

NL INDUSTRIES INC  
Form DEF 14A  
April 07, 2010

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

NL Industries, 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.

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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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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:
-

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

April 7, 2010

To our Shareholders:

You are cordially invited to attend the 2010 annual meeting of shareholders of NL Industries, Inc., which will be held on Wednesday, May 19, 2010, 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 shareholders and proxy statement.

Whether or not you plan to attend the meeting, please cast your vote as instructed on your proxy card or notice of internet availability of proxy materials 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 by-laws.

Sincerely,

Harold C. Simmons  
Chairman of the Board and  
Chief Executive Officer

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 19, 2010

To the Shareholders of NL Industries, Inc.:

The 2010 annual meeting of shareholders of NL Industries, Inc. will be held on Wednesday, May 19, 2010, 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 six director nominees named in the proxy statement to serve until the 2011 annual meeting of shareholders; 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, 2010 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 shareholders entitled to vote at the meeting will be available for examination during normal business hours by any of our shareholders, 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 notice of internet availability of proxy materials 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 7, 2010

Important Notice Regarding the Availability of Proxy Materials for the  
Annual Shareholder Meeting to Be Held on May 19, 2010.

The proxy statement and annual report to shareholders (including NL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009) are available at [www.nl-ind.com/annualmeeting](http://www.nl-ind.com/annualmeeting).



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## 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 Trust Company, N.A., our stock transfer agent and registrar.

“CompX” means CompX International Inc., our publicly held subsidiary 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 us.

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

“independent directors” means the following directors: Cecil H. Moore, Jr., Thomas P. Stafford and Terry N. Worrell.

“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., a publicly held international manufacturer of titanium dioxide pigments in which we have a principal investment and that we account for on our financial statements using the equity method.

“named executive officer” means any person named in the 2009 Summary Compensation Table in this proxy statement.

“NL,” “us,” “we” or “our” means NL Industries, Inc.

“non-management directors” means the following directors who are not one of our executive officers: Cecil H. Moore, Jr., Glenn R. Simmons, Thomas P. Stafford, Terry N. Worrell and Steven L. Watson.

“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, 2010, the date our board of directors set for the determination of shareholders entitled to notice of and to vote at the 2010 annual meeting of our shareholders.



“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 Valhi.

“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.

“Valhi” means Valhi, Inc., our publicly held parent corporation that is a diversified holding company with principal investments in us and Kronos Worldwide.

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

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NL Industries, 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 2010 annual meeting of shareholders to be held on Wednesday, May 19, 2010, 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 March 31, 2010. We began distributing a notice of internet availability of our proxy materials on or about April 7, 2010 to the “street name” holders of our common stock (i.e. shares held in the name of a brokerage firm or other nominee such as a banking institution, custodian, trustee or fiduciary). We will begin mailing our proxy materials to the record holders of our common stock (i.e. shares held directly and not through a broker or other nominee) on or about April 8, 2010. The proxy materials include:

- the accompanying notice of the 2010 annual meeting of shareholders;
- this proxy statement; and
- our 2009 Annual Report to Shareholders, which includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

We are furnishing our 2009 annual report to all of our shareholders entitled to vote at the 2010 annual meeting. We are not incorporating the 2009 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 shareholders 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.

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, shareholders will vote on the election of the six 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, 2010 as the record date for the determination of shareholders 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, 48,621,934 shares of our common stock were issued and outstanding. Each share of our common stock entitles its holder to one vote.

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Q: If I hold my shares through a brokerage firm or other nominee, why did I receive a notice regarding the internet availability of proxy materials instead of paper copies of the proxy materials?

A: This year we are using the SEC notice and access rules to furnish proxy materials over the internet to our shareholders who hold our common stock through a brokerage firm or other nominee. If you hold your shares through a brokerage firm or other nominee, you can find instructions on how to access and review the proxy materials, and how to vote over the internet, on the notice of internet availability of proxy materials that you received. The notice also contains instructions on how you can receive a paper copy of this proxy statement, our 2009 annual report to stockholders and a voting instruction form. If you wish to vote in person at the annual meeting, you will need to follow the instructions on your notice of internet availability of proxy materials on how to obtain the appropriate documents to vote in person at the meeting.

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

A: If you own shares of our common stock directly rather than through a brokerage firm or other nominee, you are a shareholder of record. As a shareholder of record, you may:

- vote over the internet at [www.investorvote.com/NL](http://www.investorvote.com/NL);
- vote by telephone using the voting procedures set forth on the proxy card;
- 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 are a shareholder of record and 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. To the extent allowed by applicable law, the agents will vote in their discretion on any other matter that may properly come before the meeting.

