

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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of the earliest event reported)
March 26, 2007

Valhi, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1-5467
(Commission
File Number)

87-0110150
(IRS Employer
Identification No.)

5430 LBJ Freeway, Suite 1700, Dallas, Texas
(Address of principal executive offices)

75240-2697
(Zip Code)

Registrant's telephone number, including area code
(972) 233-1700

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Explanatory Note:

On March 27, 2007, the registrant filed a Current Report on Form 8-K dated March 26, 2007 ("Form 8-K"). The registrant hereby amends and restates the Form 8-K to correct the description of certain terms of the registrant's newly issued 6% series A preferred stock, par value \$0.01 per share (the "*Preferred Stock*"), which amendments primarily relate to removing the cumulative dividend rights of holders of the Preferred Stock.

Item 1.01	Entry into a Material Definitive Agreement.
Item 2.01	Completion of Acquisition or Disposition of Assets.
Item 3.02	Unregistered Sales of Equity Securities
Item 5.03	Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On March 26, 2007, the registrant completed the previously reported special dividend to its stockholders, paid in the form of shares of Titanium Metals Corporation ("*TIMET*") common stock owned by the registrant. As a result of this special dividend declaration:

- the registrant distributed to its stockholders approximately 56.8 million shares of TIMET common stock having an aggregate value based on the closing price of a share of TIMET common stock on March 26, 2007 of \$2.1 billion and representing approximately 35.1% of the outstanding TIMET common stock; and
- the registrant's common stockholders received approximately .4776 of a share of TIMET common stock for each share of the registrant's common stock that they owned at the close of business on March 12, 2007 (the record date for the special dividend) and cash in lieu of any resulting fractional share of TIMET common stock.

Immediately after the payment of the special dividend, Contran Corporation and its subsidiaries and related parties continued to own approximately 51.9% of the outstanding TIMET common stock compared to the approximately 53.8% of the outstanding TIMET common stock held by Contran and its subsidiaries and related parties (including the registrant) prior to the special dividend, in each case assuming the full conversion of any TIMET 6¾% series A convertible preferred stock held by such entities or parties.

The registrant is a member of the consolidated U.S. federal tax group of which Contran is the parent company. As a member of the Contran consolidated tax group and pursuant to a pre-existing tax policy between the registrant and Contran, the registrant computes its provision for U.S. income taxes on a separate company basis using tax elections made by Contran and makes payments to Contran or receives payments from Contran in amounts it would have paid to or received from the U.S. Internal Revenue Service had it not been a member of the Contran tax group but instead had been a separate taxpayer.

Upon the payment of the special dividend and pursuant to the tax policy between the registrant and Contran, the registrant incurred a tax obligation to Contran. The amount of the obligation is a function of the difference between the aggregate value of the TIMET common stock shares distributed based on the closing market price of the distributed shares of TIMET common stock on the date of distribution (\$36.90 per share) less the registrant's aggregate tax basis in such shares. This obligation is approximately \$667.3 million. In order to discharge this obligation to Contran, the registrant and Contran entered into a stock purchase agreement dated March 26, 2007 (the "*Stock Purchase Agreement*") whereby, among other things:

- the registrant agreed to issue 5,000 shares of the newly established Preferred Stock, having an aggregate liquidation preference equal to the tax obligation created by the special dividend and such other terms as set forth in the agreement; and
- Contran agreed to indemnify the registrant against all damages incurred by the registrant resulting from the tax obligation, subject to certain limitations related to any adjustment to the registrant's aggregate tax basis in or the value of the shares distributed.

Pursuant to the Stock Purchase Agreement, on the same day the registrant:

- filed with the Secretary of State of the state of Delaware a certificate of designations, rights and preferences of the Preferred Stock (the "*Certificate of Designations*") in order to formally establish the terms of the Preferred Stock effective on that date; and
- issued the 5,000 shares of Preferred Stock to Contran.

The issuance of the Preferred Stock was not registered under the Securities Act of 1933, as amended, pursuant to the exemption provided by section 4(1) of that act due to Contran's financial sophistication. This summary of the terms of the Stock Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Stock Purchase Agreement, a copy of which has been filed as Exhibit 10.1 to this report.

Subsequently, the registrant and Contran entered into a Consent Agreement, dated March 29, 2007 whereby Contran consented to the removal of any cumulative dividend rights of holders of the Series A Preferred Stock and waived any rights to such cumulative dividend under the Certificate of Designations (the "*Consent Agreement*"). Pursuant to the Consent Agreement, the registrant filed with the Secretary of State of the state of Delaware on March 29, 2007 an amended and restated certificate of designations, rights and preferences of the Preferred Stock (the "*Amended and Restated Certificate of Designations*") in order to formally establish the amended and restated terms of the Preferred Stock effective on that date

After filing the Amended and Restated Certificate of Designations, a holder of Preferred Stock:

- is entitled upon any liquidation, dissolution or winding up of the affairs of the registrant to be paid a liquidation preference of \$133,466.75 per share of Series A Preferred Stock (the "*Liquidation Preference*") plus an amount equal to any declared and unpaid dividends (and only to the extent declared and unpaid) for the full or partial dividend period in which the liquidation, dissolution or winding up occurs, before any distribution of assets is made to holders of the registrant's common stock;

- is entitled to receive, only when and as authorized and declared by the registrant's board of directors, cash dividends at the annual rate of 6% of the per share Liquidation Preference, which dividends shall be payable quarterly in arrears and shall not accrue or accumulate under any circumstances;
- is not entitled to a preferential dividend right that is senior to the registrant's common stock;
- does not have, except in limited circumstances, any voting rights; and
- has no redemption or conversion rights or maturity date or protections provided by a sinking fund.

The summaries in this report of the terms of the Consent Agreement and the Preferred Stock do not purport to be complete and are qualified in their entirety by reference to the Consent Agreement and the Amended and Restated Certificate of Designations, a copy of each of which has been filed as Exhibit 10.2 and Exhibit 4.1, respectively, to this report.

Item 7.01 Regulation FD Disclosure.

