains the power to vote the shares held by the CDCT, retains dispositive power over such shares and may be deemed the indirect beneficial owner of such shares.

The CMRT directly holds approximately 8.5% of the outstanding shares of TIMET common stock and approximately 0.1% of the outstanding shares of our common stock. Contran sponsors this trust to permit the collective investment by master trusts that maintain assets of certain employee defined benefit plans Contran and related entities adopt. Harold C. Simmons is the sole trustee of this trust and a member of the investment committee for this trust. J. Walter Tucker, Jr. is also a member of this trust's investment committee. Contran's board of directors selects the trustee and members of this trust's investment committee. All of our executive officers are participants in one or more of the employee defined benefit plans that invest through this trust. Each of such persons disclaims beneficial ownership of any of the shares this trust holds, except to the extent of his or her individual vested beneficial interest, if any, in the plan assets this trust holds.

Harold C. Simmons is chairman of the board and chief executive officer of NL and the chairman of the board of each of Kronos Worldwide, TIMET, Valhi, VHC, Dixie Rice and Contran.

By virtue of the holding of the offices, the stock ownership and his services as trustee, all as described above, (a) Harold C. Simmons may be deemed to control certain of such entities and (b) Mr. Simmons and certain of such entities may be deemed to possess indirect beneficial ownership of shares directly held by certain of such other entities. However, Mr. Simmons disclaims beneficial ownership of the shares beneficially owned, directly or indirectly, by any of such entities, except to the extent of his vested beneficial interest, if any, in shares held by the CDCT or the CMRT. Mr. Simmons disclaims beneficial ownership of all shares of our common stock beneficially owned, directly or indirectly, by VHC, TFMC, the Foundation, the CMRT or NL or its subsidiaries.

All of our directors or executive officers who are also directors or executive officers of VHC, TFMC, the Foundation or their parent companies disclaim beneficial ownership of the shares of our common stock that such companies directly or indirectly hold.

Annette C. Simmons is the wife of Harold C. Simmons. She is the direct owner of 269,775 shares of NL common stock, 21,825,875 shares of TIMET common stock and 200,900 shares of our common stock. Mr. Simmons may be deemed to share indirect beneficial ownership of such shares. Mr. Simmons disclaims all such beneficial ownership.

The Annette Simmons Grandchildren's Trust, a trust of which Harold C. Simmons and Annette C. Simmons are co-trustees and the beneficiaries of which are the grandchildren of Annette C. Simmons, is the direct holder of 17,432 shares of TIMET common stock and 34,000 shares of our common stock. Mr. Simmons, as co-trustee of this trust, has the power to vote and direct the disposition of the shares this trust directly holds. Mr. Simmons disclaims beneficial ownership of any shares that this trust holds.

Harold C. Simmons is the direct owner of 880,600 shares of NL common stock, 7,549,737 shares of TIMET common stock and 154,838 shares of our common stock.

Contran is the sole owner of our 6% series A preferred stock and a trust related to Harold C. Simmons is the sole owner of VHC's 2% convertible preferred stock. Messrs. Harold and Glenn Simmons and Watson each hold of record one director qualifying share of Dixie Rice.

VHC has pledged 120,000 shares of our common stock as security and 42,304,992 shares of TIMET common stock as security. Shares owned by Contran or its related entities or their executive officers or directors may be held in margin accounts at brokerage firms. Under the terms of the margin account agreements, stocks and other assets held in these accounts may be pledged to secure margin obligations under these accounts.

Table of Contents

---

Edgar Filing: VALHI INC /DE/ - Form DEF 14A

The business address of Contran and TIMET is Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697. The business address of Dixie Rice is 600 Pasquiere Street, Gueydan, Louisiana 70542.

- (5) The shares of common stock shown as beneficially owned by Glenn R. Simmons include 1,500 shares his wife holds and 1,100 shares she holds in her retirement account, with respect to all of which shares he disclaims beneficial ownership.
- (6) The shares of common stock shown as beneficially owned by J. Walter Tucker, Jr. include 200,000 shares his wife holds, with respect to which he disclaims beneficial ownership, and 19,035 shares held by a corporation of which he is the sole stockholder.
- (7) The shares of our common stock shown as beneficially owned by such person or group include the following number of shares such person or group has the right to acquire upon the exercise of stock options that such person or group may exercise within 60 days subsequent to the record date:

Name of Beneficial Owner	Shares of our Common Stock Issuable Upon the Exercise of Stock Options On or Before May 30, 2009
W i l l i a m J .	30,000
Lindquist	
B o b b y D .	30,000
O'Brien	
All our other executive officers as a group (5 persons)	200,000

We understand that Contran and related entities may consider acquiring or disposing of shares of our common stock through open market or privately negotiated transactions, depending upon future developments, including, but not limited to, the availability and alternative uses of funds, the performance of our common stock in the market, an assessment of our business and prospects, financial and stock market conditions and other factors deemed relevant by such entities. We may similarly consider acquisitions of shares of our common stock and acquisitions or dispositions of securities issued by related entities.

[Table of Contents](#)

---

Ownership of Related Companies. Some of our directors and executive officers own equity securities of several companies related to us.

Ownership of Kronos Worldwide and NL. The following table and footnotes set forth the beneficial ownership, as of the record date, of the shares of Kronos Worldwide and NL common stock held by each of our directors, each named executive officer and all of our directors and executive officers as a group. All information is taken from or based upon ownership filings made by such individuals or entities with the SEC or upon information provided by such individuals or entities.

Name of Beneficial Owner	Kronos Worldwide Common Stock		NL Common Stock	
	Amount and Nature of Beneficial Ownership (1)	Percent of Class (1)(2)	Amount and Nature of Beneficial Ownership (1)	Percent of Class (1)(3)
Harold C. Simmons	196,267(4)	*	880,600(4)	1.8%
Valhi, Inc.	28,995,021(4)	59.2%	40,387,531(4)	83.1%
NL Industries, Inc.	17,609,635(4)	36.0%	n/a	n/a
TIMET Finance Management Company	77,903(4)	*	222,100(4)	*
Annette C. Simmons	49,856(4)	*	269,775(4)	*
	46,928,682(4)	95.9%	41,760,006(4)	85.9%
Thomas E. Barry	-0-(4)	-0-	-0-(4)	-0-
Norman S. Edelcup	-0-(4)	-0-	-0-(4)	-0-
W. Hayden McIlroy	-0-(4)	-0-	-0-(4)	-0-
Glenn R. Simmons	10,938(4)	*	2,000(4)	*
J. Walter Tucker, Jr.	-0-(4)	-0-	-0-(4)	-0-
Steven L. Watson	10,633(4)	*	12,000(4)	*
William J. Lindquist	-0-(4)	-0-	-0-(4)	-0-
Robert D. Graham	-0-(4)	-0-	-0-(4)	-0-
Bobby D. O'Brien	-0-(4)	-0-	-0-(4)	-0-
All our directors and executive officers as a group (15 persons)	46,950,514(4)	95.9%	41,774,506(4)	86.0%

\* Less than 1%.

- (1) Except as otherwise noted, the listed entities, individuals or group have sole investment power and sole voting power as to all shares set forth opposite their names.
- (2) The percentages are based on 48,960,049 shares of Kronos Worldwide common stock outstanding as of the record date.
- (3) The percentages are based on 48,602,584 shares of NL common stock outstanding as of the record date.
- (4) See footnotes 2 and 4 to the Ownership of Valhi table above for a description of certain relationships among the individuals, entities or groups appearing in this table. All of our directors or executive officers disclaim beneficial ownership of any shares of Kronos Worldwide or NL common stock that we directly or indirectly hold.

Other than the securities he holds directly, Harold C. Simmons disclaims beneficial ownership of any and all securities that his wife, Annette C. Simmons, directly or indirectly owns.

We have pledged 19,987,305 shares of Kronos Worldwide common stock as security. Shares owned by Contran or its related entities or their executive officers or directors may be held in margin accounts at brokerage firms. Under the terms of the margin account agreements, stocks and other assets held in these accounts may be pledged to secure margin obligations under these accounts.

Table of Contents

---

Edgar Filing: VALHI INC /DE/ - Form DEF 14A

Ownership of CompX. The following table and footnotes set forth the beneficial ownership, as of the record date, of the CompX class A and B common stock held by each of our directors, each named executive officer and all of our directors and executive officers as a group. All information is taken from or based upon ownership filings made by such individuals or entities with the SEC or upon information provided by such individuals or entities.

Beneficial Owner	CompX Class A Common Stock		CompX Class B Common Stock (1)		CompX Class A and Class B Common Stock Combined
	Amount and Nature of Beneficial Ownership (2)	Percent of Class (2)(3)	Amount and Nature of Beneficial Ownership (2)	Percent of Class (2)(3)	Percent of Class (2)(3)
Harold C. Simmons	311,405(4)	13.2%	-0-(4)	-0-	2.5%
NL Industries, Inc.	755,104(4)	32.0%	10,000,000(4)	100.0%	87.0%
Annette C. Simmons	20,000(4)	*	-0-(4)	-0-	*
	1,086,509(4)	46.0%	10,000,000(4)	100.0%	89.7%
Thomas E. Barry	-0-(4)	-0-	-0-(4)	-0-	-0-
Norman S. Edelcup	5,500(4)	*	-0-(4)	-0-	*
W. Hayden McIlroy	-0-(4)	-0-	-0-(4)	-0-	-0-
Glenn R. Simmons	30,000(4)(5)(6)	1.3%	-0-(4)	-0-	*
J. Walter Tucker, Jr.	-0-(4)	-0-	-0-(4)	-0-	-0-
Steven L. Watson	15,500(4)(5)	*	-0-(4)	-0-	*
William J. Lindquist	-0-(4)	-0-	-0-(4)	-0-	-0-
Robert D. Graham	-0-(4)	-0-	-0-(4)	-0-	-0-
Bobby D. O'Brien	300(4)	*	-0-(4)	-0-	*
All our directors and executive officers as a group (15 persons)	1,138,009(4)(5)(6)	48.0%	10,000,000(4)	100.0%	90.0%

\* Less than 1%.

- (1) Each share of CompX class B common stock entitles the holder to one vote on all matters except the election of directors, on which each share is entitled to ten votes. In certain instances, shares of CompX class B common stock are automatically convertible into shares of CompX class A common stock.
- (2) Except as otherwise noted, the listed entities, individuals or group have sole investment power and sole voting power as to all shares set forth opposite their names. The number of shares and percentage of ownership for each individual or group assumes the exercise by such individual or group (exclusive of others) of stock options that such individual or group may exercise within 60 days subsequent to the record date.
- (3) The percentages are based on 2,361,307 shares of CompX class A common stock outstanding as of the record date and 10,000,000 shares of CompX class B common stock outstanding as of the record date.
- (4) See footnotes 2 and 4 to the Ownership of Valhi table above and footnote 4 to the Ownership of Kronos Worldwide and NL table above for a description of certain relationships among the individuals, entities or groups appearing in this table. All of our directors or executive officers disclaim beneficial ownership of any shares of

CompX class A or class B common stock that that we directly or indirectly own.

