

VALHI INC /DE/
Form PRE 14A
March 20, 2012

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.

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

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- 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 11, 2012

To our Stockholders:

You are cordially invited to attend the 2012 annual meeting of stockholders of Valhi, Inc., which will be held on Thursday, May 31, 2012, 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 your 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.

In order to save mailing expenses, also enclosed with your 2012 annual meeting proxy materials are a:

- notice of stockholder action taken pursuant to the written consent of stockholders; and
- related information statement regarding an increase in the authorized shares of our common stock as described in the statement.

We are not incorporating the notice of stockholder action or the information statement into our 2012 annual meeting proxy materials. Additionally, you should not consider the information statement as soliciting material for our 2012 annual meeting of stockholders to be held on May 31, 2012.

IF YOU WANT YOUR SHARES VOTED AT OUR 2012 ANNUAL MEETING, YOU WILL NEED TO CAST YOUR VOTES AS INSTRUCTED ON YOUR PROXY CARD OR VOTING INSTRUCTION FORM. FOR MORE INFORMATION, WE URGE YOU TO READ OUR 2012 PROXY STATEMENT FOR OUR 2012 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 31, 2012. The notice of stockholder action and information statement included in this mailing do not require any action on your part and are provided to you for informational purposes only.

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 31, 2012

To the Stockholders of Valhi, Inc.:

The 2012 annual meeting of stockholders of Valhi, Inc. will be held on Thursday, May 31, 2012, 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 vote on six director nominees named in the proxy statement to serve until the 2013 annual meeting of stockholders;
2. to vote on the 2012 Director Stock Plan;
3. to vote on an advisory resolution to approve our named executive officer compensation;
4. to vote on a stockholder proposal that our board of directors issue a sustainability report, if such stockholder proposal is properly presented at the meeting;
5. to transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The close of business on April 2, 2012 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 proxy card or voting instruction form as promptly as possible to ensure that your shares are represented and voted in accordance with your wishes.

By Order of the Board of Directors,

A. Andrew R. Louis, Secretary

Dallas, Texas
April 11, 2012

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Provision of Utility Services to TIMET
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AUDIT COMMITTEE REPORT

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM MATTERS

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EXHIBIT A — VALHI, INC. 2012 DIRECTOR STOCK PLAN

GLOSSARY OF TERMS

“2012 Director Stock Plan” or “2012 plan” means the 2012 Director Stock Plan described in proposal 2, which provides for grants of our common stock to our directors.

“BMI” means Basic Management, Inc., a land management company in which a wholly owned subsidiary of Tremont owns approximately 32% of the outstanding equity securities (representing 29% of the voting securities).

“brokerage firm or other nominee” means a brokerage firm or other nominee such as a banking institution, custodian, trustee or fiduciary (other than our transfer agent, Computershare) through which a stockholder hold its shares of our common stock.

“broker/nominee non-vote” means a non-vote by a brokerage firm or other nominee for shares held for a client’s account for which the brokerage firm or other nominee does not have discretionary authority to vote on a particular matter and has not received instructions from the client.

“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 Trust Company, N.A., 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 corporation wholly owned by NL.

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

“Grandchildren’s Trust” means The Annette Simmons Grandchildren’s Trust, a trust of which Harold C. Simmons and his wife, Annette C. Simmons, are co-trustees and the beneficiaries of which are the grandchildren of Annette C. Simmons.

“independent directors” means the following directors: Norman S. Edelpcup, 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 an annual 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 products.

“named executive officer” means any person named in the 2011 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.

“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 April 2, 2012, the date our board of directors set for the determination of stockholders entitled to notice of and to vote at the 2012 annual meeting of our stockholders.

“Say-on-Pay” means the third proposal in this proxy statement for a nonbinding advisory vote for the consideration of our stockholders to approve the compensation of our named executive officers as such proposal is described and as such compensation is disclosed in this proxy statement.

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

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

“stockholder of record” means a stockholder of our common stock who holds shares directly (either in certificate or electronic form) in its name with our transfer agent, Computershare.

“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 metal products.

“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.