The registrant hereby furnishes the information set forth in its press release issued on March 26, 2007, a copy of which is attached hereto as Exhibit 99.2 and incorporated herein by reference. This Exhibit 99.2 that the registrant has furnished in this report is not deemed "filed" for purposes of section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Registration statements or other documents filed with the U.S. Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(b) and (d) Pro forma financial information and exhibits

<u>Item No.</u>	<u>Exhibit Index</u>
3.1*	Amended and Restated Certificate of Incorporation of Valhi, Inc.
4.1*	Amended and Restated Certificate of Designations, Rights And Preferences of the 6% Series A Preferred Stock of Valhi, Inc.
10.1	Stock Purchase Agreement dated as of March 26, 2007 between Valhi, Inc. and Contran Corporation (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K dated March 26, 2007 filed by the registrant on March 27, 2007).
10.2*	Consent Agreement dated as of March 29, 2007 between Valhi, Inc. and Contran Corporation
99.1*	Amended and Restated Unaudited Pro Forma Condensed Consolidated Financial Statements of the registrant.
99.2	Press release dated March 26, 2007 issued by the registrant (incorporated by reference to Exhibit 99.2 to the Current Report on Form 8-K dated March 26, 2007 filed by the registrant on March 27, 2007).

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Valhi, Inc.
(Registrant)

Date: March 29, 2007

By: /s/ Gregory M. Swalwell

*Gregory M. Swalwell, Vice President
and Controller*

INDEX TO EXHIBITS

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* Filed herewith.

**RESTATED CERTIFICATE OF
INCORPORATION OF VALHI, INC.**

(Original Certificate of Incorporation
Filed December 1, 1932 under
the name Liberty Loan Corporation)

ARTICLE I

The name of the corporation is Valhi, Inc. (the "*Corporation*").

ARTICLE II

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III

The purpose for which the Corporation is organized is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law.

ARTICLE IV

The total number of shares of all classes of stock which the Corporation has authority to issue is one hundred fifty-five million (155,000,000) shares, of which one hundred fifty million (150,000,000) shares are common stock, \$.01 par value per share (hereinafter referred to as "*Common Stock*"), and five million (5,000,000) shares are preferred stock \$.01 par value per share (hereinafter referred to as "*Preferred Stock*"). The designation and the powers, preferences and rights of the shares of Common Stock and Preferred Stock and the qualifications, limitations and restrictions thereof are as follows:

1. Common Stock.

A. Shares of Common Stock may be issued from time to time as the Board of Directors shall determine and on such terms and for such consideration as shall be fixed by the Board of Directors. Each share of Common Stock shall be equal to every other share of Common Stock in every respect.

B. The holders of Common Stock shall be entitled to one vote for each share of Common Stock held of record on the books of the Corporation with respect to all matters submitted for stockholder approval.

2. Preferred Stock. Preferred Stock may be issued from time to time in one or more series with such distinctive designations as may be stated in the resolution or resolutions providing for the issue of such stock from time to time adopted by the Board of Directors. The resolution or resolutions providing for the issues of shares of a particular series shall fix, subject to applicable laws and provisions of this Article IV, the designation, rights, preferences and limitations of the shares of each such series. The authority of the Board of Directors in respect to each series shall include, but not be limited to, determination of the following:

(i) the consideration for which such Preferred Stock shall be issued;

(ii) the number of shares constituting such series, including the authority to increase or decrease such number, and the distinctive designation of such series;

(iii) the dividend rate of the shares of such series, whether the dividends shall be cumulative and, if so, the date from which they shall be cumulative, and the relative rights of priority, if any, of payment of dividends on shares of such series;

(iv) the right, if any, of the Corporation to redeem shares of such series and the terms and conditions of such redemption;

(v) the rights of the shares in case of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of such series;

(vi) the obligation, if any, of Corporation to retire shares of such series pursuant to a retirement or sinking fund or funds of a similar nature or otherwise and the terms and conditions of such obligation;

(vii) the terms and conditions, if any, upon which shares of such series shall be convertible into or exchangeable for shares of stock of any other class or classes, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(viii) the voting rights, if any, of the shares of such series, in addition to any voting rights required by law; and

(ix) any other rights, preferences or limitations of shares of such series.

3. No holder of stock of any class or series or of other securities of the Corporation, or of options, warrants or other rights to purchase stock of any

class or series of other securities of the Corporation, shall have any preemptive or preferential right to purchase or subscribe for any securities of the Corporation.

ARTICLE V

1. Number of Directors. The number of Directors of the Corporation shall be as set forth in the Bylaws of the Corporation, as they may be amended from time to time. No decrease in the number of Directors by amendment of the Bylaws shall have the effect of shortening the term of any Director then in office.

2. Vacancies. Vacancies on the Board of Directors, whether created by increase in the number of Directors, or by death, disability, resignation or removal, shall be filled by a majority of the Directors then remaining in office.

3. Removal. A Director may be removed by the stockholders of the Corporation only for cause at a meeting of stockholders, called for such purpose in conformity with the Bylaws, by the affirmative vote of a majority of the shares entitled to vote at such meeting.

4. Liability of Directors. A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived any improper personal benefit. If the Delaware General Corporation Law is hereafter amended, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law as so amended. Any repeal or modification of this paragraph 4 shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ARTICLE VI

In furtherance of, and not in limitation of, the powers conferred by statute, the Board of Directors is hereby expressly authorized and empowered to adopt, alter, amend or repeal the Bylaws of the Corporation, without any action or approval by the stockholders of the Corporation, by the affirmative vote of a majority of the Directors then in office.

ARTICLE VII

1. The Corporation may in its Bylaws confer powers upon its Board of Directors in addition to, but not in contravention of, those elsewhere provided in this Certificate of Incorporation and in addition to, but not in contravention of, the powers and authorities expressly conferred upon the Board of Directors by the laws of the State of Delaware. All of the powers of the Corporation, insofar as the same be lawfully vested by this Certificate of Incorporation in the Board of Directors, are hereby conferred upon and vested in the Board of Directors of the Corporation.

2. The Board of Directors and stockholders of the Corporation shall have the power, to the extent provided by the Bylaws, to hold their respective meetings within or outside the State of Delaware. The Directors shall have the power to keep the books, papers, documents and records of the Corporation within or without the State of Delaware (except to the extent required by the laws of the State of Delaware to be kept within that state), and to establish one or more offices of the Corporation within or without the State of Delaware as the Board of Directors may from time to time authorize. Election of Directors need not be by written ballot unless the Bylaws of the Corporation so provide.

3. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter provided by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

**AMENDED AND RESTATED
CERTIFICATE OF DESIGNATIONS, RIGHTS AND PREFERENCES OF
6% SERIES A PREFERRED STOCK**

*Pursuant to Section 151 of the
General Corporation Law of the State of Delaware*

Valhi, Inc., a Delaware corporation (the "*Corporation*"), certifies as follows:

FIRST: The Certificate of Incorporation of the Corporation authorizes the issuance of 5,000,000 shares of Preferred Stock, par value \$.01 per share, and, further, authorizes the Board of Directors of the Corporation, subject to the limitations prescribed by law and the provisions of the Certificate of Incorporation, to provide for the issuance of shares of the Preferred Stock or to provide for the issuance of shares of the Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series and to fix the designations, voting powers, preference rights and qualifications, limitations or restrictions of the shares of the Preferred Stock of each such series.