Other than the securities he holds directly, Harold C. Simmons disclaims beneficial ownership of any and all securities that his wife, Annette C. Simmons, directly or indirectly owns.

Table of Contents

---

(5) The shares of CompX class A common stock shown as beneficially owned by such person or group include the following number of shares such person or group has the right to acquire upon the exercise of stock options that such person or group may exercise within 60 days subsequent to the record date:

Name of Beneficial Owner	Shares of CompX Class A Common Stock Issuable Upon the Exercise of Stock Options On or Before May 30, 2009
Simmons	G l e n n R .6,000
Watson	S t e v e n L .6,000

(6) The shares of CompX class A common stock shown as beneficially owned by Glenn R. Simmons include 500 shares his wife holds, with respect to which he disclaims beneficial ownership.

Table of Contents

---



## ELECTION OF DIRECTORS

Our bylaws provide that the board of directors shall consist of one or more members as determined by our board of directors or stockholders. The board of directors has currently set the number of directors at seven and recommends the seven director nominees named in this proxy statement for election at our 2009 annual stockholder meeting. The directors elected at the meeting will hold office until our 2010 Annual Meeting of Stockholders and until their successors are duly elected and qualified or their earlier removal or resignation.

All of the nominees are currently members of our board of directors whose terms will expire at the meeting. All of the nominees have agreed to serve if elected. If any nominee is not available for election at the meeting, the agents named on the proxy card will vote FOR an alternate nominee to be selected by the board of directors, unless the stockholder executing such proxy card withholds authority to vote for such nominee. The board of directors believes that all of its nominees will be available for election at the meeting and will serve if elected.

### THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE FOLLOWING NOMINEES FOR DIRECTOR.

Nominees for Director. The respective nominees have provided the following information.

Thomas E. Barry, age 66, has served on our board of directors since 2000. Dr. Barry is vice president for executive affairs at Southern Methodist University and has been a professor of marketing in the Edwin L. Cox School of Business at Southern Methodist University since prior to 2004. He is a member of our audit committee and management development and compensation committee and a director of Keystone and a member of its audit committee and management development and compensation committee.

Norman S. Edelcup, age 73, has served on our or certain of our predecessors' boards of directors since 1975. Since prior to 2004, he has served as mayor of Sunny Isles Beach, Florida. He also serves as a trustee for the Baron Funds, a mutual fund group. Since 2007, he has served as a director of Marquis Bank located in North Miami Beach, Florida. From 2001 to 2004, Mr. Edelcup served as senior vice president of Florida Savings Bancorp. He served as senior vice president of Item Processing of America, Inc., a processing service bureau, from 1999 to 2000 and as chairman of the board from 1989 to 1998. Mr. Edelcup is a certified public accountant and served as senior vice president and chief financial officer of Avatar Holdings, Inc. (formerly GAC Corporation), a real estate development firm, from 1976 to 1983; vice chairman of the board, senior vice president and chief financial officer of Keller Industries, Inc., a building products manufacturer, from 1968 to 1976; and as a senior accountant with Arthur Andersen & Co., a public accounting firm, from 1958 to 1962. He is chairman of both our audit committee and management development and compensation committee and is also a CompX director and chairman of its audit committee.

W. Hayden McIlroy, age 69, has served on our board of directors since 2004. He is a private investor, primarily in real estate. From 1975 to 1986, Mr. McIlroy was the owner and chief executive officer of McIlroy Bank and Trust in Fayetteville, Arkansas. He also founded other businesses, primarily in the food and agricultural industries. Mr. McIlroy is a member of our audit committee.

Glenn R. Simmons, age 81, has served on our or certain of our predecessors' boards of directors since 1980. Mr. Simmons has been vice chairman of the board of us and Contran and chairman of the board of CompX and Keystone since prior to 2004. He also serves on the board of directors of Kronos Worldwide, NL and TIMET. In 2004, Keystone filed a voluntary petition for reorganization under federal bankruptcy laws and emerged from the bankruptcy proceedings in 2005. Mr. Simmons has been an executive officer or director of various companies related to us and Contran since 1969. He is a member of our executive committee and a brother of Harold C. Simmons.

Harold C. Simmons, age 77, has served on our or certain of our predecessors' boards of directors since 1980. Mr. Simmons has been chairman of the board of us, Contran and Kronos Worldwide and chairman of the board and chief executive officer of NL since prior to 2004. He was our chief executive officer in 2002 and prior years. Mr. Simmons served as chief executive officer of Kronos Worldwide from prior to 2004 to February 2009. He also has served as chairman of the board of TIMET since 2005, its chief executive officer from 2005 to 2006 and its vice chairman of the board from 2004 to 2005. Mr. Simmons has been an executive officer or director of various companies related to us and Contran since 1961. He serves as chairman of our executive committee and is a brother of Glenn R. Simmons.

Table of Contents

---

J. Walter Tucker, Jr., age 83, has served on our or certain of our predecessors' boards of directors since 1982. Mr. Tucker has been the president, treasurer and a director of Tucker & Branham, Inc., a mortgage banking, insurance and real estate company since prior to 2004. From prior to 2004 to 2005, he served as vice chairman of the board of Keystone. In 2004, Keystone filed a voluntary petition for reorganization under federal bankruptcy laws and emerged from the bankruptcy proceedings in 2005. Mr. Tucker has been an executive officer or director of various companies related to us and Contran since 1982.

Steven L. Watson, age 58, has served on our board of directors since 1998. Mr. Watson has been our chief executive officer since 2002 and our and Contran's president and a director of Contran since prior to 2004. He has also served as chief executive officer of Kronos Worldwide since February 2009 and its vice chairman of the board since 2004 and chief executive officer of TIMET since 2006 and its vice chairman of the board of TIMET since 2005. Mr. Watson is also a director of CompX, Keystone and NL. Mr. Watson has served as an executive officer or director of various companies related to us and Contran since 1980. Mr. Watson serves as a member of our executive committee.

#### EXECUTIVE OFFICERS

Set forth below is certain information relating to our executive officers. Each executive officer serves at the pleasure of the board of directors. Biographical information with respect to Harold C. Simmons, Glenn R. Simmons and Steven L. Watson is set forth under the Nominees for Director subsection above.

Name	Age	Position(s)
Harold C. Simmons	77	Chairman of the Board
Glenn R. Simmons	81	Vice Chairman of the Board
Steven L. Watson	58	President and Chief Executive Officer
William J. Lindquist	52	Senior Vice President
Robert D. Graham	53	Vice President
J. Mark Hollingsworth	57	Vice President and General Counsel
Kevin D. Luttmer	45	Vice President and Tax Director
Bob D. O'Brien	51	Vice President and Chief Financial Officer
John A. St. Wrba	52	Vice President and Treasurer
Gregory M. Swalwell	52	Vice President and Controller
A. Andrew R. Louis	48	Secretary

William J. Lindquist has served as senior vice president of us and Contran, and a director of Contran, since prior to 2004. Since 2007, he has also served as the chief executive officer of WCS. Mr. Lindquist has served as an executive officer or director of various companies related to us and Contran since 1980.

Robert D. Graham has served as vice president of us and Contran since 2002. Mr. Graham also has served as vice president and general counsel of Kronos Worldwide and NL since prior to 2004, executive vice president of TIMET since 2006 and its vice president from 2004 to 2006.

J. Mark Hollingsworth has served as vice president and general counsel of us and Contran and general counsel of CompX and acting general counsel of Keystone since prior to 2004. He has served as vice president of CompX since 2007. Mr. Hollingsworth has served as legal counsel of various companies related to us and Contran since 1983.

Kelly D. Luttmer has served as vice president of us, CompX, Contran, Kronos Worldwide and NL since 2004, vice president and tax director of TIMET since 2006 and tax director of us, CompX, Contran, Kronos Worldwide and NL since prior to 2004. Ms. Luttmer has served in tax accounting positions with various companies related to us and Contran since 1989.

Table of Contents

---

Bobby D. O'Brien has served as our chief financial officer since 2002, president of TIMET since 2007 and vice president of us and Contran since prior to 2004. From 2006 to 2007, he served as executive vice president and chief financial officer of TIMET and vice president of TIMET from 2004 to 2006. From prior to 2004 until 2005 and 2004, he served as treasurer of us and Contran, respectively. Mr. O'Brien has served in financial and accounting positions with various companies related to us and Contran since 1988.

John A. St. Wrba has served as our vice president and treasurer and TIMET's treasurer since 2005, vice president of TIMET and Contran since 2004 and NL since prior to 2004. He has also served as vice president of Kronos Worldwide since 2004 and treasurer of Kronos Worldwide since prior to 2004.

Gregory M. Swalwell has served as vice president and controller of us and Contran since 1998, chief financial officer of Kronos Worldwide and NL since 2004, vice president of TIMET since 2004 and vice president, finance of Kronos Worldwide and NL since 2003. Mr. Swalwell has served in financial and accounting positions with various companies related to us and Contran since 1988.

A. Andrew R. Louis has served as secretary of us, CompX and Contran since 1998 and secretary of Kronos Worldwide and NL since 2006. He served as secretary of TIMET from 2006 to 2008. Mr. Louis has served as legal counsel of various companies related to us and Contran since 1995.

Table of Contents

---

## CORPORATE GOVERNANCE

Controlled Company Status, Director Independence and Committees. Because of VHC's ownership of 92.6% of our common stock, we are considered a controlled company under the listing standards of the NYSE. Pursuant to the listing standards, a controlled company may choose not to have a majority of independent directors, independent compensation, nominating or corporate governance committees or charters for these committees. We have chosen not to have a majority of independent directors or an independent nominating or corporate governance committee or charters for these committees. Our board of directors believes that the full board of directors best represents the interests of all of our stockholders and that it is appropriate for all matters that would be considered by a nominating or corporate governance committee to be considered and acted upon by the full board of directors. Applying the NYSE director independence standards without any additional categorical standards, the board of directors has determined that Thomas E. Barry, Norman S. Edelcup and W. Hayden McIlroy are independent and have no material relationship with us other than serving as our directors. While the members of our management development and compensation committee currently satisfy the independence requirements of the NYSE, we have chosen not to satisfy all of the NYSE listing standards for a compensation committee.

In determining that Dr. Barry has no material relationship with us other than serving as our director, the board of directors considered the following relationship:

- in 2007, Harold C. and Annette C. Simmons made a commitment to donate \$20 million to Southern Methodist University, of which Dr. Barry is a vice president;
- the commitment is for contributions of \$10 million in 2008 and \$5 million in each of 2009 and 2010; and
  - \$10 million is less than 2% of SMU's consolidated gross revenues and approximately 2% of SMU's consolidated gross revenues net of scholarship allowances for its most recently completed fiscal year.