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

PROXY STATEMENT

GENERAL INFORMATION

We are providing this proxy statement in connection with the solicitation of proxies by and on behalf of our board of directors for use at our 2012 annual meeting of stockholders to be held on Thursday, May 31, 2012, and at any adjournment or postponement of the meeting. We are furnishing our proxy materials to holders of our common stock as of the close of business on April 2, 2012. We initiated the mailing of our proxy materials to the holders of our common stock on or about April 11, 2012. The proxy materials include:

- the accompanying notice of the 2012 annual meeting of stockholders;
- this proxy statement;
- our 2011 Annual Report to Stockholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2011; and
- the proxy card (or voting instruction form if you hold your shares through a brokerage firm or other nominee and not through our transfer agent, Computershare).

We are furnishing our 2011 annual report to all of our stockholders entitled to vote at the 2012 annual meeting. We are not incorporating the 2011 annual report into this proxy statement and you should not consider the annual report as proxy solicitation material. The accompanying notice of annual meeting of stockholders sets forth the time, place and purposes of the meeting. Our principal executive offices are located at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

In order to save mailing expenses, also enclosed with your 2012 annual meeting proxy materials are a:

- notice of stockholder action taken pursuant to the written consent of stockholders; and
- related information statement regarding an increase in the authorized shares of our common stock as described in the statement.

We are not incorporating the notice of stockholder action or the information statement into our 2012 annual meeting proxy materials. Additionally, you should not consider the notice or information statement as soliciting material for our 2012 annual meeting of stockholders to be held on May 31, 2012.

IF YOU WANT YOUR SHARES VOTED AT OUR 2012 ANNUAL MEETING, YOU WILL NEED TO CAST YOUR VOTES AS INSTRUCTED ON YOUR PROXY CARD OR VOTING INSTRUCTION FORM. FOR MORE INFORMATION, WE URGE YOU TO REFER TO THIS PROXY STATEMENT. The notice of stockholder action and information statement included in this mailing do not require any action on your part and are provided to you for

informational purposes only.

Please refer to the Glossary of Terms on page ii for the definitions of certain 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 following, as described in this proxy statement:

- Proposal 1 – the election of the six director nominees named in this proxy statement;
-

- Proposal 2 – the approval of the 2012 Director Stock Plan;
- Proposal 3 –the adoption of a nonbinding advisory resolution that approves the executive compensation described in this proxy statement (Say-on-Pay); and
- Proposal 4 –a stockholder proposal that our board of directors issue a sustainability report (Sustainability Report).

In addition, stockholders will vote on 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; and
- Proposal 2 – the approval of the 2012 Director Stock Plan; and
- Proposal 3 – the adoption of a nonbinding advisory resolution that approves the named executive officer compensation described in this proxy statement.

The board of directors makes NO RECOMMENDATION regarding Proposal 4 – a stockholder proposal that our board of directors issue a sustainability report.

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

A: The board of directors has set the close of business on April 2, 2012 as the record date for the determination of stockholders entitled to notice of and to vote at the meeting. Only holders 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, 113,036,483 shares of our common stock were issued and outstanding. Each share of our common stock entitles its holder to one vote.

Q: If I hold my shares through a brokerage firm or other nominee, how may I vote in person at the annual meeting?

A: If you wish to vote in person at the annual meeting, you will need to follow the instructions on your voting instruction form on how to obtain the appropriate documents to vote in person at the meeting.

Q: How do I vote if I am a stockholder of record?

A: If you hold shares of our common stock directly (either in certificate or electronic form) with our transfer agent, Computershare, rather than through a brokerage firm or other nominee, you are a stockholder of record. As a stockholder of record, you may:

- vote over the internet at www.investorvote.com/VHI;
- vote by telephone using the voting procedures set forth on your proxy card;
- instruct the agents named on your 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.

Q: What are the consequences if I am a stockholder of record and I execute my proxy card but do not indicate how I would like my shares voted for one or more of the director nominees named in this proxy statement or the other proposals described in this proxy statement?

A: If you are a stockholder of record (and not a brokerage firm or other nominee), the agents named on your proxy card will vote your shares on such uninstructed nominee or proposal as recommended by the board of directors in this proxy statement. However, the board of directors makes no recommendation regarding proposal 4 (sustainability report). Accordingly, if the agents receive no direction from you on proposal 4, the agents will abstain on this proposal, which abstention will have the same effect as a negative vote.