SECOND: The Board of Directors of the Corporation, as of February 28, 2007, duly adopted the following resolutions, authorizing the creation and issuance of a series of said Preferred Stock to be known as 6% Series A Preferred Stock:

RESOLVED, the Board of Directors, pursuant to the authority vested in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the issuance of a series of the Corporation's Preferred Stock, par value \$.01 per share, consisting of 5,000 shares of which are authorized to be issued under the Corporation's Certificate of Incorporation (such 5,000 shares being hereinafter referred to as the "*Series A Preferred Stock*"), of the Corporation and hereby fixes the number thereof.

THIRD: As of March 29, 2007, the Board of Directors of the Corporation duly adopted, and the Sole Stockholder of the Series A Preferred stock consented to, the following resolutions, authorizing the amendment and restatement of the certificate of designations, rights and preferences of the Series A Preferred Stock:

RESOLVED, the Board of Directors, pursuant to the authority vested in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the amendment and restatement of the designations, preferences, rights and limitations of the Series A Preferred Stock in addition to those set forth in said Certificate of Incorporation as follows:

Section 1. *Certain Definitions.* As used in this Certificate, the following terms shall have the following meanings, unless the context otherwise requires:

"*Board of Directors*" means either the board of directors of the Corporation or any duly authorized committee of such board.

"*Business Day*" means any day other than a Saturday, Sunday or a day on which state or U.S. federally chartered banking institutions in New York, New York are not required to be open.

"*Capital Stock*" of any Person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person that are traded on an established national or regional trading market or exchange, including but not limited to the common stock, par value \$.01 per share, of Valhi, Inc., a Delaware corporation.

"*Certificate*" means this Certificate of Designations, Rights and Preferences of 6% Series A Preferred Stock.

"*Certificate of Incorporation*" means the Certificate of Incorporation of the Corporation, as amended from time to time.

"*Common Stock*" means the voting Common Stock, \$.01 par value per share, of the Corporation and any other stock of any class of the Corporation that has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

"*Corporation*" means Valhi, Inc., a Delaware corporation, and its successors.

"*Dividend Payment Date*" means March 31, June 30, September 30 and December 31, of each year, or if any such date is not a Business Day, on the next succeeding Business Day.

"*Dividend Period*" means the period beginning on, and including, a Dividend Payment Date and ending on, and excluding, the immediately succeeding Dividend Payment Date.

"*Liquidation Preference*" has the meaning assigned to such term in **Section 4(a)**.

"*Outstanding*" means, when used with respect to Series A Preferred Stock, as of any date of determination, all shares of Series A Preferred Stock outstanding as of such date; *provided further* that, in determining whether the holders of Series A Preferred Stock have given any request, demand, authorization, direction, notice, consent or waiver or taken any other action hereunder, Series A Preferred Stock owned by the Corporation shall be deemed not to be outstanding.

“*Parity Stock*” has the meaning assigned to such term in **Section 2**.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“*Record Date*” means with respect to the dividends payable on March 31, June 30, September 30 and December 31 of each year, March 15, June 15, September 15 and December 15 of each year, respectively, or such other record date, not more than 60 days and not less than 10 days preceding the applicable Dividend Payment Date, as may be fixed by the Board of Directors.

“*Senior Stock*” has the meaning assigned to such term in **Section 2**.

“*Series A Preferred Stock*” has the meaning assigned to such term in the Resolution set forth in the Preamble hereto.

Section 2. Rank. The Series A Preferred Stock shall, with respect to rights upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock and to any other class or series of equity securities issued by the Corporation not referred to in clauses (b) or (c) of this paragraph, (b) on a parity with all equity securities issued by the Corporation in the future, the terms of which specifically provide that such equity securities rank on a parity with the Series A Preferred Stock with respect to dividend rights or rights upon the liquidation, dissolution or winding up of the Corporation (“*Parity Stock*”) and (c) junior to all equity securities issued by the Corporation in the future the terms of which specifically provide that such equity securities rank senior to the Series A Preferred Stock with respect to dividend rights or rights upon the liquidation, dissolution or winding up of the Corporation (“*Senior Stock*”). The term “equity securities” shall not include convertible debt securities.

Section 3. Dividends.

(a) Holders of the then Outstanding shares of Series A Preferred Stock shall be entitled to receive, only when and as authorized and declared by the Board of Directors, out of funds legally available for the payment of dividends, cash dividends at the rate of 6% of the \$133,466.75 per share Liquidation Preference per annum. If, as and when declared, such dividends shall be payable quarterly in arrears on each Dividend Payment Date. Any dividend payable on the Series A Preferred Stock for any full or partial Dividend Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable Record Date.

(b) No dividends on shares of Series A Preferred Stock shall be declared by the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Dividends on the Series A Preferred Stock that are not declared or paid for any full or partial Dividend Period shall not accrue or accumulate under any circumstances.

(d) Nothing contained herein shall prevent or restrict the Corporation from the declaration, payment or set aside for payment or any other distribution of cash or other property, directly or indirectly, on or with respect to any shares of the Common Stock, or shares of any other class or series of equity securities ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, including without limitation not declaring or paying any dividend on the Series A Preferred Stock for any full or partial Dividend Period. Further, nothing contained herein shall prevent or restrict the Corporation from redeeming, purchasing or otherwise acquiring for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation any shares of Common Stock, or any shares of equity securities ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, including without limitation not declaring or paying any dividend on the Series A Preferred Stock for any full or partial Dividend Period.

Section 4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of Series A Preferred Stock then Outstanding are entitled to be paid out of the assets of the Corporation, legally available for distribution to its stockholders, a liquidation preference of \$133,466.75 per share of Series A Preferred Stock (the “*Liquidation Preference*”), plus an amount equal to any declared and unpaid dividends (and only to the extent declared and unpaid) for the full or partial Dividend Period in which the liquidation, dissolution or winding up occurs, before any distribution of assets is made to holders of Common Stock or any other class or series of equity securities that ranks junior to the Series A Preferred Stock as to liquidation rights.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Corporation are insufficient to pay the amount of the liquidating distributions on all Outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of each other class or series of equity securities ranking on a parity with the Series A Preferred Stock as to liquidation rights, then the holders of the Series A Preferred Stock and each such other class or series of equity securities shall share proportionately in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of the remaining assets of the Corporation.