2008 Meetings and Standing Committees of the Board of Directors. The board of directors held three meetings and took action by written consent on two occasions in 2008. Other than Messrs. Harold and Glenn Simmons, each director participated in all of such meetings and of the 2008 meetings of the committees on which he served at the time. Messrs. Harold and Glenn Simmons attended 67% of such meetings. It is expected that each director will attend our annual meeting of stockholders, which is held immediately before the annual meeting of the board of directors. Only one of our directors did not attend our 2008 annual stockholder meeting.

The board of directors has established and delegated authority to three standing committees, which are described below. The board of directors is expected to elect the members of the standing committees at the board of directors annual meeting immediately following the annual stockholder meeting. The board of directors has previously established, and from time to time may establish, other committees to assist it in the discharge of its responsibilities.

Audit Committee. Our audit committee assists with the board of directors' oversight responsibilities relating to our financial accounting and reporting processes and auditing processes. The purpose, authority, resources and responsibilities of our audit committee are more specifically set forth in our audit committee charter. Applying the requirements of the NYSE listing standards (without additional categorical standards) and SEC regulations, as applicable, the board of directors has determined that:

- each member of our audit committee is independent, financially literate and has no material relationship with us other than serving as our director; and
  - Mr. Norman S. Edelcup is an "audit committee financial expert."

No member of our audit committee serves on more than three public company audit committees. For further information on the role of our audit committee, see the Audit Committee Report in this proxy statement. The current members of our audit committee are Norman S. Edelcup (chairman), Thomas E. Barry and W. Hayden McIlroy. Our audit committee held six meetings in 2008.

Table of Contents

---

Management Development and Compensation Committee. The principal responsibilities of our management development and compensation committee are:

- to recommend to the board of directors whether or not to approve any proposed charge to us or any of our privately held subsidiaries pursuant to an ISA with a related party;
- to review, approve, administer and grant awards under our equity compensation plans; and
- to review and administer such other compensation matters as the board of directors may direct from time to time.

The board of directors has determined that each member of our management development and compensation committee is independent by applying the NYSE director independence standards (without additional categorical standards). In certain instances under our 1997 Long-Term Incentive Plan, a plan allowing for grants of cash or equity performance awards, the management development and compensation committee may delegate its authority to administer this plan to certain individuals, which delegation authority the committee has not utilized. With respect to the role of our executive officers in determining or recommending the amount or form of executive compensation, see the Compensation Discussion and Analysis section of this proxy statement. With respect to director compensation, our executive officers make recommendations on such compensation directly to our board of directors for its consideration without involving the management development and compensation committee. The current members of our management development and compensation committee are Norman S. Edelcup (chairman) and Thomas E. Barry. Our management development and compensation committee held one meeting in 2008 and took action by written consent on one occasion.

Executive Committee. The principal responsibilities of the executive committee are to take such actions as are required to manage us, within the limits provided by Delaware statutes and the board of directors. The current members of the executive committee are Harold C. Simmons (chairman), Glenn R. Simmons and Steven L. Watson. The executive committee did not hold any meetings in 2008.

Non-Management and Independent Director Meetings. Pursuant to our corporate governance guidelines, our non-management directors are entitled to meet on a regular basis throughout the year, and will meet at least once annually, without management participation. Our independent directors also meet at least once annually, without management participation. The chairman of our audit committee presides at all of these meetings. In 2008, we complied with these requirements.

Stockholder Proposals and Director Nominations for the 2010 Annual Meeting of Stockholders. Stockholders may submit proposals on matters appropriate for stockholder action at our annual stockholder meetings, consistent with rules adopted by the SEC. We must receive such proposals not later than December 29, 2009 to be considered for inclusion in the proxy statement and form of proxy card relating to our annual meeting of stockholders in 2010. Our bylaws require that the proposal must set forth a brief description of the proposal, the name and address of the proposing stockholder as they appear on our books, the number of shares of our common stock the stockholder holds and any material interest the stockholder has in the proposal.

The board of directors will consider the director nominee recommendations of our stockholders. Our bylaws require that a nomination set forth the name and address of the nominating stockholder, a representation that the stockholder will be a stockholder of record entitled to vote at the annual stockholder meeting and intends to appear in person or by proxy at the meeting to nominate the nominee, a description of all arrangements or understandings between the stockholder and the nominee (or other persons pursuant to which the nomination is to be made), such other information regarding the nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC and the consent of the nominee to serve as a director if elected.



As stated in our corporate governance guidelines, our board of directors has no specific minimum qualifications for director candidates. The board of directors will consider a potential director nominee's ability to satisfy the need, if any, for any required expertise on the board of directors or one of its committees. Historically, our management has recommended director nominees to the board of directors. Because under the NYSE listing standards we may be deemed to be a controlled company, the board of directors believes that additional policies or procedures with regard to the consideration of director candidates recommended by its stockholders are not appropriate.

Table of Contents

---

For proposals or director nominations to be brought at the 2010 annual meeting of stockholders but not included in the proxy statement for such meeting, our bylaws require that the proposal or nomination must be delivered or mailed to our principal executive offices in most cases no later than March 15, 2010. Proposals and nominations should be addressed to our corporate secretary at Valhi, Inc., Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

**Communications with Directors.** Stockholders and other interested parties who wish to communicate with the board of directors or its non-management directors may do so through the following procedures. Such communications not involving complaints or concerns regarding accounting, internal accounting controls and auditing matters related to us may be sent to the attention of our corporate secretary at Valhi, Inc., Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697. Provided that any such communication relates to our business or affairs and is within the function of our board of directors or its committees, and does not relate to insignificant or inappropriate matters, such communications, or summaries of such communications, will be forwarded to the chairman of our audit committee, who also serves as the presiding director of our non-management and independent director meetings.

Complaints or concerns regarding accounting, internal accounting controls and auditing matters, which may be made anonymously, should be sent to the attention of our general counsel with a copy to our chief financial officer at the same address as our corporate secretary. These complaints or concerns will be forwarded to the chairman of our audit committee. We will keep these complaints or concerns confidential and anonymous, to the extent feasible, subject to applicable law. Information contained in such a complaint or concern may be summarized, abstracted and aggregated for purposes of analysis and investigation.

**Compensation Committee Interlocks and Insider Participation.** As discussed above, for 2008 the management development and compensation committee was composed of Norman S. Edelcup and Thomas E. Barry. No member of the committee:

- was an officer or employee of ours during 2008 or any prior year;
- had any related party relationships with us that requires disclosure under applicable SEC rules; or
- had any interlock relationships under applicable SEC rules.

For 2008, no executive officer of ours had any interlock relationships within the scope of the intent of applicable SEC rules. However, our chairman of the board, vice chairman of the board and president are on the board of directors of Contran, Contran employs each of them and each of them serves as one of our directors.

**Code of Business Conduct and Ethics.** We have adopted a code of business conduct and ethics. The code applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller. Only the board of directors may amend the code. Only our audit committee or other committee of the board of directors with specifically delegated authority may grant a waiver of this code. We will disclose amendments to or waivers of the code as required by law and the applicable rules of the NYSE.

**Corporate Governance Guidelines.** We have adopted corporate governance guidelines to assist the board of directors in exercising its responsibilities. Among other things, the corporate governance guidelines provide for director qualifications, for independence standards and responsibilities, for approval procedures for ISAs and that our audit committee chairman presides at all meetings of the non-management or independent directors.

**Availability of Corporate Governance Documents.** A copy of each of our audit committee charter, code of business conduct and ethics and corporate governance guidelines is available on our website at [www.valhi.net](http://www.valhi.net) under the corporate governance section. In addition, any person may obtain a copy of these three documents without charge, by

sending a written request to the attention of our corporate secretary at Valhi, Inc., Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

Table of Contents

---

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS  
AND OTHER INFORMATION

Compensation Discussion and Analysis. This compensation discussion and analysis describes the key principles and factors underlying our executive compensation policies for our named executive officers. For 2008, 2007 and 2006, all of our named executive officers were employed and compensated directly by, and also served as executive officers of, Contran. For each of these years, we paid Contran fees to receive, among other things, the services of our named executive officers pursuant to certain ISAs between Contran and us or our privately held subsidiaries, which fees were approved in the aggregate by our independent directors after receiving the recommendation of our management development and compensation committee. The nature of the duties of each of our named executive officers are consistent with the duties normally associated with the officer titles and positions such officer holds with us. Pursuant to certain other ISAs, each of CompX, Kronos Worldwide, NL and TIMET also paid fees to Contran for, among other things, the services our named executive officers provided to those companies, which fees were approved by the independent directors of those companies. Additionally, CompX, Kronos Worldwide, NL and TIMET each paid director fees in the form of cash and stock compensation to certain of our named executive officers who served on their boards of directors. Other than these director fees, we did not pay any compensation directly to our named executive officers.

Intercorporate Services Agreements. The charges under these ISAs reimburse Contran for its cost of employing the personnel who provide the services by allocating such cost to us based on the estimated time such personnel were expected to devote to us over the year. The amount of the fee we paid for each year under these ISAs for a person who provided services to us represents, in management's view, the reasonable equivalent of "compensation" for such services. See the Intercorporate Services Agreements part of the Certain Relationships and Transactions section of this proxy statement for the aggregate amount we paid to Contran in 2008 under these ISAs. Under the various ISAs among Contran and its subsidiaries, we share the cost of the employment of our named executive officers with Contran and certain of its other publicly held subsidiaries. For each named executive officer, the portion of the annual charge we paid for each of the last three years to Contran under these ISAs attributable to the services of such executive officer is set forth in footnote 2 to the Summary Compensation table in this proxy statement. The amounts charged under these ISAs and the cash director fees are not dependent upon our financial performance.

We believe the cost of the services received under our ISAs with Contran, after considering the quality of the services received, is fair to us and is no less favorable to us than we could otherwise obtain from an unrelated third party for comparable services, based solely on our collective business judgment and experience without performing any independent market research.

In the last quarter of the prior year and the early part of each current year, Contran's senior management, including our named executive officers, estimated the number of hours (out of a standard 2,080-hour year) that each Contran employee, including our named executive officers, was expected to devote in the current year to Contran and its subsidiaries, including us. Contran's senior management then allocated Contran's cost of employing each of its employees among Contran and its various subsidiaries based on the ratio of the estimated hours of service devoted to each company and the total number of standard hours in the year. The cost of each officer's services that was allocated for each of the last three years was the sum of the following:

- the annualized base salary of such officer at the beginning of the year;
- the bonus Contran paid or accrued for such officer (other than bonuses for specific matters) in the prior year, which served as a reasonable approximation of the bonus that may be paid or accrued in the current year for such officer; and
- Contran's portion of the social security and medicare taxes on such base salary and an estimated overhead factor (17% for 2008 as compared to 19% for 2007 and 21% for 2006) applied to the base salary for the cost of medical

and life insurance benefits, unemployment taxes, disability insurance, defined benefit and defined contribution plan benefits, professional education and licensing and costs of providing an office, equipment and supplies related to the provision of such services.