Q: How do I vote if my shares are held by a brokerage firm or other nominee?

A: If your shares are held by 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. Under the applicable rules of the NYSE, brokerage firms 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. This year the rules regarding how brokerage firms or other nominees may vote your shares have changed. Brokerage firms or other nominees may no longer vote your shares on the election of a director nominee 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, your brokerage firm or other nominee may not vote with respect to the election of such director nominee and your vote will be counted as a "broker/nominee non-vote." "Broker/nominee non-votes" are shares that are held with a brokerage firm or other nominee for which the brokerage firm or other nominee does not have discretionary authority to vote on a particular matter in the absence of instructions from the beneficial holder. A broker/nominee non-vote regarding a particular director nominee will not be counted as a vote cast and, therefore, will not affect the election of such director nominee.

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.

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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 by-laws.

Q: How do I change or revoke my proxy instructions if I am a shareholder of record?

A: If you are a shareholder 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/NL](http://www.investorvote.com/NL);
- using the telephone voting procedures set forth on the 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 by a brokerage firm or other nominee?

A: If your shares are held by 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.

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. 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?

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 the 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.

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

A: Except as our certificate of incorporation and 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. 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 shareholders. 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 such entities hold of record.

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## CONTROLLING SHAREHOLDER

Valhi directly held approximately 83.1% of the outstanding shares of our common stock as of the record date. Valhi has indicated its intention to have its shares of our common stock represented at the meeting and to vote FOR the election of each of the director nominees named in this proxy statement. If Valhi attends the meeting in person or by proxy and votes as indicated, the meeting will have a quorum present and the shareholders will elect all of the nominees named in this proxy statement to the board of directors.

## SECURITY OWNERSHIP

Ownership of NL. 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	NL 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)	881,600(4)	1.8%
V a l h i , I n c . (3)	40,387,531(4)	83.1%
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)	222,100(4)	*
A n n e t t e C . S i m m o n s (3)	292,225(4)	*
	41,783,456(4)	85.9%
C e c i l H . M o o r e , Jr.	5,000	*
G l e n n R . Simmons	3,000(4)	*
T h o m a s P . Stafford	8,000	*
S t e v e n L . Watson	13,000(4)	*
T e r r y N . Worrell	6,000	*
R o b e r t D . Graham	-0-(4)	-0-
K e l l y D . Luttmer	-0-(4)	-0-
J o h n A . S t . Wrba	-0-(4)	-0-



G r e g o r y M .	-0-(4)	-0-
Swalwell		
All our directors and executive officers as a group (11 persons)	41,818,456(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 48,621,934 shares of our common stock outstanding as of the record date.

(3) The business address of Valhi and Harold C. and Annette C. Simmons 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, we, Valhi and the Foundation are the holders of approximately 26.2%, 12.0%, 8.6%, 4.1%, 0.8%, 0.5% and less than 0.1%, respectively, of the outstanding shares of TIMET common stock. Our percentage ownership of TIMET common stock includes approximately 0.3% directly held by a wholly owned subsidiary of ours.

VHC, TFMC, the Foundation, Contran, Annette C. Simmons, Harold C. Simmons and the CMRT are the direct holders of approximately 92.2%, 1.1%, 0.9%, 0.3%, 0.2%, 0.2% and 0.1%, respectively, of the outstanding shares of common stock of Valhi. Contran's percentage ownership of Valhi common stock includes approximately 0.3% directly held by the CDCT. Dixie Rice is the direct holder of 100% of the outstanding shares of common stock of VHC. Contran is the beneficial holder of 100% of the outstanding shares of common stock of Dixie Rice.

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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 less than 0.1% of the outstanding shares of TIMET common stock and approximately 0.9% of the outstanding shares of Valhi 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 0.3% of the outstanding shares of Valhi 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 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.

The CMRT directly holds approximately 8.6% of the outstanding shares of TIMET common stock and approximately 0.1% of the outstanding shares of Valhi 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. Contran selects the trustee and members of this trust's investment committee. All of our executive officers, Glenn R. Simmons and Steven L. Watson 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 our chairman of the board and chief executive officer 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 Valhi or TFMC.

All of our directors or executive officers who are also directors or executive officers of Valhi, TFMC 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 292,225 shares of our common stock, 21,575,875 shares of TIMET common stock and 203,065 shares of Valhi 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 15,432 shares of TIMET common stock and 31,800 shares of Valhi 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 881,600 shares of our common stock, 7,421,787 shares of TIMET common stock and 180,432 shares of Valhi common stock.