(d) Written notice of any such liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 days prior to the payment date stated therein, to each record holder of the Series A Preferred Stock at the respective addresses of such holders as the same shall appear on the stock transfer records of the Corporation.

(e) The consolidation or merger of the Corporation with or into any other corporation, trust or entity or of any other corporation with or into the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

Section 5. *Voting Rights.*

(a) Holders of the Series A Preferred Stock will not have any voting rights, except as set forth below or as otherwise provided in the Certificate of Incorporation, by law or pursuant to agreements among the holders of voting equity securities of the Corporation.

(b) The affirmative vote of holders of at least two-thirds of the Outstanding shares of the Series A Preferred Stock and all other Parity Stock with like voting rights, voting as a single class, in person or by proxy, at a special meeting called for the purpose, or by written consent in lieu of meeting, shall be required to alter, repeal or amend, whether by merger, consolidation, combination, reclassification or otherwise, any provisions of the Certificate of Incorporation if the amendment would amend, alter or affect the powers, preferences or rights of the Series A Preferred Stock, so as to adversely affect the holders thereof; *provided, however*, that any increase in the amount of the authorized common stock or authorized preferred stock or the creation and issuance of other series of common stock or preferred stock will not be deemed to materially and adversely affect such powers, preferences or special rights.

Section 6. *Consolidation, Merger and Sale of Assets.* The Corporation, without the consent of the holders of any of the Outstanding Series A Preferred Stock, may consolidate with or merge into any other Person or convey, transfer or lease all or substantially all of its assets to any Person or may permit any Person to consolidate with or merge into, or transfer or lease all or substantially all its properties to the Corporation.

Section 7. *Headings.* The headings of the Sections of this Certificate are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

**AMENDED AND RESTATED
CERTIFICATE OF DESIGNATIONS, RIGHTS AND PREFERENCES OF
6% SERIES A PREFERRED STOCK**

*Pursuant to Section 151 of the
General Corporation Law of the State of Delaware*

Valhi, Inc., a Delaware corporation (the “Corporation”), certifies as follows:

FIRST: The Certificate of Incorporation of the Corporation authorizes the issuance of 5,000,000 shares of Preferred Stock, par value \$.01 per share, and, further, authorizes the Board of Directors of the Corporation, subject to the limitations prescribed by law and the provisions of the Certificate of Incorporation, to provide for the issuance of shares of the Preferred Stock or to provide for the issuance of shares of the Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series and to fix the designations, voting powers, preference rights and qualifications, limitations or restrictions of the shares of the Preferred Stock of each such series.

SECOND: The Board of Directors of the Corporation, as of February 28, 2007, duly adopted the following resolutions, authorizing the creation and issuance of a series of said Preferred Stock to be known as 6% Series A Preferred Stock:

RESOLVED, the Board of Directors, pursuant to the authority vested in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the issuance of a series of the Corporation’s Preferred Stock, par value \$.01 per share, consisting of 5,000 shares of which are authorized to be issued under the Corporation’s Certificate of Incorporation (such 5,000 shares being hereinafter referred to as the “Series A Preferred Stock”), of the Corporation and hereby fixes the number thereof.

THIRD: As of March 29, 2007, the Board of Directors of the Corporation duly adopted, and the Sole Stockholder of the Series A Preferred stock consented to, the following resolutions, authorizing the amendment and restatement of the certificate of designations, rights and preferences of the Series A Preferred Stock:

RESOLVED, the Board of Directors, pursuant to the authority vested in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the amendment and restatement of the designations, preferences, rights and limitations of the Series A Preferred Stock in addition to those set forth in said Certificate of Incorporation as follows:

Section 1. Certain Definitions. As used in this Certificate, the following terms shall have the following meanings, unless the context otherwise requires:

“Board of Directors” means either the board of directors of the Corporation or any duly authorized committee of such board.

“Business Day” means any day other than a Saturday, Sunday or a day on which state or U.S. federally chartered banking institutions in New York, New York are not required to be open.

“Capital Stock” of any Person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person that are traded on an established national or regional trading market or exchange, including but not limited to the common stock, par value \$.01 per share, of Valhi, Inc., a Delaware corporation.

“Certificate” means this Certificate of Designations, Rights and Preferences of 6% Series A Preferred Stock.

“Certificate of Incorporation” means the Certificate of Incorporation of the Corporation, as amended from time to time.

“Common Stock” means the voting Common Stock, \$.01 par value per share, of the Corporation and any other stock of any class of the Corporation that has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

“Corporation” means Valhi, Inc., a Delaware corporation, and its successors.

“Dividend Payment Date” means March 31, June 30, September 30 and December 31, of each year, or if any such date is not a Business Day, on the next succeeding Business Day.

“Dividend Period” means the period beginning on, and including, a Dividend Payment Date and ending on, and excluding, the immediately succeeding Dividend Payment Date.

“Liquidation Preference” has the meaning assigned to such term in **Section 4(a)**.

“Outstanding” means, when used with respect to Series A Preferred Stock, as of any date of determination, all shares of Series A Preferred Stock outstanding as of such date; *provided further* that, in determining whether the holders of Series A Preferred Stock have given any request, demand, authorization, direction, notice, consent or waiver or taken any other action hereunder, Series A Preferred Stock owned by the Corporation shall be deemed

not to be outstanding.

“*Parity Stock*” has the meaning assigned to such term in **Section 2**.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“*Record Date*” means with respect to the dividends payable on March 31, June 30, September 30 and December 31 of each year, March 15, June 15, September 15 and December 15 of each year, respectively, or such other record date, not more than 60 days and not less than 10 days preceding the applicable Dividend Payment Date, as may be fixed by the Board of Directors.

“*Senior Stock*” has the meaning assigned to such term in **Section 2**.

“*Series A Preferred Stock*” has the meaning assigned to such term in the Resolution set forth in the Preamble hereto.

Section 2. Rank. The Series A Preferred Stock shall, with respect to rights upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock and to any other class or series of equity securities issued by the Corporation not referred to in clauses (b) or (c) of this paragraph, (b) on a parity with all equity securities issued by the Corporation in the future, the terms of which specifically provide that such equity securities rank on a parity with the Series A Preferred Stock with respect to dividend rights or rights upon the liquidation, dissolution or winding up of the Corporation (“*Parity Stock*”) and (c) junior to all equity securities issued by the Corporation in the future the terms of which specifically provide that such equity securities rank senior to the Series A Preferred Stock with respect to dividend rights or rights upon the liquidation, dissolution or winding up of the Corporation (“*Senior Stock*”). The term “equity securities” shall not include convertible debt securities.

Section 3. Dividends.