Table of Contents

---

The overhead factor declined in 2007 as compared to 2006, and further declined in 2008 as compared to 2007, in each case as a result of Contran achieving some economies of scale and being able to spread the fixed costs included in determining the overhead factor over a greater number of employees providing services under various ISAs. Contran's senior management then made such adjustments to the details of the proposed ISA charges as they deemed necessary for accuracy, overall reasonableness and fairness to each company.

Certain changes in the responsibilities of Mr. Lindquist resulted in substantial changes in the allocation of charges related to him over the three years presented in the 2008 Summary Compensation table in this proxy statement. Mr. Lindquist was appointed chief executive officer of WCS in November 2007. As a result, Mr. Lindquist's charge to Valhi in 2008 increased from his charge in 2007 as a result of an increase in his estimated time in 2008 being allocated to WCS, a subsidiary of Valhi. At the same time, the allocation of Mr. Lindquist's time to other Contran affiliates, including Kronos and NL, decreased.

In the first quarter of each year, the proposed charges for that year under these ISAs were presented to the respective management development and compensation committees of CompX, Kronos Worldwide, NL, TIMET and us to determine whether the committee would recommend that its board of directors approve the applicable ISA charges. Among other things during such presentations, each committee was informed of:

- the quality of the services Contran provides to us, including the quality of the services our executive officers provide to us;
- the \$1.0 million charge to each publicly held company for the services of Harold C. Simmons for his service as chief executive officer, where applicable, or his consultation and advice to the chief executive officer regarding major strategic corporate matters;
- the comparison of the ISA charge and number of full-time equivalent employees reflected in the charge by department for the prior year and proposed for the current year;
- the comparison of the prior year and proposed current year charges by department and in total and such amounts as a percentage of Contran's similarly calculated costs for its departments and in total for those years; and
  - the comparison of the prior year and proposed current year average hourly rate.

In determining whether to recommend that the board of directors approve the proposed ISA fee, the management development and compensation committee considers the three elements of Contran's cost of employing the personnel who provide services to us, including the cost of employing our named executive officers, in the aggregate and not individually. After such presentations and following further discussion and review, the management development and compensation committee of each of CompX, Kronos Worldwide, NL, TIMET and us recommended that their respective boards of directors approve the proposed ISA fee after concluding that:

- the cost to employ the personnel necessary to provide the quality of the services provided by Contran would exceed the proposed aggregate fee to be charged by Contran under the applicable ISA; and
- the cost for such services would be no less favorable than could otherwise be obtained from an unrelated third party for comparable services.

In reaching its recommendation, our management development and compensation committee did not review:

- any ISA charges from Contran to any other publicly held sister or subsidiary company because such charges were separately reviewed by the management development and compensation committee of the applicable company; and

Table of Contents

---

- the compensation policies of Contran because:
  - o each of our named executive officers provides services to many companies related to Contran, including Contran itself;
  - o the fee we pay to Contran under our ISAs each year does not represent all of Contran's cost of employing each of our named executive officers;
  - o Contran and these other companies related to Contran absorb the remaining amount of Contran's cost of employing each of our named executive officers; and
  - o the members of our management development and compensation committee consider the other factors discussed above in determining whether to recommend that the proposed ISA fee for each year be approved by the full board of directors.

Based on the recommendations of the committees, the independent directors of each of CompX, Kronos Worldwide, NL, TIMET and us approved the applicable proposed annual ISA charge effective January 1st of each year with the other directors abstaining.

On March 26, 2007, we completed a special dividend of the TIMET common stock we owned to our stockholders. For financial statement reporting purposes, we continued to account for our investment in TIMET common stock by the equity method of accounting through March 31, 2007. Accordingly, the amounts we have disclosed in the 2008 Summary Compensation table in this proxy statement for each named executive officer includes all of such officer's total 2006 annual charge to TIMET, one-fourth of such officer's total 2007 annual charge to TIMET and none of such officer's 2008 annual charge to TIMET under the ISA between Contran and TIMET.

For financial reporting and income tax purposes, the ISA fees are expensed as incurred on a quarterly basis. Contran has implemented a limit of \$1.0 million on any individual's charge to a publicly held company in order to enhance the deductibility by the company of the charge for tax purposes under Section 162(m) of the Internal Revenue Code of 1986, if such section were somehow to be deemed applicable. Section 162(m) generally disallows a tax deduction to publicly held companies for non-performance based compensation over \$1.0 million paid to the company's chief executive officer and four other most highly compensated executive officers.

Equity-Based Compensation. Prior to 2006, we decided to forego the grant of any equity compensation to our employees, although we continue to grant annual awards of stock to our non-management directors as a portion of their annual retainers. We also do not have any security ownership requirements or guidelines for our management or directors. We do not currently anticipate any equity-based compensation will be granted to anyone in 2009, other than annual grants of stock to our non-management directors. See the Director Compensation section in this proxy statement for a discussion of these annual grants. The dollar amount for option awards appearing in the Summary Compensation table below represents the expense or income we recognized for financial statement reporting purposes in each of the reported years for stock options to purchase common stock of our subsidiaries held by certain of our named executive officers.

Compensation Committee Report. The management development and compensation committee has reviewed with management the Compensation Discussion and Analysis section in this proxy statement. Based on the committee's review and a discussion with management, the committee recommended to the board of directors that our compensation discussion and analysis be included in this proxy statement.

The following individuals, in the capacities indicated, hereby submit the foregoing report.

Norman S. Edelcup

Thomas E. Barry



Chairman of our Management  
Development and Compensation  
Committee

Member of our Management  
Development and Compensation  
Committee

Table of Contents

---

Summary of Cash and Certain Other Compensation of Executive Officers. The Summary Compensation table below provides information concerning compensation we and our subsidiaries paid or accrued for services rendered during the last three years by our chief executive officer, chief financial officer and each of the three other most highly compensated individuals (based on ISA charges to us and our subsidiaries) who were our executive officers at December 31, 2008. All of our named executive officers were employees of Contran for the last three years and provided their services to us and our subsidiaries pursuant to ISAs. For a discussion of these ISAs, see the Intercorporate Services Agreements part of the Certain Relationships and Transactions section of this proxy statement.

On March 26, 2007, we paid a special dividend to our stockholders in the form of all of the TIMET common stock we and Tremont owned. After the special dividend, TIMET became a publicly held sister corporation of ours. Accordingly, we have included in the table below all of the charge for 2006, only one-fourth of the charge for 2007 and none of the charge for 2008 to TIMET under its ISA with Contran that are attributable to the services of our named executive officers. As a result, the compensation for each of these years is not directly comparable.

## 2008 SUMMARY COMPENSATION TABLE (1)

Name and Principal Position	Year	Salary	Stock Awards	Option Awards	Total
H a r o l d C Simmons Chairman of the Board	2008	\$4,044,000(2)	\$22,925(3)	\$ -0-	\$4,066,925
	2007	4,302,000(2)	25,740(3)	(4)	4,327,740
	2006	5,070,000(2)	44,825(3)	(4)	5,114,825
S t e v e n L Watson President and Chief Executive Officer	2008	1,773,200(2)	31,985(3)	-0-	1,805,185
	2007	1,745,300(2)	44,090(3)	(4)	1,789,390
	2006	2,279,600(2)	60,325(3)	(4)	2,339,925
W i l l i a m J Lindquist Senior Vice President	2008	1,037,000(2)	-0-	-0-	1,037,000
	2007	1,230,300(2)	-0-	-0-	1,230,300
	2006	1,683,500(2)	-0-	-0-	1,683,500
R o b e r t D Graham Vice President	2008	1,197,800(2)	-0-	-0-	1,197,800
	2007	1,100,700(2)	-0-	-0-	1,100,700
	2006	929,600(2)	-0-	-0-	929,600
B o b b y D O'Brien Vice President and Chief Financial Officer	2008	950,200(2)	-0-	-0-	950,200
	2007	997,600(2)	-0-	-0-	997,600
	2006	1,623,300(2)	-0-	-0-	1,623,300

(1) Certain non-applicable columns have been omitted from this table.



- (2) The amounts shown in the 2008 Summary Compensation table as salary for each named executive officer represent the portion of the fees we and our subsidiaries paid to Contran pursuant to certain ISAs with respect to the services such officer rendered to us and our subsidiaries. As further discussed in the Compensation Discussion and Analysis section of this proxy statement, the ISA charges disclosed for Contran employees who perform executive officer services to us and our subsidiaries are based on the estimated hours such individual spends fulfilling such duties. The amount shown in the table as salary for each of Messrs. Simmons and Watson also includes director cash compensation paid to each of them by our subsidiaries. The components of salary shown in the 2008 Summary Compensation table for each of our named executive officers are as follows.

	2006	2007	2008
<b>Harold C. Simmons</b>			
ISA Fees:			
CompX	\$1,000,000	\$1,000,000	\$1,000,000
Kronos Worldwide	1,000,000	1,000,000	1,000,000
NL	1,000,000	1,000,000	1,000,000
Valhi	1,000,000	1,000,000	1,000,000
Director Fees Earned			
or Paid in Cash:			
Kronos Worldwide	23,000	22,000	22,000
NL	24,000	24,000	22,000
	4,047,000	4,046,000	4,044,000
TIMET:			
ISA Fee	1,000,000	250,000(a)	-0-(a)
Director Fees Earned 23,000		6,000	(a) -0-
or Paid in Cash			
	\$ 5,070,000	\$ 4,302,000	\$ 4,044,000
<b>Steven L. Watson</b>			
ISA Fees:			
CompX	\$ 61,000	\$ 67,600	\$ 81,100
Kronos Worldwide	487,700(b)	490,800(b)	588,900(b)
NL	280,500(c)	347,400(c)	416,900(c)
Valhi	743,800(d)	513,700(d)	616,300(d)
Director Fees Earned			
or Paid in Cash:			
CompX	23,000	24,000	23,000
Kronos Worldwide	23,000	22,000	23,000
NL	25,000	24,000	24,000
	1,644,000	1,489,500	1,773,200
TIMET:			
ISA Fee	609,600	249,800(a)	-0-(a)
Director Fees Earned 26,000		6,000	(a) -0-
or Paid in Cash			
	\$ 2,279,600	\$ 1,745,300	\$ 1,773,200
<b>William J. Lindquist</b>			
ISA Fees:			
CompX	\$ 48,100	\$ 25,400	\$ 24,400

Edgar Filing: VALHI INC /DE/ - Form DEF 14A

Kronos Worldwide		577,200(b)		483,000(b)		61,000
NL		432,900		201,900(c)		24,400
Valhi	432,900	(d)	456,600	(d)	927,200	(d)
		1,491,100		1,166,900		1,037,000
TIMET	192,400		63,400	(a)	-0-	(a)
	\$	1,683,500	\$	1,230,300	\$	1,037,000
Robert D. Graham						
ISA Fees:						
CompX	\$ 25,400		\$ 80,200		\$ 97,400	
Kronos Worldwide		254,000(b)		255,000(b)		360,300(b)
NL		304,800		450,700		486,900
Valhi	91,400	(d)	160,400	(d)	253,200	(d)
		675,600		946,300		1,197,800
TIMET	254,000		154,400	(a)	-0-	(a)
	\$	929,600	\$	1,100,700	\$	1,197,800