Q: If I do not want to vote my shares in person at the annual meeting, how do I vote if my shares are held through a brokerage firm or other nominee?

A: If your shares are held through a brokerage firm or other nominee, you must follow the instructions from your brokerage firm or other nominee on how to vote your shares. In order to ensure your brokerage firm or other nominee votes your shares in the manner you would like, you must provide voting instructions to your brokerage firm or other nominee by the deadline provided in the materials you receive from your brokerage firm or other nominee.

Brokerage firms or other nominees may not vote your shares on the election of a director nominee or any of the other proposals in this proxy statement in the absence of your specific instructions as to how to vote. We encourage you to provide instructions to your brokerage firm or other nominee regarding the voting of your shares. If you do not instruct your brokerage firm or other nominee how to vote with respect to the election of a director nominee or on each of the other three proposals in this proxy statement, your brokerage firm or other nominee may not vote with respect to the election of such director nominee or on any uninstructed proposal and your vote will be counted as a “broker/nominee non-vote.” “Broker/nominee non-votes” are non-votes by a brokerage firm or other nominee for shares held in a client’s account for which the brokerage firm or other nominee does not have discretionary authority to vote on a particular matter and has not received instructions from the client. How we treat broker/nominee non-votes is separately described in each of the answers below regarding what constitutes a quorum, the requisite votes necessary to elect a director nominee or approve the other three proposals in this proxy statement.

Q: Who will count the votes?

A: The board of directors has appointed Computershare, our transfer agent and registrar, to 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: How do I change or revoke my proxy instructions if I am a stockholder of record?

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;
- using the telephone voting procedures set forth on your proxy card; or
- voting in person at the annual meeting.

Q: How do I change or revoke my voting instructions if my shares are held through a brokerage firm or other nominee?

A: If your shares are held through a brokerage firm or other nominee, you must follow the instructions from your brokerage firm or other nominee on how to change or revoke your voting instructions or how to vote in person at

the annual meeting.

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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.

Shares that are voted “abstain” or “withheld” are counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum is present at the annual meeting.

As already discussed in the previous answer regarding how to vote shares held through a brokerage firm or other nominee, there are no proposals for the 2012 annual meeting that would allow a brokerage firm or nominee to vote uninstructed shares. If a brokerage firm or other nominee receives no instruction for the election of any director nominee or any of the proposals, such uninstructed shares will be counted as not entitled to vote and are, therefore, not considered for purposes of determining whether a quorum is present at the annual meeting. If a brokerage firm or other nominee receives instructions on the election of any director nominee or any of the other three proposals, such instructed shares will be counted as present and entitled to vote and are, therefore, included for purposes of determining whether a quorum is present at the annual meeting.

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. If VHC attends the meeting in person or by proxy, the meeting will have a quorum present.

Q: Assuming a quorum is present, what vote is required to elect a director nominee?

A: A plurality of affirmative votes of the holders of our outstanding shares of common stock represented and entitled to vote at the meeting is necessary to elect each director nominee. You may indicate on your proxy card or in your voting instructions that you desire to withhold authority to vote for any of the director nominees. Since director nominees need only receive a plurality of 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.

VHC directly held approximately 92.5% 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 to vote such shares 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 stockholders will elect all of the nominees named in this proxy statement to the board of directors.

Q: Assuming a quorum is present, what vote is required to adopt and approve proposal 2 (2012 Director Stock Plan)?

A: The affirmative votes of the majority of the shares present in person or represented by proxy at the 2012 annual meeting and entitled to vote will be the requisite vote to approve the 2012 Director Stock Plan. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a negative vote. Broker/nominee non-votes will not be counted as entitled to vote and will have no effect on this proposal.

As already mentioned, 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 to vote such shares FOR the approval of the 2012 Director Stock Plan. If VHC attends the meeting in person or by proxy and votes as indicated, the stockholders will approve this proposal.

Q: Assuming a quorum is present, what vote is required to adopt and approve proposal 3 (Say-on-Pay)?