We and a wholly owned subsidiary of ours directly hold 3,604,790 and 1,186,200 shares of Valhi common stock, respectively. Since we are a majority owned subsidiary of Valhi and pursuant to Delaware law, Valhi treats the shares of Valhi common stock that we and our subsidiary hold as treasury stock for voting purposes. For the purposes of calculating the percentage ownership of the outstanding shares of Valhi common stock as of the record date in this proxy statement, such shares are not deemed outstanding.

Contran is the sole owner of Valhi's 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.

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We have pledged 2,500,000 shares of Kronos Worldwide common stock as security and 381,104 shares of CompX class A common stock as security. VHC has pledged 8,577,160 shares of Valhi common stock as security and 12,878,081 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. Annette C. Simmons holds all of her 26,400 shares of CompX class A common stock, 292,225 shares of our common stock and 203,065 shares of Valhi common stock in a margin account at a brokerage firm. The Annette Simmons Grandchildren's Trust holds all of its 15,432 shares of TIMET common stock and 31,800 shares of Valhi common stock in a margin account at a brokerage firm.

The business address of Contran, the CMRT, the Foundation, TIMET and VHC 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.

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.

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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 Valhi. The following table and footnotes set forth the beneficial ownership, as of the record date, of the shares of Kronos Worldwide and Valhi 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		Valhi 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	235,509(4)	*	180,432(4)	*
Valhi, Inc.	28,995,021(4)	59.2%	n/a	n/a
NL Industries, Inc.	17,609,635(4)	36.0%	n/a(3)	n/a
TIMET Finance Management Company.	79,567(4)	*	1,269,943(4)	1.1%
Valhi Holding Company	-0-(4)	-0-	104,773,316(4)	92.2%
Contran Corporation	2,686(4)	*	381,847(4)(5)	*
Harold Simmons Foundation, Inc	-0-(4)	-0-	1,006,500(4)	*
The Combined Master Retirement Trust	-0-(4)	-0-	115,000(4)	*
Annette C. Simmons	54,856(4)	*	203,065(4)	*
Annette Simmons Grandchildren's Trust	-0-(4)	-0-	31,800(4)	*
	46,977,274	95.9%	107,961,903	95.0%
Cecil H. Moore, Jr.	4,012(4)	*	-0-	-0-
Glenn R. Simmons	12,438(4)	*	30,078(4)(6)	*
Thomas P. Stafford	2,115(4)	*	-0-	-0-
Steven L. Watson	12,133(4)	*	28,246(4)	*
Terry N. Worrell	-0-(4)	-0-	-0-	-0-
Robert D. Graham	-0-(4)	-0-	-0-(4)	-0-
Kelly D. Luttmer	-0-(4)	-0-	20,000(4)(7)	*
John A. St. Wrba	-0-(4)	-0-	-0-(4)	-0-
Gregory M. Swalwell	-0-(4)	-0-	26,166(4)(7)	*
All our directors and executive officers as a group (11 persons)	47,007,972(4)	96.0%	108,066,393(4)(5)(6)(7)	95.1%

\* 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 48,970,549 shares of Kronos Worldwide common stock outstanding as of the record date.
- (3) The percentages are based on 113,603,955 shares of Valhi common stock outstanding as of the record date. For purposes of calculating the outstanding shares of Valhi common stock as of the record date, 3,604,790 and 1,186,200 shares of Valhi common stock held by us and a wholly owned subsidiary of ours, respectively, are treated as treasury stock for voting purposes and for purposes of this statement are excluded from the amount of Valhi common stock outstanding.
- (4) See footnote 4 to the Ownership of 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 Kronos Worldwide common stock that we directly or indirectly own. All of our directors or executive officers who are also directors or executive officers of any of our parent companies or the Foundation disclaim beneficial ownership of the shares of Kronos Worldwide or Valhi common stock that such entities directly or indirectly own.

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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.

See footnote 4 to the Ownership of NL Table for additional disclosure regarding pledged shares and shares held in margin accounts.

- (5) Includes 366,847 shares of Valhi 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.
- (6) The shares of Valhi 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.
- (7) The shares of Valhi common stock shown as beneficially owned by such person include the following number of shares such person has the right to acquire upon the exercise of stock options granted pursuant to Valhi's stock option plans that such person may exercise within 60 days subsequent to the record date:

Name of Beneficial Owner	Shares of Valhi Common Stock Issuable Upon the Exercise of Stock Options On or Before May 30, 2010
Kelly D. Luttmer	20,000
Gregory M. Swalwell	25,000

These stock options expire on May 11, 2010.