(a) Holders of the then Outstanding shares of Series A Preferred Stock shall be entitled to receive, only when and as authorized and declared by the Board of Directors, out of funds legally available for the payment of dividends, cash dividends at the rate of 6% of the \$133,466.75 per share Liquidation Preference per annum. If, as and when declared, such dividends shall be payable quarterly in arrears on each Dividend Payment Date. Any dividend payable on the Series A Preferred Stock for any full or partial Dividend Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable Record Date.

(b) No dividends on shares of Series A Preferred Stock shall be declared by the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Dividends on the Series A Preferred Stock that are not declared or paid for any full or partial Dividend Period shall not accrue or accumulate under any circumstances.

(d) Nothing contained herein shall prevent or restrict the Corporation from the declaration, payment or set aside for payment or any other distribution of cash or other property, directly or indirectly, on or with respect to any shares of the Common Stock, or shares of any other class or series of equity securities ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, including without limitation not declaring or paying any dividend on the Series A Preferred Stock for any full or partial Dividend Period. Further, nothing contained herein shall prevent or restrict the Corporation from redeeming, purchasing or otherwise acquiring for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation any shares of Common Stock, or any shares of equity securities ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, including without limitation not declaring or paying any dividend on the Series A Preferred Stock for any full or partial Dividend Period.

Section 4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of Series A Preferred Stock then Outstanding are entitled to be paid out of the assets of the Corporation, legally available for distribution to its stockholders, a liquidation preference of \$133,466.75 per share of Series A Preferred Stock (the “*Liquidation Preference*”), plus an amount equal to any declared and unpaid dividends (and only to the extent declared and unpaid) for the full or partial Dividend Period in which the liquidation, dissolution or winding up occurs, before any distribution of assets is made to holders of Common Stock or any other class or series of equity securities that ranks junior to the Series A Preferred Stock as to liquidation rights.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Corporation are insufficient to pay the amount of the liquidating distributions on all Outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of each other class or series of equity securities ranking on a parity with the Series A Preferred Stock as to liquidation rights, then the holders of the Series A Preferred Stock and each such other class or series of equity securities shall share proportionately in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of the remaining assets of the Corporation.

(d) Written notice of any such liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 days prior to the payment date stated therein, to each record holder of the Series A Preferred Stock at the respective addresses of such

holders as the same shall appear on the stock transfer records of the Corporation.

(e) The consolidation or merger of the Corporation with or into any other corporation, trust or entity or of any other corporation with or into the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

Section 5. Voting Rights.

(a) Holders of the Series A Preferred Stock will not have any voting rights, except as set forth below or as otherwise provided in the Certificate of Incorporation, by law or pursuant to agreements among the holders of voting equity securities of the Corporation.

(b) The affirmative vote of holders of at least two-thirds of the Outstanding shares of the Series A Preferred Stock and all other Parity Stock with like voting rights, voting as a single class, in person or by proxy, at a special meeting called for the purpose, or by written consent in lieu of meeting, shall be required to alter, repeal or amend, whether by merger, consolidation, combination, reclassification or otherwise, any provisions of the Certificate of Incorporation if the amendment would amend, alter or affect the powers, preferences or rights of the Series A Preferred Stock, so as to adversely affect the holders thereof; *provided, however*, that any increase in the amount of the authorized common stock or authorized preferred stock or the creation and issuance of other series of common stock or preferred stock will not be deemed to materially and adversely affect such powers, preferences or special rights.

Section 6. Consolidation, Merger and Sale of Assets. The Corporation, without the consent of the holders of any of the Outstanding Series A Preferred Stock, may consolidate with or merge into any other Person or convey, transfer or lease all or substantially all of its assets to any Person or may permit any Person to consolidate with or merge into, or transfer or lease all or substantially all its properties to the Corporation.

Section 7. Headings. The headings of the Sections of this Certificate are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed in its name and on its behalf on this 29th day of March, 2007.

Valhi, Inc.

By:

Gregory M. Swalwell
Vice President and Controller

CONSENT AGREEMENT

This Consent Agreement (the "*Agreement*") is made and entered into as of March 29, 2007 between Contran Corporation, a Delaware corporation ("*Contran*"), and Valhi, Inc., a Delaware corporation ("*Valhi*").

Recitals

A. On March 26, 2007, Valhi issued to Contran 5,000 shares of its 6% Series A Preferred Stock, par value \$.01 per share ("*Series A Preferred Stock*") under the terms of a Stock Purchase Agreement dated March 26, 2007 ("*Stock Purchase Agreement*").

B. On the terms and subject to the conditions of this Agreement, Valhi and Contran now wish to amend certain terms of the Series A Preferred Stock, to be effective March 26, 2007, which amendment will remove the cumulative nature of the dividends on the Series A Preferred Stock.

Agreement

The parties agree as follows:

ARTICLE I.
THE AMENDMENT

Section 1.1. *Certificate of Designations, Rights and Preferences.* Notwithstanding the certificate of designations, rights and preferences attached to Exhibit A to the Stock Purchase Agreement (the "*Prior Certificate*"), effective March 26, 2007 the certificate of designations, rights and preferences of the Series A Preferred Stock shall be as set forth on Exhibit A attached hereto.

Section 1.2. *Prior Cumulative Dividends.* Notwithstanding the terms of the Prior Certificate, Contran agrees to completely waive any rights to any dividend which may be deemed to have accrued to Contran on the Series A Preferred Stock under the terms of the Prior Certificate.

Section 1.3. *No Other Changes.* All of the other terms, provisions and conditions of the Stock Purchase Agreement shall remain hereafter unchanged in effect.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES OF VALHI

Valhi hereby represents and warrants to Contran as of the date of this Agreement as follows:

Section 2.1. Authority. It is a corporation validly existing and in good standing under the laws of the state of its incorporation. It has full corporate power and authority, without the consent or approval of any other person, to execute and deliver this Agreement and to consummate the Transaction. All corporate action required to be taken by or on behalf of it to authorize the execution, delivery and performance of this Agreement has been duly and properly taken.

Section 2.2. Validity. This Agreement is duly executed and delivered by it and constitutes its lawful, valid and binding obligation, enforceable in accordance with its terms. The execution and delivery of this Agreement and the consummation of the Transaction by it are not prohibited by, do not violate or conflict with any provision of, and do not result in a default under (a) its charter or bylaws; (b) any material contract, agreement or other instrument to which it is a party or by which it is bound; (c) any order, writ, injunction, decree or judgment of any court or governmental agency applicable to it; or (d) any law, rule or regulation applicable to it, except in each case for such prohibitions, violations, conflicts or defaults that would not have a material adverse consequence to the Transaction.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF CONTRAN

Contran hereby represents and warrants to Valhi as of the date of this Agreement as follows:

Section 3.1. Authority. It is a corporation validly existing and in good standing under the laws of the state of Delaware. It has full corporate power and authority, without the consent or approval of any other person, to execute and deliver this Agreement and to consummate the Transaction. All corporate and other actions required to be taken by or on behalf of it to authorize the execution, delivery and performance of this Agreement have been duly and properly taken.