Table of Contents

---

	2006	2007	2008
Bobby D. O'Brien			
ISA Fees:			
CompX	\$ 69,400	\$ 48,800	\$ 58,700
Kronos Worldwide	92,500	73,200	88,000
NL	397,700(c)	224,300(c)	269,800(c)
Valhi	661,400 (d)	444,000 (d)	533,700 (d)
	1,221,000	790,300	950,200
TIMET	402,300	207,300 (a)	-0- (a)
	\$ 1,623,300	\$ 997,600	\$ 950,200

- (a) As discussed above, the amounts we included in the 2008 Summary Compensation table in this proxy statement for each named executive officer only includes all of such officer's 2006 annual charge, one-fourth of such officer's total 2007 annual charge and none of such officer's 2008 annual charge to TIMET under the ISA between Contran and TIMET rounded to the nearest \$100. For comparative purposes, the full year ISA charge for 2007 for each of the named executive officers were:

Name	2007 Full Year ISA Charge to TIMET
Harold C. Simmons	\$1,000,000
Steven L. Watson	999,300
William J. Lindquist	253,700
Robert D. Graham	617,500
Bobby D. O'Brien	829,300

Additionally for Messrs. Simmons and Watson, we have included in the Summary Compensation table only the cash director fees paid by TIMET in the first quarter of 2007. For comparative purposes, TIMET paid to Messrs. Simmons and Watson cash director fees of \$24,000 and \$26,000, respectively, for all of 2007.

- (b) Includes amounts allocated to Kronos International, Inc., a wholly owned subsidiary of Kronos Worldwide, under the ISA between Contran and Kronos Worldwide.
- (c) Includes amounts allocated to EWI, a wholly owned subsidiary of NL, under the ISA between Contran and NL.
- (d) Includes amounts Contran charged pursuant to ISAs to Medite Corporation, Tall Pines, Tremont or WCS, each a privately held subsidiary of ours.
- (3) Stock awards to these named executive officers in the last three years consisted of shares of CompX, Kronos Worldwide or NL common stock these companies granted to Messrs. Simmons and Watson for their services as directors of those companies. See the 2008 Grants of Plan-Based Awards table below for more details regarding the 2008 grants.

The 2007 and 2006 stock awards consisted of the following:

Shares of Common Stock	Date of Grant	Closing Price on Date of Grant	Grant Date Value of Shares of Common Stock
Harold C. Simmons			
500 shares of Kronos Worldwide common stock	May 17, 2007	\$30.24	\$15,120
1,000 shares of NL common stock	May 25, 2007	\$10.62	10,620
			\$25,740
500 shares of Kronos Worldwide common stock	May 24, 2006	\$29.99	\$14,995
1,000 shares of NL common stock	May 24, 2006	\$11.99	11,990
			26,985
500 shares of TIMET common stock	May 23, 2006	\$35.68	17,840
			\$44,825

Table of Contents

---

Shares of Common Stock	Date of Grant	Closing Price on Date of Grant	Grant Date Value of Shares of Common Stock
Steven L. Watson			
1,000 shares of CompX class A common stock	May 30, 2007	\$18.35	\$18,350
500 shares of Kronos Worldwide common stock	May 17, 2007	\$30.24	15,120
1,000 shares of NL common stock	May 25, 2007	\$10.62	10,620
			\$44,090
1,000 shares of CompX class A common stock	May 16, 2006	\$15.50	\$15,500
500 shares of Kronos Worldwide common stock	May 24, 2006	\$29.99	14,995
1,000 shares of NL common stock	May 24, 2006	\$11.99	11,990
			42,485
500 shares of TIMET common stock	May 23, 2006	\$35.68	17,840
			\$60,325

These stock awards were valued at the closing price of a share of the common stock on the date of grant.

As a result of our March 2007 dividend of all our shares of TIMET common stock as already discussed in this proxy statement, TIMET's 2007 and 2008 stock awards to Messrs. Simmons and Watson for their director services to TIMET are excluded from this table because such awards were paid after March 31, 2007. For comparative purposes, the aggregate value of each of such stock awards TIMET paid to Messrs. Simmons and Watson in 2007 was \$17,160, representing 500 shares of TIMET common stock granted on May 24, 2007 and valued at the \$34.32 per share closing sales price of TIMET common stock on the date of grant.

(4) Represents the expense or income recognized in the respective year for financial statement reporting purposes related to stock options previously granted to Messrs. Simmons and Watson for serving as directors of CompX and NL as further described below.

Holder and Common Stock Underlying Stock Options	Expense or (Income) Recognized for Financial Statement Reporting Purposes		
	2006	2007	2008
Harold C. Simmons			
N L c o m m o n stock	\$(11,904)	(a) \$(10,310) (a)	\$ -0- (a)
Steven L. Watson			



Edgar Filing: VALHI INC /DE/ - Form DEF 14A

stock	N L c o m m o n	\$(11,904)	(a)	\$(10,310)	(a)	\$ -0-	(a)
stock	CompX class A common	4,068	(b)	2,300	(b)	-0-	(b)
		\$(7,836)	(c)	\$(8,010)	(c)	\$ -0-	

(a) Represents the compensation expense or income NL recognized in the respective year for financial statement reporting purposes for the options to purchase its common stock held by Messrs. Simmons and Watson. NL accounts for these options to purchase its common stock using the liability method of FAS 123R, under which NL re-measures the fair value of all outstanding stock options at each balance sheet date until the options are exercised or otherwise settled. NL uses the closing market price of its common stock at each balance sheet date to determine the fair value, which fair value cannot be less than zero. For financial statement reporting purposes, NL recognizes compensation expense or income, as applicable, to reflect increases or decreases in the aggregate fair value of all outstanding stock options. The aggregate fair value of NL's outstanding stock options decreased during 2006 because the December 31, 2005 closing market price of its common stock was higher as compared to December 31, 2006. The aggregate fair value of the outstanding NL stock options held by Messrs. Simmons and Watson decreased during 2007 as such options expired unexercised. As a result, we recognized a reduction in compensation expense in 2006 and 2007 related to their NL stock options. Due to the expiration in 2007 of all of the outstanding NL stock options held by Messrs. Simmons and Watson, NL recognized no expense or income in 2008 for financial statement reporting purposes related to NL stock options held by these named executive officers.

(b) Represents the compensation expense CompX recognized in each respective year for financial statement reporting purposes for the options to purchase CompX class A common stock held by Mr. Watson. CompX determines this expense by applying FAS 123R to determine the amount recognized for financial statement reporting purposes (disregarding any estimate of forfeitures related to service based vesting conditions) and calculated using the Black-Scholes stock option valuation model with the following weighted average assumptions:

Table of Contents

Edgar Filing: VALHI INC /DE/ - Form DEF 14A

- a stock price volatility of 37% to 45%;
- risk-free rates of return of 5.1% to 6.9%;
- dividend yields of nil to 5.0%; and
- an expected term of ten years.

(c) Pursuant to guidance provided by the SEC, since the net 2006 and 2007 year-end reductions in compensation expense relate to reversals of compensation expense incurred prior to 2006, we do not report this negative amount in this Summary Compensation table for 2006 or 2007.

Table of Contents

---

2008 Grants of Plan-Based Awards. The following table sets forth details of the stock awards certain of our subsidiaries granted to certain of our named executive officers in 2008 for their services as directors of each corporation. No other named executive officer received any plan-based awards from us or our subsidiaries in 2008.

2008 GRANTS OF PLAN-BASED AWARDS (1)

Name	Grant Date	Date of Approval (2)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	Grant Date Fair Value of Stock and Option Awards (2)
<b>Harold C. Simmons</b>				
Kronos Worldwide common stock (3)	May 15, 2008	January 1, 2004	500	\$11,985
NL common stock (4)	May 21, 2008	January 1, 2004	1,000	10,940
				\$22,925
<b>Steven L. Watson</b>				
CompX common stock (5)	May 28, 2008	May 19, 2003	1,500	\$9,060
Kronos Worldwide common stock (3)	May 15, 2008	January 1, 2004	500	11,985
NL common stock (4)	May 21, 2008	January 1, 2004	1,000	10,940
				\$31,985

(1) Certain non-applicable columns have been omitted from this table.

(2) As preapproved by the respective management development and compensation committees of each of CompX, Kronos Worldwide and NL, each director elected on that day receives a grant of shares of such issuer's common stock as determined by the following formula based on the closing price of a share of the common stock on the date of such meeting.

Range of Closing Price Per Share on the Date of Grant	Shares of Common Stock to Be Granted
Under \$5.00	2,000
\$5.00 to \$9.99	1,500
\$10.00 to \$20.00	1,000
Over \$20.00	500

These shares are fully vested and tradable immediately on their date of grant, other than restrictions under applicable securities laws. For the purposes of this table and financial statement reporting, these stock awards were valued at the closing price per share of such shares on their dates of grant, which closing prices were:

Common Stock	Date of Grant	Closing Price on Date of Grant
--------------	---------------	--------------------------------

CompX class A common stock	May 28, 2008	\$6.04
Kronos Worldwide common stock	May 15, 2008	\$23.97
NL common stock	May 21, 2008	\$10.94

(3) Granted by Kronos Worldwide pursuant to its 2003 Long-Term Incentive Plan.

(4) Granted by NL pursuant to its 1998 Long-Term Incentive Plan.

(5) Granted by CompX pursuant to its 1997 Long-Term Incentive Plan.

Table of Contents

---

Outstanding Equity Awards at December 31, 2008. The following table provides information with respect to the outstanding stock options to purchase shares of our common stock or common stock of our subsidiaries and held by our named executive officers as of December 31, 2008.

## OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008 (1)

Name	Number of Shares Underlying Unexercised Options at December 31, 2008 (#)		Option Awards	
	Exercisable	Unexercisable	Option Exercise Price	Option Expiration Date
<b>Steven L. Watson</b>				
C o m p X S t o c k O p t i o n s (2)	2,000	-0-	19.25	05/11/10
C o m p X S t o c k O p t i o n s (2)	2,000	-0-	12.15	05/10/11
C o m p X S t o c k O p t i o n s (2)	2,000	-0-	14.30	05/14/12
<b>William J. Lindquist</b>				
V a l h i S t o c k O p t i o n s (2)	30,000	-0-	12.00	05/04/09
<b>Bobby D. O'Brien</b>				
V a l h i S t o c k O p t i o n s (2)	30,000	-0-	12.00	05/04/09

(1) Certain non-applicable columns have been omitted from this table.

(2) These stock options vested at a rate of 20% on each of the first five anniversary dates of the date of grant of the stock option, which date of grant was the tenth anniversary prior to the expiration date of the stock option.