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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 Class B Common Stock Combined Percent of Class (2)(3)
	Amount and Nature of Beneficial Ownership (2)	Percent of Class (2)(3)	Amount and Nature of Beneficial Ownership (2)	Percent of Class (2)(3)	
Harold C. Simmons	333,648(4)	14.1%	-0-(4)	-0-	2.7%
NL Industries, Inc.	755,104(4)	31.9%	10,000,000(4)	100.0%	86.9%
Annette C. Simmons	26,400(4)	1.1%	-0-(4)	-0-	*
	1,115,152(4)	47.0%	10,000,000(4)	100.0%	89.9%
Cecil H. Moore, Jr.	-0-(4)	-0-	-0-(4)	-0-	-0-
Glenn R. Simmons	29,500(4)(5)(6)	1.2%	-0-(4)	-0-	*
Thomas P. Stafford	-0-(4)	-0-	-0-(4)	-0-	-0-
Steven L. Watson	17,000(4)(5)	*	-0-(4)	-0-	*
Terry N. Worrell	-0-(4)	-0-	-0-(4)	-0-	-0-
Robert D. Graham	-0-(4)	-0-	-0-(4)	-0-	-0-
Kelly D. Luttmer	200(4)	*	-0-(4)	-0-	*
John A. St. Wrba	-0-(4)	-0-	-0-(4)	-0-	-0-
Gregory M. Swalwell	-0-(4)	-0-	-0-(4)	-0-	-0-
All our directors and executive officers as a group (11 persons)	1,161,852(4)(5)(6)	48.8%	10,000,000(4)	100.0%	90.2%

\* 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 2,370,307 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) We directly hold approximately 86.9% of the combined voting power of the outstanding shares of CompX class A and B common stock (approximately 98.4% for the election of directors).

See footnote 4 to the Ownership of NL Table above for a description of certain relationships among the individuals appearing in this table. All of our directors or executive officers disclaim beneficial ownership of any shares of CompX common stock that we directly own. All of our directors or executive officers who are also directors or executive officers of our parent companies disclaim beneficial ownership of the shares of CompX common stock that we directly 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.

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See footnote 4 to the Ownership of NL Table for additional disclosure regarding pledged shares and shares held in margin accounts.

- (5) The shares of CompX class A common stock shown as beneficially owned by such person include the following number of shares such person has the right to acquire upon the exercise of stock options that such person 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, 2010
G l e n n R	.4,000
Simmons	
S t e v e n L	.6,000
Watson	

- (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.

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## ELECTION OF DIRECTORS

Our certificate of incorporation provides that the board of directors shall consist of one or more persons within the minimum and maximum limitations set forth in our amended and restated by-laws. Our by-laws provide that the number of the directors shall be not less than one nor more than 17 persons and, absent shareholder action to the contrary, the exact number of directors within such limitations shall be fixed from time to time by our board of directors. Our board of directors has currently set the number of directors at six and recommends the six director nominees named in this proxy statement for election at our 2010 annual shareholder meeting. The directors elected at the meeting will hold office until our 2011 annual shareholder meeting 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 2010 annual meeting. All of the nominees have agreed to serve if elected. If any nominee is not available for election at the meeting, your shares will be voted FOR an alternate nominee to be selected by the board of directors, unless you withhold authority to vote for such unavailable nominee. The board of directors believes that all of its nominees will be available for election at the meeting and will serve if elected.

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

Nominees for Director. All of our nominees have extensive senior management and policy-making experience. Each of the nominees has served on our board of directors for at least five years and is knowledgeable about our business. Each of our independent directors is financially literate. The board of directors considered each nominee's specific business experiences described in the biographical information provided below in determining whether to nominate him for election as a director.

Cecil H. Moore, Jr., age 70, has served on our board of directors since 2003. Mr. Moore is currently a private investor and retired from KPMG LLP in 2000 after 37 years in which he served in various capacities with the public accounting firm. Among other positions, he served as managing partner of the firm's Dallas, Texas office from 1990 to 1999. Prior to 1990, Mr. Moore was partner-in-charge of the audit and accounting practice of the firm's Dallas, Texas office for 12 years. From 2003 until November 2009, Mr. Moore served as a director and chairman of the audit committee of Perot Systems Corporation, a worldwide provider of information technology services and business solutions. Perot Systems became privately held upon its acquisition by Dell, Inc. in November 2009. Since prior to 2005, he has served as a director and chairman of the audit committee of Kronos Worldwide. He is a member of our audit committee.