A: The proposed stockholder resolution contained in this proposal provides that the affirmative nonbinding advisory votes of the majority of the shares present in person or represented by proxy at the 2012 annual meeting and entitled to vote will be the requisite vote to adopt the resolution and approve the compensation of our named executive officers as such compensation is disclosed in this proxy statement. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a negative vote. Broker/nominee non-votes will not be counted as entitled to vote and will have no affect on this proposal.

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As already mentioned, 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 to vote such shares FOR this nonbinding advisory proposal. If VHC attends the meeting in person or by proxy and votes as indicated, the stockholders will, by a nonbinding advisory vote, approve this proposal.

Q: Assuming a quorum is present, what vote is required to adopt and approve proposal 4 (Sustainability Report)?

A: The affirmative votes of the majority of the shares present in person or represented by proxy at the 2012 annual meeting and entitled to vote will be the requisite vote to adopt and approve the stockholder proposed resolution that our board of directors issue a sustainability report. Abstentions will be counted as represented and entitled to vote and will therefore have the effect of a negative vote. Broker/nominee non-votes will not be counted as entitled to vote and will have no effect on this stockholder proposal.

As already mentioned, 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 to vote such shares AGAINST the approval of this stockholder proposal. If VHC attends the meeting in person or by proxy and votes as indicated, this stockholder proposal will NOT be approved.

Q: Assuming a quorum is present, what vote is required to approve any other matter to come before the meeting?

A: 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 will be counted as represented and entitled to vote and will therefore have the effect of a negative vote.

Q: If I am a stockholder of record, how will the agents named on my proxy card vote on any other matter to come before the meeting?

A: If you are a stockholder of record and to the extent allowed by applicable law, the agents named on your proxy card will vote in their discretion on any other matter that may properly come before the meeting.

Q: Why are a notice of stockholder action taken pursuant to the written consent of stockholders and related information statement regarding an increase in the authorized shares of our common stock included with the 2012 annual proxy materials I received?

A: We included the notice of stockholder action and information statement with the 2012 annual proxy materials in order to save mailing expenses. We are not incorporating the notice of stockholder action or the information statement into our 2012 annual meeting proxy materials. Additionally, you should not consider the information statement as soliciting material for our 2012 annual meeting. The notice of stockholder action and information statement do not require any action on your part and are provided for informational purposes only.

Q: How will our announced 3-for-1 common stock split affect the number of shares I have to vote at the annual meeting?

A: On March 15, 2012 we declared a 3-for-1 split of our common stock to be effected in the form of a stock dividend. Holders of record of our common stock at the close of business on May 2, 2012 will receive two additional shares for each share held as of the close of business on that date. Subject to certain customary regulatory approvals, we expect to distribute the additional shares at the close of business on May 10, 2012. Since the record date for the annual meeting is before the record date for the stock split, the stock split will have no effect on the number of shares you are entitled to vote at the annual meeting. You will only be able to vote as many

shares at the 2012 annual meeting as you held at the close of business on April 2, 2012 (the record date for the annual meeting).

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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 brokerage firms or other nominees for their reasonable out-of-pocket expenses incurred in distributing proxy materials and voting instructions to the beneficial owners of our common stock that hold such stock in accounts with such entities.

CONTROLLING STOCKHOLDER

VHC is the direct holder of 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 to vote such shares FOR the election of each of the director nominees named in this proxy statement and FOR proposals 2 (2012 Director Stock Plan) and 3 (Say-on-Pay) and AGAINST proposal 4 (Sustainability Report). 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 of the nominees named in this proxy statement to the board of directors, will approve proposals 2 and 3 and will NOT approve Proposal 4.

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 to 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)	(4) 421,393	*
V a l h i H o l d i n g C o m p a n y (3)	(4) 104,677,716	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)	(4) 2,122,339	1.9%
C o n t r a n C o r p o r a t i o n (3)	(4)(5) 392,762	*
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)	(4) 827,300	*
A n n e t t e C . S i m m o n s (3)	(4) 265,338	*
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)	(4) 115,000	*
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)	29,300(4) 108,851,148(4)	* 96.3%
T h o m a s E . Barry	15,500(4)	*
N o r m a n S . Edelcup	39,000	*
W . H a y d e n McIlroy	6,500(4)(6)	*
G l e n n R . Simmons	17,410(4)(7)	*
S t e v e n L . Watson	28,746(4)	*
W i l l i a m J . Lindquist	-0-(4)	-0-
R o b e r t D . Graham	-0-(4)	-0-
B o b b y D . O'Brien	-0-(4)	-0-
All our directors and executive officers as a group (14 persons)	108,959,470(4)(5)(6)(7)	96.4%