**Option Exercises and Stock Vested.** During 2008, no named executive officer exercised any stock options issued by us or a company consolidated with us while such company was a subsidiary or ours at the time of the exercise. No named executive officer had any stock awards or shares vest in 2008. For stock awards granted in 2008 that had no vesting restrictions, see the 2008 Grants of Plan-Based Awards table above.

**Pension Benefits.** We do not have any defined benefit pension plans in which our named executive officers participate.

**Nonqualified Deferred Compensation.** We do not owe any nonqualified deferred compensation to our named executive officers.

**Director Compensation.** Our non-management directors are entitled to receive compensation for their services as directors. Directors who received such compensation in 2008 were Thomas E. Barry, Norman S. Edelpcup, W. Hayden McIlroy and J. Walter Tucker, Jr.

Our non-management directors receive an annual retainer of \$20,000, paid in quarterly installments, plus a fee of \$1,000 per day for attendance at meetings of the board of directors or its committees and at a daily rate (\$125 per hour) for other services rendered on behalf of our board of directors or its committees. In addition to the annual retainers for service on the board of directors, the chairman of our audit committee and any member of our audit committee whom the board identified as an “audit committee financial expert” for purposes of the annual proxy statement receive an annual retainer of \$20,000, paid in quarterly installments (provided that if one person serves in both capacities only one such retainer is paid), and other members of our audit committee receive an annual retainer of \$10,000, paid in quarterly installments, for their service on the audit committee. Members of our management development and compensation committee also receive an annual retainer of \$2,000, paid in quarterly installments, for their service on that committee. If a non-management director dies while serving on our board of directors, his designated beneficiary or estate will be entitled to receive a death benefit equal to the annual retainer then in effect. We reimburse our non-management directors for reasonable expenses incurred in attending meetings and in the performance of other services rendered on behalf of our board of directors or its committees.

Table of Contents

---

As discussed in footnote 2 to the 2008 Grants of Plan-Based Awards table, on the day of each annual stockholder meeting, each of our non-management directors elected on that date receives a grant of shares of our common stock as determined by the closing price of a share of our common stock on the date of such meeting.

The following table provides information with respect to compensation certain of our directors earned or received for their 2008 director services provided to us.

2008 DIRECTOR COMPENSATION (1)

Name	Fees Earned or Paid in Cash (2)	Stock Awards (3)	All Other Compensation	Total
Thomas E. Barry	\$38,000	\$15,390	\$ -0-	\$53,390
Norman S. Edelcup	48,000(4)	15,390(4)	-0-	63,390(4)
W. Hayden McIlroy	36,000	15,390	-0-	51,390
Glenn R. Simmons (5)	-0-(6)	-0-(6)	320,200(6)	320,200(6)
J. Walter Tucker, Jr.	26,000	15,390	-0-	41,390

(1) Certain non-applicable columns have been omitted from this table. For compensation certain of our named executive officers earned or received for serving as directors of our subsidiaries, see the 2008 Summary Compensation table.

(2) Represents retainers and meeting fees the director received or earned for director services he provided to us in 2008.

(3) Represents the value of 500 shares of our common stock we granted to each of these directors. For the purposes of this table and financial statement reporting, these stock awards were valued at the closing price per share of such shares on their date of grant, which closing price and date of grant were \$30.78 and May 29, 2008, respectively.

(4) In addition to the director compensation disclosed in the table that Valhi paid him directly, Mr. Edelcup also receives compensation from CompX for his services as a director of CompX. For 2008, Mr. Edelcup earned or received the following for his 2008 CompX director services:

Name	Fees Earned or Paid in Cash (a)	Stock Awards (b)	Total
Norman S. Edelcup	\$46,000	\$9,060	\$55,060

(a) Represents retainers and meeting fees Mr. Edelcup received or earned for his 2008 CompX director services.

(b) Represents the value of 1,500 shares of CompX class A common stock CompX granted to Mr. Edelcup. For the purposes of this table and financial statement reporting, this stock award was valued at the closing price per share

of such shares on their date of grant, which closing price and date of grant were \$6.04 and May 28, 2008, respectively.

- (5) As of December 31, 2008, Mr. Glenn Simmons held stock options exercisable for 6,000 shares of CompX class A common stock, which stock options were granted for director services rendered to CompX.

Table of Contents

---



- (6) Mr. Glenn Simmons is an executive officer of ours who receives no additional compensation for serving as our director. The amount shown in the table as all other compensation for him represents the portion of the 2008 fees we and our privately held subsidiaries paid pursuant to ISAs with Contran for his nondirector services.

In addition to such all other compensation disclosed in the table, CompX, Kronos Worldwide and NL also paid Mr. Glenn Simmons for his directors services he provided to these corporations and paid 2008 ISA fees to Contran a portion of which was attributable to his nondirector services. For 2008, the amounts he earned or received from these corporations for his director services and the amounts of the ISA fees these corporations paid Contran that were attributable to his nondirector services are as follows:

Payor	Fees Earned or Paid in Cash (a)	Stock Awards (b)	All Other Compensation (c)	Total
CompX	\$ 23,000	\$ 9,060	\$ 37,000	\$ 69,060
Kronos Worldwide	23,000	11,985	-0-	34,985
NL	24,000	10,940	22,200	57,140
	\$ 70,000	\$ 31,985	\$ 59,200	\$ 161,185

(a) Represents retainers and meeting fees received or earned for 2008 director services.

- (b) For the purposes of this table and financial statement reporting, these stock awards comprised the following number of shares and were valued at the following closing prices per share of such shares on their respective dates of grant:

Common Stock	Shares Granted	Date of Grant	Closing Price on Date of Grant	Dollar Value of Stock Award
CompX class A common stock	1,500	May 28, 2008	\$ 6.04	\$ 9,060
Kronos Worldwide common stock	500	May 15, 2008	\$ 23.97	\$ 11,985
NL common stock	1,000	May 21, 2008	\$ 10.94	\$ 10,940

- (c) Represents the respective portions of the CompX and NL 2008 ISA fees paid to Contran under their ISAs attributable to the nondirector services of Mr. Glenn Simmons. The NL fee comprises an amount allocated to EWI, a wholly owned subsidiary of NL.

Table of Contents

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act requires our executive officers, directors and persons who own more than 10% of a registered class of our equity securities to file reports of ownership with the SEC, the NYSE and us. Based solely on the review of the copies of such forms and representations by certain reporting persons, we believe that for 2008 our executive officers, directors and 10% stockholders complied with all applicable filing requirements under section 16(a), other than a Form 4 Harold C. Simmons filed on January 21, 2009 after the required filing date that reported six purchases of shares of our common stock on January 15, 2009. The delay in filing such Form 4 was due to an inadvertent oversight by our staff.

## CERTAIN RELATIONSHIPS AND TRANSACTIONS

**Related Party Transaction Policy.** As set forth in our code of business conduct and ethics, from time to time, we engage in transactions with affiliated companies. In addition, certain of our executive officers and directors serve as executive officers and directors of affiliated companies. With respect to transactions between or involving us and one or more of our affiliates, it is not a violation of the code if the transaction, in our opinion, is no less favorable to us than could be obtained from unrelated parties, or the transaction, in the absence of stockholder ratification or approval by our independent directors, is fair to all companies involved. Furthermore, the code provides that:

- directors and officers owe a duty to us to advance our legitimate interests when the opportunity to do so arises; and
- they are prohibited from (a) taking for themselves personally opportunities that properly belong to us or are discovered through the use of our property, information or position; (b) using corporate property, information or position for improper personal gain; and (c) competing with our interests.

Our executive officers are responsible for applying this policy to related parties. No specific procedures are in place, however, that govern the treatment of transactions among us and our related entities, although we and such entities may implement specific procedures as appropriate for particular transactions. Provided, in our judgment, the standard set forth in the code of business conduct and ethics is satisfied, we believe, given the number of companies affiliated with Contran, that related party transactions with our affiliates, in many instances (such as achieving economies of scale), are in our best interest. In certain instances, our executive officers may seek the approval or ratification of such transactions by our independent directors, but there is no quantified threshold for seeking this approval.

**Relationships with Related Parties.** As set forth under the Security Ownership section of this proxy statement, Harold C. Simmons, through Contran, may be deemed to control us. We and other entities that may be deemed to be controlled by or related to Mr. Simmons sometimes engage in the following:

- intercorporate transactions, such as guarantees, management, expense and insurance sharing arrangements, tax sharing agreements, joint ventures, partnerships, loans, options, advances of funds on open account and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties; and
- common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions that resulted in the acquisition by one related party of an equity interest in another related party.

We periodically consider, review and evaluate and understand that Contran and related entities periodically consider, review and evaluate such transactions. Depending upon the business, tax and other objectives then relevant and restrictions under indentures and other agreements, it is possible that we might be a party to one or more of such

transactions in the future. In connection with these activities, we may consider issuing additional equity securities or incurring additional indebtedness. Our acquisition activities have in the past and may in the future include participation in acquisition or restructuring activities conducted by other companies that may be deemed to be related to Harold C. Simmons.

Table of Contents

---

Certain directors or executive officers of CompX, Contran, Keystone, Kronos Worldwide, NL or TIMET also serve as our directors or executive officers. Such relationships may lead to possible conflicts of interest. These possible conflicts of interest may arise under circumstances in which such companies may have adverse interests. In such an event, we implement such procedures as appropriate for the particular transaction.

**Intercorporate Services Agreements.** As discussed elsewhere in this proxy statement, we and certain related companies have entered into ISAs. Under the ISAs, employees of one company provide certain services, including executive officer services, to the other company on a fixed fee basis. The services rendered under the ISAs may include executive, management, financial, internal audit, accounting, tax, legal, insurance, real estate management, environmental management, risk management, treasury, aviation, human resources, technical, consulting, administrative, office, occupancy and other services as required from time to time in the ordinary course of the recipient's business. The fees paid pursuant to the ISAs are generally based upon an estimate of the time devoted by employees of the provider of the services to the business of the recipient and the employer's cost related to such employees, which includes the employees' cash compensation and an overhead component that takes into account other employment related costs. Generally, each of the ISAs renews on a quarterly basis, subject to the termination by either party pursuant to a written notice delivered 30 days prior to the start of the next quarter. Because of the number of companies related to Contran and us, we believe we benefit from cost savings and economies of scale gained by not having certain management, financial, legal, tax, real estate and administrative staffs duplicated at each company, thus allowing certain individuals to provide services to multiple companies. With respect to a publicly held company that is a party to an ISA, the ISA and the related aggregate annual charge are approved by the independent directors of the company after receiving a recommendation from the company's management development and compensation committee. See the Intercorporate Services Agreements part of the Compensation Discussion and Analysis section in this proxy statement for a more detailed discussion on the procedures and considerations taken by our independent directors in approving the aggregate 2008 ISA fees charged by Contran to us or our subsidiaries.

The following table sets forth the fees paid by us and our subsidiaries to Contran in 2008 and the amount anticipated to be paid to Contran in 2009 for services Contran provided us or our subsidiaries under the various ISAs.