Mr. Moore has over six years of experience on our board of directors and audit committee. He also has senior executive, operating, corporate governance, finance, financial accounting and auditing experience from one of the largest independent international public accounting firms and from other publicly held entities for which he currently serves or formerly served.

Glenn R. Simmons, age 82, has served on our board of directors since 1986. Since prior to 2005, Mr. Simmons has been vice chairman of the board of Contran and Valhi and chairman of the board of CompX and Keystone. He also has served on the board of directors of Kronos Worldwide and TIMET since prior to 2005. 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 Contran and Valhi since 1969. He is a brother of Harold C. Simmons.

Mr. Simmons has a long and extensive experience with our business. He also has senior executive, operating, corporate governance, finance and financial accounting oversight experience from other publicly and privately held entities affiliated with us for which he currently serves or formerly served.

Harold C. Simmons, age 78, has served as our chief executive officer since 2003, our chairman of the board since 1987 and on our board of directors since 1986. Since prior to 2005, Mr. Simmons has served as chairman of the board of Contran, Kronos Worldwide and Valhi. He served as chief executive officer of Kronos Worldwide from 2003 to February 2009. Mr. Simmons also has served as chairman of the board of TIMET since 2005, chief executive officer of TIMET from 2005 to 2006 and its vice chairman of the board from 2004 to 2005. He has been an executive officer or director of various companies related to Contran and Valhi since 1961. Mr. Simmons is a brother of Glenn R. Simmons.

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Mr. Simmons has a long and extensive experience with our business. He also has senior executive, operating, corporate governance, finance and financial accounting oversight experience from other publicly and privately held entities affiliated with us for which he currently serves or formerly served.

General Thomas P. Stafford (retired), age 79, served on our board of directors from 1984 to 1986 and was re-appointed in 2000. Gen. Stafford was selected as an astronaut in 1962, piloted Gemini VI in 1965 and commanded Gemini IX in 1966. In 1969, Gen. Stafford was named Chief of the Astronaut Office and was the Apollo X commander for the first lunar module flight to the moon. He commanded the Apollo-Soyuz joint mission with the Soviet cosmonauts in 1975. After his retirement from the United States Air Force in 1979 as Lieutenant General, he served as U.S. Air Force Deputy Chief of Staff for Research and Development and Acquisition and became chairman of Gibraltar Exploration Limited, an oil and gas exploration and production company, and served in these positions until 1984, when he joined General Technical Services, Inc., a consulting firm. Gen. Stafford was also affiliated with Stafford, Burke and Hecker, Inc., a Washington-based consulting firm, from 1982 until 2005. Gen. Stafford has more recently served as an advisor to a number of government agencies including the National Aeronautics and Space Administration (NASA) and the Air Force Material Command. He is currently chairman of the NASA Advisory Council Task Force on the International Space Station Program, and also served as co-chairman of the Stafford-Covey NASA Space Shuttle Return to Flight Task Group. Gen. Stafford has received many honors and decorations including the Congressional Space Medal of Honor. He has also served as a director of TIMET since 2006 and is the chairman of each of TIMET's audit committee, management development and compensation committee and nominations committee. Gen. Stafford is chairman of each of our audit committee and management development and compensation committee.

Gen. Stafford has over eleven years of experience on our board of directors and at least ten years of experience on our audit committee and management development and compensation committee. He also has senior executive, operating, corporate governance, finance and financial accounting oversight experience from various government entities and from other publicly and privately held entities for which he currently serves or formerly served.

Steven L. Watson, age 59, has served on our board of directors since 2000. Mr. Watson has served as Kronos Worldwide's chief executive officer since February 2009 and its vice chairman of the board since prior to 2005. Since prior to 2005, Mr. Watson has been president and a director of Contran and president, chief executive officer and a director of Valhi. He has also served as TIMET's vice chairman of the board since 2005 and its chief executive officer from 2006 to December 2009. Mr. Watson has served as a director of CompX and Keystone since prior to 2005. He has served as an executive officer or director of various companies related to Contran and Valhi since 1980.

Mr. Watson has a long and extensive experience with our business. He also has senior executive, operating, corporate governance, finance and financial accounting oversight experience from other publicly and privately held entities for which he currently serves or formerly served.