Section 3.2. Validity. This Agreement is duly executed and delivered by it and constitutes its lawful, valid and binding obligation, enforceable in accordance with its terms. The execution and delivery of this Agreement and the consummation of the Transaction by it are not prohibited by, do not violate or conflict with any provision of, and do not result in a default under (a) its charter or bylaws; (b) any material contract, agreement or other instrument to which it is a party or by which it is bound; (c) any order, writ, injunction, decree or judgment of any court or governmental agency applicable to it; or (d) any law, rule or regulation applicable to it, except in each case for such prohibitions, violations, conflicts or defaults that would not have a material adverse consequence to the Transaction.

ARTICLE IV.
GENERAL PROVISIONS

Section 4.1. Survival. The representations, warranties covenants and other agreements set forth in this Agreement shall survive the execution of this Agreement and the consummation of the transactions contemplated herein.

Section 4.2. Amendment and Waiver. No amendment or waiver of any provision of this Agreement shall in any event be effective unless the same shall be in a writing referring to this Agreement and signed by the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 4.3. Parties and Interest. This Agreement shall bind and inure to the benefit of the parties named herein and their respective heirs, successors and assigns.

Section 4.4. Entire Transaction. This Agreement contains the entire understanding among the parties with respect to the transactions contemplated hereby and supersedes all other agreements and understandings among the parties with respect to the subject matter of this Agreement.

Section 4.5. Applicable Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the state of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the state of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of Delaware.

Section 4.6. Severability. If any provision of this Agreement is found to violate any statute, regulation, rule, order or decree of any governmental authority, court, agency or exchange, such invalidity shall not be deemed to effect any other provision hereof or the validity of the remainder of this Agreement and such invalid provision shall be deemed deleted to the minimum extent necessary to cure such violation.

Section 4.7. Notice. All notices, requests, demands and other communications hereunder shall be in writing and shall be sent by registered or certified mail, postage prepaid as follows:

If to Valhi: Valhi, Inc.

5430 LBJ Freeway
Three Lincoln Centre, Suite 1700
Dallas, Texas 75240-2697
Attention: Secretary

If to Contran: Contran Corporation

5430 LBJ Freeway
Three Lincoln Centre, Suite 1700
Dallas, Texas 75240-2697
Attention: General Counsel

Section 4.8. Headings. The sections and other headings contained in this Agreement are for reference purposes only and shall not effect in any way the meaning or interpretation of this Agreement.

The parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

VALHI, INC.

By:

Gregory M. Swalwell, Vice President

CONTRAN CORPORATION

By:

Bobby D. O'Brien, Vice President

Exhibit A

Certificate of Designations, Rights and Preferences of 6% Series A Preferred Stock of Valhi, Inc.

**AMENDED AND RESTATED
CERTIFICATE OF DESIGNATIONS, RIGHTS AND PREFERENCES OF
6% SERIES A PREFERRED STOCK**

*Pursuant to Section 151 of the
General Corporation Law of the State of Delaware*

Valhi, Inc., a Delaware corporation (the "*Corporation*"), certifies as follows:

FIRST: The Certificate of Incorporation of the Corporation authorizes the issuance of 5,000,000 shares of Preferred Stock, par value \$.01 per share, and, further, authorizes the Board of Directors of the Corporation, subject to the limitations prescribed by law and the provisions of the Certificate of Incorporation, to provide for the issuance of shares of the Preferred Stock or to provide for the issuance of shares of the Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each such series and to fix the designations, voting powers, preference rights and qualifications, limitations or restrictions of the shares of the Preferred Stock of each such series.

SECOND: The Board of Directors of the Corporation, as of February 28, 2007, duly adopted the following resolutions, authorizing the creation and issuance of a series of said Preferred Stock to be known as 6% Series A Preferred Stock:

RESOLVED, the Board of Directors, pursuant to the authority vested in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the issuance of a series of the Corporation's Preferred Stock, par value \$.01 per share, consisting of 5,000 shares of which are authorized to be issued under the Corporation's Certificate of Incorporation (such 5,000 shares being hereinafter referred to as the "*Series A Preferred Stock*"), of the Corporation and hereby fixes the number thereof.

THIRD: As of March 29, 2007, the Board of Directors of the Corporation duly adopted, and the Sole Stockholder of the Series A Preferred stock consented to, the following resolutions, authorizing the amendment and restatement of the certificate of designations, rights and preferences of the Series A Preferred Stock:

RESOLVED, the Board of Directors, pursuant to the authority vested in it by the provisions of the Certificate of Incorporation of the Corporation, hereby authorizes the amendment and restatement of the designations, preferences, rights and limitations of the Series A Preferred Stock in addition to those set forth in said Certificate of Incorporation as follows:

Section 1. *Certain Definitions.* As used in this Certificate, the following terms shall have the following meanings, unless the context otherwise requires:

"*Board of Directors*" means either the board of directors of the Corporation or any duly authorized committee of such board.

"*Business Day*" means any day other than a Saturday, Sunday or a day on which state or U.S. federally chartered banking institutions in New York, New York are not required to be open.

"*Capital Stock*" of any Person means any and all shares, interests, participations or other equivalents however designated of corporate stock or other equity participations, including partnership interests, whether general or limited, of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person that are traded on an established national or regional trading market or exchange, including but not limited to the common stock, par value \$.01 per share, of Valhi, Inc., a Delaware corporation.

"*Certificate*" means this Certificate of Designations, Rights and Preferences of 6% Series A Preferred Stock.

"*Certificate of Incorporation*" means the Certificate of Incorporation of the Corporation, as amended from time to time.

"*Common Stock*" means the voting Common Stock, \$.01 par value per share, of the Corporation and any other stock of any class of the Corporation that has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

"*Corporation*" means Valhi, Inc., a Delaware corporation, and its successors.

"*Dividend Payment Date*" means March 31, June 30, September 30 and December 31, of each year, or if any such date is not a Business Day, on the next succeeding Business Day.

"*Dividend Period*" means the period beginning on, and including, a Dividend Payment Date and ending on, and excluding, the immediately succeeding Dividend Payment Date.

“*Liquidation Preference*” has the meaning assigned to such term in **Section 4(a)**.