Recipient of Services from Contran under an ISA	Fees Paid to Contran under the ISA in 2008	Fees Expected to be Paid to Contran under the ISA in 2009
	(In millions)	
Valhi, Inc.	\$ 4.121	\$ 4.303
Amalgamated Research, Inc.	0.039	-0-(1)
Amcorp, Inc.	0.003	0.003
Medite Corporation	0.340	0.278
Tall Pines Insurance Company	0.088	0.097
Tremont LLC	0.794	0.811
Waste Control Specialists LLC	2.392	2.782
Total for Valhi and its privately held subsidiaries	\$ 7.777	\$ 8.274
	3.081(2)	3.167(2)

CompX International Inc.				
Kronos Worldwide, Inc.	6.824(3)		7.443(3)	
NL Industries, Inc.	4.779	(3)	4.810	(3)
Total	\$22.461		\$23.694	

---

(1) We sold Amalgamated Research, Inc. in January 2009.

(2) In addition to the reported ISA charges, CompX also pays Messrs. Glenn Simmons and Watson for their services as directors of CompX.

Table of Contents

---

(3) In addition to the reported ISA charges, Kronos Worldwide and NL also pay Messrs. Glenn and Harold Simmons and Watson for their services as directors.

**Insurance Matters.** We and Contran participate in a combined risk management program. Pursuant to the program, Contran and certain of its subsidiaries and related entities, including us and certain of our subsidiaries and related entities, purchase certain insurance policies as a group, with the costs of the jointly owned policies being apportioned among the participating companies. Tall Pines and EWI provide for or broker these insurance policies. Tall Pines is a captive insurance company wholly owned by us, and EWI is a reinsurance brokerage and risk management company wholly owned by NL. Consistent with insurance industry practices, Tall Pines and EWI receive commissions from insurance and reinsurance underwriters and/or assess fees for the policies that they provide or broker.

With respect to certain of such jointly owned insurance policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, Contran and certain of its subsidiaries or related companies, including us, have entered into a loss sharing agreement under which any uninsured loss is shared by those companies who have submitted claims under the relevant policy. We believe the benefits in the form of reduced premiums and broader coverage associated with the group coverage for such policies justify the risks associated with the potential for any uninsured loss.

During 2008, Contran, Keystone and TIMET paid premiums of approximately \$10.6 million for insurance policies Tall Pines provided or EWI brokered. These amounts principally included payments for reinsurance and insurance premiums paid to unrelated third parties, but also included commissions paid to Tall Pines and EWI. Tall Pines purchases reinsurance for substantially all of the risks it underwrites. In our opinion, the participation of Contran, Keystone and TIMET in the risk management program provides us with reduced premiums and broader coverage. We expect that these relationships with Contran, Keystone and TIMET will continue in 2009. Because we believe there is no conflict of interest regarding our participation in the combined risk management program, our audit committee received a report regarding this program but our independent directors were not asked to approve it.

**Tax Matters.** We and our qualifying subsidiaries are members of the consolidated U.S. federal tax return of which Contran is the parent company, which we refer to as the "Contran Tax Group." As a member of the Contran Tax Group and pursuant to certain tax sharing agreements or policies, each of the members and its qualifying subsidiaries compute provisions for U.S. income taxes on a separate company basis using tax elections made by Contran. Pursuant to the tax sharing agreements or policies and using tax elections made by Contran, each of the parties makes payments or receives payments in amounts it would have paid to or received from the U.S. Internal Revenue Service had it not been a member of the Contran Tax Group but instead had been a separate taxpayer. Refunds are generally limited to amounts previously paid under the respective tax sharing agreement or policy. We and our qualifying subsidiaries are also a part of consolidated tax returns filed by Contran in certain U.S. state jurisdictions. The terms of the applicable tax sharing agreements or policies also apply to state payments to these jurisdictions.

Under applicable law, we, as well as every other member of the Contran Tax Group, are each jointly and severally liable for the aggregate federal income tax liability of Contran and the other companies included in the group for all periods in which we are included in the group. Contran's policy, however, is to indemnify us for any liability for income taxes of the Contran Tax Group in excess of our tax liability computed and paid by us in accordance with the tax allocation policy.

Under certain circumstances, tax regulations could require Contran to treat items differently than we would have treated them on a stand alone basis. In such instances, accounting principles generally accepted in the United States of America require us to conform to Contran's tax elections. In 2008, pursuant to our tax sharing policy with Contran, we paid Contran net cash payments of approximately \$4.6 million. Because the calculation of our tax payments or refunds under our tax sharing policy is determined pursuant to applicable tax law, our independent directors were not asked to approve our policy or any such payments or refunds.

Provision of Utility Services to TIMET. Basic Management, Inc., a corporation in which Tremont indirectly holds approximately 30% of the combined common stock, provides utility services (primarily water distribution, maintenance of a common electrical facility and sewage disposal monitoring) to TIMET and other manufacturers within an industrial complex located in Nevada. The other owners of Basic Management are generally the other manufacturers located within the complex. Basic Management provides power transmission and sewer services on a cost reimbursement basis, similar to a cooperative, while water delivery is currently provided at the same rates as are charged by Basic Management to an unrelated third party. Amounts TIMET paid to Basic Management for these utility services were approximately \$2.3 million in 2008. TIMET also paid Basic Management an electrical facilities upgrade annual fee of \$0.8 million in 2008 and we expect TIMET will pay a similar upgrade fee through 2009. The annual upgrade fee terminates in January 2010. Because we believe this agreement was at market rates, our independent directors were not asked to approve it.

Table of Contents

---

CompX Loan from TFMC. In October 2007, CompX on a net basis purchased and/or cancelled approximately 2.7 million shares of its class A common stock formerly held directly or indirectly by TFMC for \$19.50 per share paid in the form of a consolidated promissory note pursuant to a stock purchase agreement between CompX and TFMC and a merger agreement among CompX Group, Inc., a former parent of CompX in which NL and TFMC were the sole stockholders, and CompX KDL LLC, a former wholly owned subsidiary of CompX. The price per share was determined based on CompX's open market purchases of its class A common stock around the time of the approval of these transactions. The stock purchase agreement and the merger agreement were approved by the independent directors of CompX and TIMET.

Pursuant to such transactions, among other things, CompX issued a consolidated unsecured term loan promissory note to TFMC in the original principal amount of \$52,580,190 that:

- matures on September 30, 2014;
  - bears interest at an annual rate of LIBOR plus 1.00%;
  - requires quarterly principal payments of \$250,000;
  - does not have prepayment penalties; and
- is subordinated to the CompX credit agreement with Wachovia Bank, National Association and certain other banks.

During 2008, the largest amount of principal that CompX owed to TFMC was \$50.0 million. At March 25, 2009, CompX owed TFMC under this note \$43.0 million of outstanding principal. In 2008, CompX paid TFMC approximately \$7.0 million of principal and \$2.2 million of interest on the consolidated promissory note.

Simmons Family Matters. In addition to the services he provides under the ISAs with us and our subsidiaries as discussed under the Intercorporate Services Agreements section above, certain family members of Harold C. Simmons also provide services to us pursuant to these ISAs. In 2008, Glenn R. Simmons (a brother of Harold Simmons) and L. Andrew Fleck (a step-son of Harold C. Simmons) provided certain executive and real property management services, respectively, to us pursuant to these ISAs. The portion of the fees we and our subsidiaries paid to Contran in 2008 pursuant to these ISAs for the services of Mr. Fleck was \$160,500. See the Director Compensation table in this proxy statement for 2008 director compensation and ISA charges related to Mr. Glenn Simmons. The Intercorporate Services Agreements section of this proxy statement provides a more detailed discussion on the procedures and considerations taken by our independent directors in approving the aggregate 2008 ISA fee Contran charged us. We expect similar compensation expenses and ISA charges regarding Messrs. Glenn Simmons and Fleck for 2009.

Table of Contents

---



## AUDIT COMMITTEE REPORT

Our audit committee of the board of directors is comprised of three directors and operates under a written charter adopted by the board of directors. All members of our audit committee meet the independence standards established by the board of directors and the NYSE and promulgated by the SEC under the Sarbanes-Oxley Act of 2002. The audit committee charter is available on our website at [www.valhi.net](http://www.valhi.net) under the corporate governance section.

Our management is responsible for, among other things, preparing our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, or “GAAP,” establishing and maintaining internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) and evaluating the effectiveness of such internal control over financial reporting. Our independent registered public accounting firm is responsible for auditing our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for expressing an opinion on the conformity of the financial statements with GAAP. Our independent registered public accounting firm is also responsible for auditing our internal control over financial reporting in accordance with such standards and for expressing an opinion on our internal control over financial reporting. Our audit committee assists the board of directors in fulfilling its responsibility to oversee management’s implementation of our financial reporting process. In its oversight role, our audit committee reviewed and discussed the audited financial statements and our internal control over financial reporting with management and with PwC, our independent registered public accounting firm for 2008.

Our audit committee met with PwC and discussed any issues deemed significant by our independent registered public accounting firm, including the matters required to be discussed by the Statement on Auditing Standards No. 61, Communication with Audit Committee, as amended, as adopted by the Public Company Accounting Oversight Board. PwC has provided to our audit committee written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant’s communications with the audit committee concerning independence, and our audit committee discussed with PwC that firm’s independence. Our audit committee also concluded that PwC’s provision of other permitted non-audit services to us and our related entities is compatible with PwC’s independence.

Based upon the foregoing considerations, our audit committee recommended to the board of directors that our audited financial statements be included in our 2008 Annual Report on Form 10-K for filing with the SEC.

Members of our audit committee of the board of directors respectfully submit the foregoing report.

Norman S. Edelcup	Thomas E. Barry	W. Hayden McIlroy
Chairman of our Audit Committee	Member of our Audit Committee	Member of our Audit Committee

### Table of Contents

---

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM MATTERS

Independent Registered Public Accounting Firm. PwC served as our independent registered public accounting firm for the year ended December 31, 2008. Our audit committee has appointed PwC to review our quarterly unaudited condensed consolidated financial statements to be included in our Quarterly Reports on Form 10-Q for the first quarter of 2009. We expect PwC will be considered for appointment to:

- review our quarterly unaudited condensed consolidated financial statements to be included in our Quarterly Reports on Form 10-Q for the second and third quarters of 2009 and the first quarter of 2010; and
- audit our annual consolidated financial statements and internal control over financial reporting for the year ending December 31, 2009.

Representatives of PwC are not expected to attend the annual meeting.

Fees Paid to PricewaterhouseCoopers LLP. The following table shows the aggregate fees that PwC has billed or is expected to bill to us, NL, Kronos Worldwide, CompX or TIMET for services rendered for 2007 and 2008 that our audit committee authorized for us and our privately held subsidiaries and the NL, Kronos Worldwide, CompX or TIMET audit committees each separately authorized for its corporation and such corporation's privately held subsidiaries. Additional fees for 2008 may subsequently be authorized and paid to PwC, in which case the amounts disclosed below for fees paid to PwC for 2008 would be adjusted to reflect such additional payments in our proxy statement relating to next year's annual stockholder meeting. In this regard, the fees shown below for 2007 have been adjusted from amounts disclosed in our proxy statement for last year's annual stockholder meeting.