Terry N. Worrell, age 65, has served on our board of directors since 2003. Mr. Worrell has been a private investor with Worrell Investments, Inc., a real estate investment company, since 1989. From 1974 to 1989, Mr. Worrell was president and chief executive officer of Sound Warehouse of Dallas Inc., a chain of retail music stores. From prior to 2005 until 2009, Mr. Worrell served as a director of Regency Centers Corporation and from prior to 2005 to 2007 as a trust manager of Crescent Real Estate Equities Company, both real estate investment trusts. He has also served as director of TIMET since 2007 and serves on TIMET's audit committee. Mr. Worrell serves on each of our audit committee and management development and compensation committee.

Mr. Worrell has over six years of experience on our board of directors, audit committee and management development and compensation committee. He also has senior executive, operating, corporate governance, finance and financial accounting oversight experience from other publicly and privately held entities for which he currently serves or formerly served.

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## 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 is set forth under the Nominees for Director subsection above.

Name	Age	Position(s)
Harold C. Simmons	78	Chairman of the Board and Chief Executive Officer
Robert D. Graham	54	Vice President and General Counsel
Tim C. Hafer	48	Vice President and Controller
Kelly D. Luttmer	46	Vice President and Tax Director
John A. St. Wrba	53	Vice President and Treasurer
Gregory M. Swalwell	53	Vice President, Finance and Chief Financial Officer

Robert D. Graham has served as our vice president and general counsel since 2003. He has also served as Kronos Worldwide's executive vice president and general counsel since May 2009 and its vice president and general counsel from prior to 2005 to May 2009. Mr. Graham has served as TIMET's executive vice president since 2006 and its vice president from prior to 2005 to 2006. He has served as vice president of Contran and Valhi since 2002.

Tim C. Hafer has served as our vice president and controller since 2006 and our director – finance and control from 2003 to 2006. He also served as Kronos Worldwide's vice president and controller since 2006 and its director – finance and control from 2003 to 2006. Mr. Hafer has served in financial accounting positions with various companies related to Contran and Valhi since 1999.

Kelly D. Luttmer has served as our vice president and tax director since 2004. She also has served as vice president and tax director of CompX, Contran, Kronos Worldwide and Valhi since prior to 2005 and vice president and tax director of TIMET since 2006. Ms. Luttmer has served in tax accounting positions with various companies related to Contran and Valhi since 1989.

John A. St. Wrba has served as our vice president and treasurer since 2003. Since prior to 2005, he has also served as vice president and treasurer of Contran and Kronos Worldwide. Mr. St. Wrba has also served as vice president and treasurer of TIMET since 2006 and Valhi since 2005.

Gregory M. Swalwell has served as our vice president, finance and chief financial officer since 2004. He has also served as Kronos Worldwide's executive vice president and chief financial officer since May 2009 and its vice president and chief financial officer from prior to 2005 to May 2009. Since prior to 2005, he has served as vice president of TIMET and vice president and controller of Contran and Valhi. Mr. Swalwell has served in accounting and financial positions with various companies related to Contran and Valhi since 1988.

## CORPORATE GOVERNANCE

Controlled Company Status, Director Independence and Committees. Because of Valhi's ownership of approximately 83.1% 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, nominations or corporate governance committees or charters for these committees. We have chosen not to have a majority of independent directors or an independent nominations 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 shareholders and that it is appropriate for all matters that would otherwise be considered by a nominations, corporate governance or risk oversight committee to be considered and acted upon by the full board of directors. Applying the NYSE director independence standards without any additional categorical standards, our board of directors has determined that Cecil H. Moore, Jr., Thomas P. Stafford and Terry N. Worrell 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.

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

- As part of a pledge of \$5.0 million beginning in 2004, the Foundation, of which Harold C. Simmons is the chairman of the board, contributed \$1.0 million in 2007 and 2009 to the Children's Medical Foundation of Texas, of which foundation Mr. Worrell serves as a trustee.

The board determined that Mr. Worrell did not have a direct or indirect material interest in this transaction based on his representation that he receives no compensation for serving as a trustee of Children's Medical Foundation of Texas.

2009 Meetings and Standing Committees of the Board of Directors. The board of directors held four meetings and took action by written consent on two occasions in 2009. Each director participated in at least 75% of all of such meetings and of the 2009 meetings of the committees on which he served at the time. It is expected that each director will attend our annual meeting of shareholders, which is held immediately before the annual meeting of the board of directors. All but one of our directors attended our 2009 annual shareholder meeting.

The board of directors has established and delegated authority to two 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 shareholder 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 its 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. Cecil H. Moore, Jr. 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 Thomas P. Stafford (chairman), Cecil H. Moore, Jr. and Terry N. Worrell. Our audit committee held seven meetings in 2009.

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 or administer certain matters regarding our employee defined benefit plans or programs;
  - 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.