* 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 113,036,483 shares of our common stock outstanding as of the record date. NL, one of its wholly owned subsidiaries and Kronos Worldwide directly hold 3,604,790, 1,186,200 and 574,972 shares of our common stock, respectively. Since NL and Kronos Worldwide are majority owned subsidiaries of us and pursuant to Delaware law, we treat the shares of our common stock that NL, its subsidiary and Kronos Worldwide hold 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, Contran, the Foundation, the CMRT, Harold C. and Annette C. Simmons and the 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. Except as otherwise indicated, Harold C. Simmons and the following persons or entities related to him are the direct holders of the following percentages of the outstanding shares of TIMET common stock:

VHC	23.9%
Annette C. Simmons	12.5%
CMRT	8.8%
Harold C. Simmons	3.2%
Kronos Worldwide	2.4%
Contran	2.0%
NL	0.8%
Valhi	0.5%
Grandchildren's Trust	Less than 0.1%

NL's percentage ownership of TIMET common stock includes approximately 0.3% directly held by a wholly owned subsidiary of NL.

Harold C. Simmons and the following persons or entities related to him are the direct holders of the following percentages of the outstanding shares of Kronos Worldwide common stock:

Valhi	50.0%
NL	30.4%
Annette C. Simmons	0.8%
Harold C. Simmons	0.7%
TFMC	0.3%
Contran	Less than 0.1%

Harold C. Simmons and the following persons or entities related to him are the direct holders of the following percentages of the outstanding shares of NL common stock:

Valhi	83.0%
Harold C. Simmons	2.2%
Annette C. Simmons	0.8%
TFMC	0.5%
Kronos Worldwide	Less than 0.1%

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

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 is a tax-exempt foundation organized for charitable purposes. Harold C. Simmons is the chairman of the board of the Foundation.

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 is obligated to satisfy the balance of such obligations as they come due. 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.

Contran sponsors the CMRT 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. Thomas E. Barry is also a member of this trust's investment committee. Contran 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, us, 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, Contran, the Foundation, Kronos Worldwide or NL or its subsidiaries.

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

Annette C. Simmons is the wife of Harold C. Simmons. Mrs. Simmons disclaims beneficial ownership of all shares that she does not own directly. Mr. Simmons may be deemed to share indirect beneficial ownership of her shares. He disclaims all such beneficial ownership.

The Grandchildren's Trust is 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. 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.

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

VHC has pledged 8,577,160 shares of our common stock as security and 24,878,091 shares of TIMET common stock as security. NL has pledged 4,069,344 shares of Kronos Worldwide common stock as security. Contran has pledged 864 shares of our 6% series A preferred 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. Harold C. Simmons holds 60,557 shares of our common stock, 574,866 shares of Kronos Worldwide common stock and 491,009 shares of NL common stock in a margin account at a brokerage firm. Annette C. Simmons holds all of her 258,838 shares of Valhi common stock, 882,876 shares of Kronos Worldwide common stock and 404,391 shares of NL common stock and in a margin account at a brokerage firm. The Grandchildren's Trust holds all of its 29,300 shares of our common stock and 14,132 shares of TIMET common stock in a margin account at a brokerage firm. A family partnership of which Mr. McIlroy is a general partner holds all of its 7,500 shares of our common stock in a margin account at a brokerage firm.

The business address of the Foundation, Kronos Worldwide, NL 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) Includes 366,847 shares of our common stock that the CDCT holds directly. 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.

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 is obligated to satisfy the balance of such obligations as they come due. 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.

(6) A family partnership of which Mr. McIlroy is a general partner holds these shares.

(7) The shares of common stock shown as beneficially owned by Glenn R. Simmons include 1,100 shares his wife holds in her retirement accounts, with respect to which he disclaims beneficial ownership.

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.