“*Outstanding*” means, when used with respect to Series A Preferred Stock, as of any date of determination, all shares of Series A Preferred Stock outstanding as of such date; *provided further* that, in determining whether the holders of Series A Preferred Stock have given any request, demand, authorization, direction, notice, consent or waiver or taken any other action hereunder, Series A Preferred Stock owned by the Corporation shall be deemed not to be outstanding.

“*Parity Stock*” has the meaning assigned to such term in **Section 2**.

“*Person*” means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“*Record Date*” means with respect to the dividends payable on March 31, June 30, September 30 and December 31 of each year, March 15, June 15, September 15 and December 15 of each year, respectively, or such other record date, not more than 60 days and not less than 10 days preceding the applicable Dividend Payment Date, as may be fixed by the Board of Directors.

“*Senior Stock*” has the meaning assigned to such term in **Section 2**.

“*Series A Preferred Stock*” has the meaning assigned to such term in the Resolution set forth in the Preamble hereto.

Section 2. Rank. The Series A Preferred Stock shall, with respect to rights upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock and to any other class or series of equity securities issued by the Corporation not referred to in clauses (b) or (c) of this paragraph, (b) on a parity with all equity securities issued by the Corporation in the future, the terms of which specifically provide that such equity securities rank on a parity with the Series A Preferred Stock with respect to dividend rights or rights upon the liquidation, dissolution or winding up of the Corporation (“*Parity Stock*”) and (c) junior to all equity securities issued by the Corporation in the future the terms of which specifically provide that such equity securities rank senior to the Series A Preferred Stock with respect to dividend rights or rights upon the liquidation, dissolution or winding up of the Corporation (“*Senior Stock*”). The term “equity securities” shall not include convertible debt securities.

Section 3. Dividends.

(a) Holders of the then Outstanding shares of Series A Preferred Stock shall be entitled to receive, only when and as authorized and declared by the Board of Directors, out of funds legally available for the payment of dividends, cash dividends at the rate of 6% of the \$133,466.75 per share Liquidation Preference per annum. If, as and when declared, such dividends shall be payable quarterly in arrears on each Dividend Payment Date. Any dividend payable on the Series A Preferred Stock for any full or partial Dividend Period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable Record Date.

(b) No dividends on shares of Series A Preferred Stock shall be declared by the Corporation or paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness, prohibit such declaration, payment or setting apart for payment or provide that such declaration, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such declaration or payment shall be restricted or prohibited by law.

(c) Dividends on the Series A Preferred Stock that are not declared or paid for any full or partial Dividend Period shall not accrue or accumulate under any circumstances.

(d) Nothing contained herein shall prevent or restrict the Corporation from the declaration, payment or set aside for payment or any other distribution of cash or other property, directly or indirectly, on or with respect to any shares of the Common Stock, or shares of any other class or series of equity securities ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, including without limitation not declaring or paying any dividend on the Series A Preferred Stock for any full or partial Dividend Period. Further, nothing contained herein shall prevent or restrict the Corporation from redeeming, purchasing or otherwise acquiring for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation any shares of Common Stock, or any shares of equity securities ranking junior to or on a parity with the Series A Preferred Stock as to dividends or upon liquidation, including without limitation not declaring or paying any dividend on the Series A Preferred Stock for any full or partial Dividend Period.

Section 4. Liquidation Preference.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation, the holders of shares of Series A Preferred Stock then Outstanding are entitled to be paid out of the assets of the Corporation, legally available for distribution to its stockholders, a liquidation preference of \$133,466.75 per share of Series A Preferred Stock (the “*Liquidation Preference*”), plus an amount equal to any declared and unpaid dividends (and only to the extent declared and unpaid) for the full or partial Dividend Period in which the liquidation, dissolution or winding up occurs, before any distribution of assets is made to holders of Common Stock or any other class or series of equity securities that ranks junior to the Series A Preferred Stock as to liquidation rights.

(b) In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Corporation are insufficient to pay the amount of the liquidating distributions on all Outstanding shares of Series A Preferred Stock and the corresponding amounts payable on all shares of each other class or series of equity securities ranking on a parity with the Series A Preferred Stock as to liquidation rights, then the holders of the Series A Preferred Stock and each such other class or series of equity securities shall share proportionately in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will

have no right or claim to any of the remaining assets of the Corporation.

(d) Written notice of any such liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 days prior to the payment date stated therein, to each record holder of the Series A Preferred Stock at the respective addresses of such holders as the same shall appear on the stock transfer records of the Corporation.

(e) The consolidation or merger of the Corporation with or into any other corporation, trust or entity or of any other corporation with or into the Corporation, or the sale, lease or conveyance of all or substantially all of the property or business of the Corporation, shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

Section 5. Voting Rights.

(a) Holders of the Series A Preferred Stock will not have any voting rights, except as set forth below or as otherwise provided in the Certificate of Incorporation, by law or pursuant to agreements among the holders of voting equity securities of the Corporation.

(b) The affirmative vote of holders of at least two-thirds of the Outstanding shares of the Series A Preferred Stock and all other Parity Stock with like voting rights, voting as a single class, in person or by proxy, at a special meeting called for the purpose, or by written consent in lieu of meeting, shall be required to alter, repeal or amend, whether by merger, consolidation, combination, reclassification or otherwise, any provisions of the Certificate of Incorporation if the amendment would amend, alter or affect the powers, preferences or rights of the Series A Preferred Stock, so as to adversely affect the holders thereof, *provided, however*, that any increase in the amount of the authorized common stock or authorized preferred stock or the creation and issuance of other series of common stock or preferred stock will not be deemed to materially and adversely affect such powers, preferences or special rights.

Section 6. Consolidation, Merger and Sale of Assets. The Corporation, without the consent of the holders of any of the Outstanding Series A Preferred Stock, may consolidate with or merge into any other Person or convey, transfer or lease all or substantially all of its assets to any Person or may permit any Person to consolidate with or merge into, or transfer or lease all or substantially all its properties to the Corporation.

Section 7. Headings. The headings of the Sections of this Certificate are for convenience of reference only and shall not define, limit or affect any of the provisions hereof.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed in its name and on its behalf on this 29th day of March, 2007.

Valhi, Inc.

By:

Gregory M. Swalwell
Vice President and Controller

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These unaudited pro forma condensed consolidated financial statements should be read in conjunction with our historical consolidated financial statements. These unaudited pro forma condensed consolidated financial statements are not necessarily indicative of our consolidated financial position or results of operations as they may be in the future.