As discussed above, 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 1998 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 Thomas P. Stafford (chairman) and Terry N. Worrell. Our management development and compensation committee held one meeting and took action by written consent on one occasion in 2009.

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**Risk Oversight.** Our board of directors oversees the actions we take in managing the material risks to which we are subject. Our management is responsible for our day-to-day management of risk. The board's oversight of our material risks is undertaken through, among other things, various reports and assessments that management presents to the board and the related board discussions. The board has delegated some of its primary risk oversight to our audit committee and management development and compensation committee. Our audit committee annually receives management's reports and assessments on, among other things, the risk of fraud, certain material business risks and a ranking of such material business risks and on our insurance program. The audit committee also receives reports from our independent registered public accounting firm regarding, among other things, financial risks and the risk of fraud. Our management development and compensation committee receives management's assessments on the likelihood that our compensation policies and practices could have a material adverse effect on us, as more fully described in the Compensation Policies and Practices as They Relate to Risk Management section of this proxy statement. The audit committee and management development and compensation committee report to the board of directors about their meetings. We believe the leadership structure of the board of directors is appropriate for our risk oversight.

**Identifying and Evaluating Director Nominees.** Historically, our management has recommended director nominees to the board of directors. As stated in our corporate governance guidelines:

- our board of directors has no specific minimum qualifications for director nominees;
- each nominee should possess the necessary business background, skills and expertise at the policy-making level and a willingness to devote the required time to the duties and responsibilities of membership on the board of directors; and
- the board of directors believes that experience as our director is a valuable asset and that directors who have served on the board for an extended period of time are able to provide important insight into our operations and future.

In identifying, evaluating and determining our director nominees, the board of directors follows such corporate governance guidelines. The board also considers the nominee's ability to satisfy the need, if any, for required expertise on the board of directors or one of its committees. While we do not have any policy regarding the diversity of our nominees, the board believes our director nominees possess a diverse range of senior management experience that aids the board in fulfilling its responsibilities. The board of directors believes its procedures for identifying and evaluating director nominees are appropriate for a controlled company under the NYSE listing standards.

**Leadership Structure of the Board of Directors and Non-Management and Independent Director Meetings.** As discussed before, Harold C. Simmons serves as our chairman of the board and chief executive officer. Pursuant to our amended and restated corporate governance guidelines, our independent directors are entitled to meet on a regular basis throughout the year, and will meet at least once annually, without the participation of our other directors who are not independent. While we do not have a lead independent director, the chairman of our audit committee presides at all of the meetings of our independent directors. The board of directors believes its leadership structure is appropriate for a controlled company under the NYSE listing standards. In 2009, we complied with the NYSE requirements for meetings of our non-management and independent directors.

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Shareholder Proposals and Director Nominations for the 2011 Annual Meeting of Shareholders. Shareholders may submit proposals on matters appropriate for shareholder action at our annual shareholder meetings, consistent with rules adopted by the SEC. We must receive such proposals not later than December 8, 2010 to be considered for inclusion in the proxy statement and form of proxy card relating to our annual meeting of shareholders in 2011. Our by-laws require that the proposal must set forth a brief description of the proposal, the name and address of the proposing shareholder as they appear in our records, the number of shares of our common stock the shareholder holds and any material interest the shareholder has in the proposal.

The board of directors will consider the director nominee recommendations of our shareholders in accordance with the process discussed above. Our by-laws require that a nomination set forth the name and address of the nominating shareholder, a representation that the shareholder will be a shareholder of record entitled to vote at the annual shareholder 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 shareholder 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.

For proposals or director nominations to be brought at the 2011 annual meeting of shareholders but not included in the proxy statement for such meeting, our by-laws require that the proposal or nomination must be delivered or mailed to our principal executive offices in most cases no later than February 21, 2011. Proposals and nominations should be addressed to our corporate secretary at NL Industries, Inc., Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

Communications with Directors. Shareholders and other interested parties who wish to communicate with the board of directors or its independent 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 NL Industries, 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 communication, or a summary of such communication, will be forwarded to the chairman of our audit committee, who also serves as the presiding director of our 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 2009 the management development and compensation committee was composed of Thomas P. Stafford and Terry N. Worrell. No member of the committee:

- was an officer or employee of ours during 2009 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 2009, 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 is on the board of directors of Contran and Contran employs Glenn R. Simmons and Steven L. Watson, who each serve 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.

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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 preside at all meetings of the 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.nl-ind.com](http://www.nl-ind.com) under the corporate governance section.