Entity (1)	Audit Fees (2)	Audit Related Fees (3)	Tax Fees (4)	All Other Fees	Total
<b>Valhi and Subsidiaries</b>					
2007	\$ 411,000	\$ -0-	\$ -0-	\$ -0-	\$ 411,000
2008	\$ 426,000	\$ -0-	\$ -0-	\$ -0-	\$ 426,000
<b>NL and Subsidiaries</b>					
2007	325,000	-0-	-0-	-0-	325,000
2008	331,700	29,300	-0-	-0-	361,000
<b>Kronos Worldwide and Subsidiaries</b>					
2007	1,966,000	15,000	19,000	-0-	2,000,000
2008	2,056,000	236,000	2,000	-0-	2,294,000
<b>CompX and Subsidiaries</b>					
2007	675,000	7,500	10,400	-0-	692,900
2008	693,600	6,600	14,000	-0-	714,200
<b>Subtotal</b>					
2007	\$ 3,377,000	\$ 22,500	\$ 29,400	\$ -0-	\$ 3,428,900
2008	\$ 3,507,300	\$ 271,900	\$ 16,000	\$ -0-	\$ 3,795,200

TIMET and Subsidiaries (5)

Edgar Filing: VALHI INC /DE/ - Form DEF 14A

2007	629,575	6,475	156,175	-0-	792,225
2008	-0-	-0-	-0-	-0-	-0-
<b>Total</b>					
2007	\$ 4,006,575	\$ 28,975	\$ 185,575	\$ -0-	\$ 4,221,125
2008	\$ 3,507,300	\$ 271,900	\$ 16,000	\$ -0-	\$ 3,795,200

---

(1) Fees are reported without duplication.

Table of Contents

---

(2) Fees for the following services:

- (a) audits of consolidated year-end financial statements and of internal control over financial reporting for each year;
- (b) reviews of the unaudited quarterly financial statements appearing in Forms 10-Q for each of the first three quarters of each year;
- (c) consents and/or assistance with registration statements filed with the SEC;
- (d) normally provided statutory or regulatory filings or engagements for each year; and
- (e) the estimated out-of-pocket costs PwC incurred in providing all of such services, for which PwC is reimbursed.

(3) Fees for assurance and related services reasonably related to the audit or review of financial statements for each year. These services included accounting consultations and attest services concerning financial accounting and reporting standards and advice concerning internal control over financial reporting. Kronos Worldwide's 2008 audit related fees comprise fees for audits of revisions to prior year statutory financial statements due to tax audit adjustments.

(4) Permitted fees for tax compliance, tax advice and tax planning services.

(5) In the first quarter of 2007, we accounted for our interest in TIMET by the equity method. As a result of our March 2007 dividend of all our shares of TIMET common stock as already discussed in this proxy statement, for 2007 the table above only includes one-fourth of the 2007 fees and expenses PwC billed TIMET and no such fees for 2008. For comparative purposes and using the same categories as defined in this table, the aggregate fees that PwC has billed to TIMET for services rendered for all of 2007 that TIMET's audit committee authorized were as follows :

Type of Fees	2007
Audit Fees	\$ 2,518,300
Audit-Related Fees	25,900
Tax Fees	624,700
All Other Fees	-0-
Total	\$ 3,168,900

Preapproval Policies and Procedures. For the purpose of maintaining the independence of our independent registered public accounting firm, our audit committee has adopted policies and procedures for the preapproval of audit and other permitted services the firm provides to us or any of our subsidiaries other than our publicly held subsidiaries and their respective subsidiaries. We may not engage the firm to render any audit or other permitted service unless the service is approved in advance by our audit committee pursuant to the committee's amended and restated preapproval policy. Pursuant to the policy:

- the committee must specifically preapprove, among other things, the engagement of our independent registered public accounting firm for audits and quarterly reviews of our financial statements, services associated with certain regulatory filings, including the filing of registration statements with the SEC, and services associated with potential business acquisitions and dispositions involving us; and
- for certain categories of other permitted services provided by our independent registered public accounting firm, the committee may preapprove limits on the aggregate fees in any calendar year without specific approval of the service.

These other permitted services include:

- audit-related services, such as certain consultations regarding accounting treatments or interpretations and assistance in responding to certain SEC comment letters;
  - audit-related services, such as certain other consultations regarding accounting treatments or interpretations, employee benefit plan audits, due diligence and control reviews;
- tax services, such as tax compliance and consulting, transfer pricing, customs and duties and expatriate tax services; and

Table of Contents

---

- assistance with corporate governance matters and filing documents in foreign jurisdictions not involving the practice of law.

The policy also lists certain services for which the independent auditor is always prohibited from providing to us under applicable requirements of the SEC or the Public Company Accounting Oversight Board.

Pursuant to the policy, our audit committee has delegated preapproval authority to the chairman of the committee or his designee to approve any fees in excess of the annual preapproved limits for these categories of other permitted services provided by our independent registered public accounting firm. The chairman must report any action taken pursuant to this delegated authority at the next meeting of the committee.

For 2008, our audit committee preapproved all of PwC's services provided to us or any of our subsidiaries, other than our publicly held subsidiaries and their subsidiaries, in compliance with our amended and restated preapproval policy without the use of the SEC's de minimis exception to such preapproval requirement.

#### OTHER MATTERS

The board of directors knows of no other business that will be presented for consideration at the annual meeting. If any other matters properly come before the meeting, the persons designated as agents in the enclosed proxy card or voting instruction form will vote on such matters in accordance with their reasonable judgment.

#### 2008 ANNUAL REPORT ON FORM 10-K

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 is included as part of the annual report mailed to our stockholders with this proxy statement and may also be accessed on our website at [www.valhi.net](http://www.valhi.net).

#### ADDITIONAL COPIES

Pursuant to an SEC rule concerning the delivery of annual reports and proxy statements, a single set of these documents may be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as householding, reduces the volume of duplicate information stockholders receive and reduces mailing and printing expenses. A number of brokerage firms have instituted householding. Certain beneficial stockholders who share a single address may have received a notice that only one annual report and proxy statement would be sent to that address unless a stockholder at that address gave contrary instructions. If, at any time, a stockholder who holds shares through a broker no longer wishes to participate in householding and would prefer to receive a separate proxy statement and related materials, or if such stockholder currently receives multiple copies of the proxy statement and related materials at his or her address and would like to request householding of our communications, the stockholder should notify his or her broker. Additionally, we will promptly deliver a separate copy of our 2008 annual report or this proxy statement to any stockholder at a shared address to which a single copy of such documents was delivered, upon the written or oral request of the stockholder.

To obtain copies of our 2008 annual report or this proxy statement without charge, please mail your request to the attention of A. Andrew R. Louis, corporate secretary, at Valhi, Inc., Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697, or call him at 972.233.1700.

Valhi, Inc.

Dallas, Texas  
April 28, 2009

Table of Contents

---





Valhi, Inc.  
Three Lincoln Centre  
5430 LBJ Freeway, Suite 1700  
Dallas, Texas 75240-2697

---

Important Notice Regarding the Availability of Proxy Materials for the  
Annual Stockholder Meeting to Be Held on May 28, 2009.

The proxy statement and annual report to stockholders (including Valhi's Annual Report on Form 10-K for the fiscal year ended December 31, 2008) are available at [www.valhi.info/investor](http://www.valhi.info/investor).

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION,  
DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proxy — Valhi, Inc.

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF VALHI, INC.  
FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD MAY 28, 2009

The undersigned hereby appoints Steven L. Watson, Robert D. Graham and A. Andrew R. Louis, and each of them, proxy and attorney-in-fact for the undersigned, with full power of substitution, to vote on behalf of the undersigned at the 2009 Annual Meeting of Stockholders (the "Meeting") of Valhi, Inc., a Delaware corporation ("Valhi"), to be held at Valhi's corporate offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas on Thursday, May 28, 2009, at 10:00 a.m. (local time), and at any adjournment or postponement of the Meeting, all of the shares of common stock, par value \$0.01 per share, of Valhi standing in the name of the undersigned or that the undersigned may be entitled to vote on the proposals set forth, and in the manner directed, on this proxy card.

THIS PROXY AUTHORIZATION MAY BE REVOKED AS SET FORTH IN THE PROXY STATEMENT THAT ACCOMPANIED THIS PROXY CARD.

The agents named on this proxy card, if this card is properly executed, will vote in the manner directed on this card. If no direction is made, the agents will vote "FOR" all nominees named on the reverse side of this card for election as directors and, to the extent allowed by applicable law, in the discretion of the agents as to all other matters that may properly come before the Meeting and any adjournment or postponement thereof.

PLEASE SIGN, DATE AND MAIL THIS PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

SEE REVERSE SIDE.

---

Valhi, Inc.

### Electronic Voting Instructions

You can vote by Internet or telephone!  
Available 24 hours a day, 7 days a week!

Instead of mailing your proxy card, you may choose one of the two voting methods outlined below to instruct how the agents named on this proxy card should vote your shares.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxy instructions submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on May 28, 2009.

#### Vote by Internet

- Log on to the Internet and go to [www.investorvote.com/VHI](http://www.investorvote.com/VHI)
- Follow the steps outlined on the secured website.

#### Vote by telephone

- Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is NO CHARGE to you for the call.
  - Follow the instructions provided by the recorded message.

Using a black ink pen, mark your votes with an X as shown in this example. Please do not write outside the designated areas.

### Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A Election of Directors — The Board of Directors recommends a vote FOR the nominees listed.

#### 1. Nominees:

For	Withhold	For	Withhold	For	Withhold
01 – Thomas E. Barry	“ ”	02 – Norman S. Edelcup	“ ”	03 – W. Hayden McIlroy	“ ”
04 – Glenn R. Simmons	“ ”	05 – Harold C. Simmons	“ ”	06 – J. Walter Tucker, Jr.	“ ”
07 – Steven L. Watson	“ ”				

2. In their discretion, the agents named on this proxy card are authorized to vote upon such other business as may properly come before the Meeting and any adjournment or postponement thereof.

**B Non-Voting Items**

Change of Address - Please print new address below.

**C Authorized Signatures** — This section must be completed for your vote to be counted. — Date and Sign Below  
NOTE: Please sign exactly as the name that appears on this card. Joint owners should each sign. When signing other than in an individual capacity, please fully describe such capacity. Each signatory hereby revokes all proxies heretofore given to vote at said Meeting and any adjournment or postponement thereof.

Date (mm/dd/yyyy) – Please  
print date below.  
/ /

Signature 1 – Please keep  
signature within the box.

Signature 2 – Please keep  
signature within the box.