Valhi, Inc. and Subsidiaries
Pro Forma Condensed Consolidated Balance Sheet
December 31, 2006
(In thousands)
(Unaudited)

	Historical	Pro forma adjustments					Pro forma
		I	II	III	IV	V	
Cash and equivalents	\$189,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$189,153
Other current assets	590,204	-	-	-	-	-	590,204
Investment in TIMET	264,302	(264,302)	10,470	55,924	-	-	66,394
Other assets	1,761,067	-	-	-	-	-	1,761,067
	<u>\$2,804,726</u>	<u>(\$264,302)</u>	<u>\$10,470</u>	<u>\$55,924</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,606,818</u>
Taxes payable to affiliate	\$ -	\$ -	\$ -	\$ -	\$521,600	(\$521,600)	\$0
Other current liabilities	253,262	-	-	-	-	-	253,262
Noncurrent deferred income taxes	479,161	(48,345)	-	-	20,200	-	451,016
Other noncurrent liabilities	1,081,828	-	-	-	-	-	1,081,828
Minority interest	123,696	-	-	-	-	-	123,696
Stockholders equity:							
Preferred stock	-	-	-	-	-	521,600	521,600
Common stock at par value	1,189	-	-	-	-	-	1,189
Additional paid-in capital	107,444	-	-	-	-	-	107,444
Retained earnings	839,188	(221,982)	10,470	-	(522,227)	-	105,449
Accumulated other comprehensive income (loss)	(43,100)	6,025	-	55,924	(19,573)	-	(724)
Treasury stock	(37,942)	-	-	-	-	-	(37,942)
Total stockholders' equity	<u>866,779</u>	<u>(215,957)</u>	<u>10,470</u>	<u>55,924</u>	<u>(541,800)</u>	<u>521,600</u>	<u>697,016</u>
	<u>\$2,804,726</u>	<u>(\$264,302)</u>	<u>\$10,470</u>	<u>\$55,924</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,606,818</u>

Valhi, Inc. and Subsidiaries

Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet

(Unaudited)

Note 1 - Basis of presentation:

We have prepared the Unaudited Pro Forma Condensed Consolidated Balance Sheet assuming the following transactions, more fully described elsewhere in this Current Report on Form 8-K, had occurred on December 31, 2006:

- * Our distribution of shares of TIMET common stock to our stockholders in a pro-rata distribution.
- * Our issuance to Contran of 5,000 shares of Valhi 6% Series A Preferred Stock in exchange for the satisfaction of our income tax liability generated from the distribution of TIMET shares.

Note 2 - Pro forma adjustments:

- I - Reflect our distribution of shares of TIMET common stock to our stockholders in a pro-rata distribution. We will account for this distribution by reducing our equity for the carrying value of our shares of TIMET common stock, net of applicable deferred income taxes, that we distribute to our stockholders. We will also reverse the accumulated amount of other comprehensive income items we have recognized with respect to our investment in TIMET, net of applicable deferred income taxes.
- II - As discussed in our Annual Report on Form 10-K for the year ended December 31, 2006, NL Industries, Inc., one of our majority-owned subsidiaries, owns shares of our common stock. Under Delaware corporation law, NL receives dividends on these shares. Therefore, NL will receive a portion of the TIMET shares we will distribute to our stockholders. The TIMET shares we distribute to NL will initially be reflected in our Consolidated Balance Sheet at our carryover basis. This pro forma adjustment reinstates the carrying value of the TIMET shares that will be distributed to NL at our carryover basis. However, since we expect that following the distribution NL will only own approximately 1% of the total number of TIMET common shares outstanding, following the distribution we and NL will account for these TIMET shares as an available-for-sale marketable security carried at fair value. See pro forma adjustment III.
- III - Increase the carrying value of the TIMET shares that will be distributed to NL to their aggregate fair market value, based on the December 31, 2006 quoted market price for TIMET common stock of \$29.51 per share.
- IV - Recognize the current income tax liability that will be generated from our distribution of the TIMET shares. At December 31, 2006, Valhi had a net operating loss carryforward for U.S. federal income tax purposes (approximately \$20.2 million tax effected), and the amount of the current income tax liability that will be

generated from the distribution will be reduced by the amount of such carryforward. The amount of the current income tax liability as presented herein is based on the December 31, 2006 quoted market price for TIMET common stock. The actual current income tax liability that will be generated will be based on the quoted market price of TIMET common stock on the actual date of distribution.

V -

Record the settlement of the current income tax liability generated from the distribution of the shares of TIMET common stock through our issuance to Contran of 5,000 shares of Valhi 6% Series A preferred stock.

Valhi, Inc. and Subsidiaries
Pro Forma Condensed
Consolidated Statement of Income
Year ended December 31, 2006
(In thousands)
(Unaudited)

	<u>Historical</u>	<u>Pro forma adjustment</u>	<u>Pro forma</u>
Revenues and other income:			
Net sales	\$ 1,481,363	\$ -	\$ 1,481,363
Other, net	89,971	-	89,971
Equity in earnings of:			
TIMET	101,157	(101,157)	-
Other	<u>3,751</u>	<u>-</u>	<u>3,751</u>
 Total revenues and other income	 <u>1,676,242</u>	 <u>(101,157)</u>	 <u>1,575,085</u>
 Costs and expenses:			
Cost of sales	1,139,439	-	1,139,439
Selling, general and administrative	229,417	-	229,417
Loss on prepayment of debt	22,311	-	22,311
Interest	<u>67,607</u>	<u>-</u>	<u>67,607</u>
 Total costs and expenses	 <u>1,458,774</u>	 <u>-</u>	 <u>1,458,774</u>
 Income before income taxes	 217,468	 (101,157)	 116,311
 Provision for income taxes	 63,835	 (35,405)	 28,430
 Minority interest in after-tax earnings	 <u>11,951</u>	 <u>-</u>	 <u>11,951</u>
 Net income	 <u>\$ 141,682</u>	 <u>\$ (65,752)</u>	 <u>\$ 75,930</u>
 Weighted average shares of common stock outstanding	 <u>116,110</u>		 <u>116,110</u>
 Basic earnings per share	 <u>\$ 1.22</u>		 <u>\$ 0.65</u>

Valhi, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Condensed Consolidated Statement of Income

(Unaudited)

Note 1 - Basis of presentation:

We have prepared the Unaudited Pro Forma Condensed Consolidated Statement of Income assuming the following transactions, more fully described elsewhere in this Current Report on Form 8-K, had occurred as of January 1, 2006:

- * Our distribution of shares of TIMET common stock to our stockholders in a pro-rata distribution.

Note 2 - Pro forma adjustment:

- * Reflect the elimination of our equity in earnings of TIMET, net of applicable deferred income taxes.