## 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 the last three years, 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 a fee to receive, among other things, the services of our named executive officers pursuant to our ISA with Contran, which fee was approved by our independent directors after receiving the recommendation of our management development and compensation committee and the concurrence of our chief financial officer. 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 and Kronos Worldwide also paid a fee 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, we and Kronos Worldwide each paid director fees in the form of cash and stock compensation to our chief executive officer for his service on the boards of directors of us and Kronos Worldwide. Other than these director fees, we did not pay any compensation directly to our named executive officers.

As defined in the Glossary of Terms at the beginning of this proxy statement, the phrase “named executive officers” refers to the five persons whose compensation is summarized in the Summary Compensation Table in this proxy statement. Such phrase is not intended, and does not, refer to all of our 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 percentage of 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 2009 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 and privately held subsidiaries. For our named executive officers, the portion of the annual charge for each of the last three years paid to Contran under these ISAs attributable to each of their services is set forth in footnote 2 to the 2009 Summary Compensation Table in this proxy statement. Footnote 2 also sets forth the cash fees we paid to each of Messrs. Simmons and Watson for their director services. The amount 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 ISA 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.

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In the early part of each year, Contran's senior management, including certain of our named executive officers, estimate the percentage of time that each Contran employee, including our named executive officers, is expected to devote in the upcoming year to Contran and its subsidiaries, including us. Contran's senior management then allocates Contran's cost of employing each of its employees among Contran and its various subsidiaries based on such estimated percentages. Contran's aggregate cost of employing each of its employees comprises:

- the annualized base salary of such employee at the beginning of the year;
- an estimate of the bonus Contran will pay or accrue for such employee (other than bonuses for specific matters) for the year, using as a reasonable approximation for such bonus the actual bonus that Contran paid or accrued for such employee in the prior year; and
- Contran's portion of the social security and medicare taxes on such base salary and an estimated overhead factor (17% for 2009 as compared to 17% for 2008 and 19% for 2007) 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 providing such services.

The overhead factor declined in 2008 as compared to 2007 as a result of Contran achieving additional 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 subsequently made such adjustments to the details of the proposed ISA charge as they deemed necessary for accuracy, overall reasonableness and fairness to us.

In the first quarter of each year, the proposed charge for that year under our ISA with Contran was presented to our management development and compensation committee, and the committee considered whether to recommend that our board of directors approve the ISA charge. Among other things during such presentation, the 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 us for the services of Harold C. Simmons as our chairman of the board and chief executive officer;
- 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;
  - the comparison of the prior year and proposed current year average hourly rate; and
  - the concurrence of our chief financial officer as to the reasonableness of the proposed charge.

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 considering the information contained in such presentations, and following further discussion and review, our management development and compensation committee recommended that our board 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 to us under our ISA with Contran; and

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- 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 charge from Contran to any other publicly held parent or sister company, although such charge was separately reviewed by the management development and compensation committee of the applicable company; and
  - 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 ISA with Contran 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 recommendation of our management development and compensation committee as well as the concurrence of our chief financial officer, our independent directors approved the proposed annual ISA charge effective January 1, 2009, with our other directors abstaining.

For financial reporting and income tax purposes, the ISA fee is 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 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 2007, we decided to forego the grant of any equity compensation to our employees, although we continue to grant annual awards of stock to our directors as a portion of their annual retainers, including our chairman of the board and chief executive officer. 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 in 2010, other than the annual grants of stock to our directors, including our chairman of the board and chief executive officer. See the Director Compensation section in this proxy statement for a discussion of these annual grants. The dollar amount of stock awards appearing in the 2009 Summary Compensation Table represents the value recognized for financial statement reporting purposes of shares of common stock we or Kronos Worldwide granted to Mr. Harold Simmons in each of the last three years for his director services.

Deductibility of Compensation. It is our general policy to structure the performance-based portion of the compensation of our executive officers, if any, in a manner that enhances our ability to deduct fully such compensation under Section 162(m) of the Internal Revenue Code.

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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.

Thomas P. Stafford  
Chairman of our Management  
Development and Compensation  
Committee

Terry N. Worrell  
Member of our Management  
Development and Compensation  
Committee

Summary of Cash and Certain Other Compensation of Executive Officers. The 2009 Summary Compensation Table below provides information concerning compensation we, CompX and Kronos Worldwide 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, our subsidiaries and Kronos Worldwide) who were our executive officers at December 31, 2009. All of our named executive officers were employees of Contran for the last three years and provided their services to us, our subsidiaries and Kronos Worldwide 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.

2009 SUMMARY COMPENSATION TABLE (1)