COTT CORP /CN/
Form DEF 14A
March 23, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x 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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under §240.14a-12

Cott Corporation

(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):

x No fee required.

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

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

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the 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 the 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 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:

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Cott Corporation

6525 Viscount Road

Mississauga, Ontario, Canada L4V1H6

(905) 672-1900

5519 West Idlewild Avenue

Tampa, Florida, United States 33634

(813) 313-1800

March 23, 2016

Dear Shareowners:

We are pleased to invite you to attend our annual meeting of shareowners, which will be held at the Park Hyatt Toronto, 4 Avenue Road, Toronto, Ontario, Canada at 8:30 a.m. (Toronto time) on Tuesday, May 3, 2016. At this meeting, you will have the opportunity to meet our directors and members of our senior management team, learn more about our Company and our plans for the future, and receive our financial results for the 2015 fiscal year.

The notice of meeting and circular that accompany this letter describe the business to be conducted at the meeting.

We are pleased to furnish our proxy materials over the Internet in accordance with applicable law. As a result, we are mailing to many of our shareowners a notice instead of paper copies of our proxy circular, form of proxy and 2015 annual report. The notice contains instructions on how to access these materials over the Internet, as well as instructions on how shareowners can receive paper copies of these materials. Employing this distribution process will conserve natural resources and reduce the costs of printing and distributing these materials.

Even if you cannot attend the meeting, it is important that your shares be represented and voted by using the form of proxy provided. We encourage you to read the circular and vote as soon as possible. We look forward to your participation.

Sincerely,

JERRY FOWDEN

Chief Executive Officer

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Cott Corporation

Notice of Annual Meeting of Shareowners

The Annual Meeting of Shareowners of Cott Corporation (**Cott**) will be held

on:	Tuesday, May 3, 2016
at:	8:30 a.m. (local time in Toronto)
at the:	Park Hyatt Toronto, 4 Avenue Road, Toronto, Ontario, Canada
to:	receive the financial statements for the year ended January 2, 2016 and the report on those statements by Cott s independent registered certified public accounting firm,
	elect directors,
	approve the appointment of Cott s independent registered certified public accounting firm,
	hold a non-binding advisory vote on executive compensation, and
	transact any other business that properly may be brought before the meeting and any adjournment of the meeting.

By order of the board of directors

Marni Morgan Poe

Vice President, General Counsel and Secretary

Tampa, Florida, U.S.A.

March 23, 2016

YOU ARE INVITED TO VOTE BY COMPLETING, DATING AND SIGNING THE FORM OF PROXY AND RETURNING IT BY MAIL OR BY FACSIMILE, OR BY FOLLOWING THE INSTRUCTIONS FOR VOTING OVER THE INTERNET IN THE PROXY CIRCULAR. A VOTE BY PROXY WILL BE COUNTED IF IT IS COMPLETED PROPERLY AND IS RECEIVED BY OUR TRANSFER AGENT NO LATER THAN 5:00 P.M. TORONTO TIME ON APRIL 29, 2016 OR THE LAST BUSINESS DAY PRIOR TO ANY POSTPONED OR ADJOURNED MEETING OR IS OTHERWISE RECEIVED BY OUR SECRETARY, AS DESCRIBED HEREIN, PRIOR TO THE COMMENCEMENT OF THE MEETING OR ANY POSTPONED OR ADJOURNED MEETING. OUR TRANSFER AGENT S MAILING ADDRESS IS COMPUTERSHARE INVESTOR SERVICES INC., 100 UNIVERSITY AVENUE, 8TH FLOOR, TORONTO, ONTARIO, CANADA, M5J 2Y1 AND FACSIMILE NUMBER IS 1-866-249-7775 or (416) 263-9524.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

ANNUAL MEETING OF SHAREOWNERS TO BE HELD ON MAY 3, 2016

This communication is not a form for voting and presents only an overview of the more complete proxy materials, which are available on the Internet or by mail. We encourage you to access and review all of the important information contained in the proxy materials before voting.

Our proxy circular, form of proxy and 2015 annual report are available at our website (*www.cott.com/for-investors/overview*), as well as our profile on SEDAR (*www.sedar.com*). Our proxy circular includes information on the following matters, among other things:

- The date, time and location of the Annual Meeting of Shareowners;
- A list of the matters being submitted to the shareowners for approval; and
- Information concerning voting in person at the Annual Meeting of Shareowners.

If you want to receive a paper copy or e-mail of these documents, you must request one. There is no charge to you for requesting a copy. Please make your request for a copy to Computershare Investor Services by telephone at 1-800-564-6253 or contact Cott s Investor Relations Department directly at our principal executive office: Cott Corporation, 5519 W. Idlewild Ave., Tampa, FL 33634, telephone (813) 313-1732, email InvestorRelations@cott.com.

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Cott Corporation

Annual Meeting of Shareowners

THIS BOOKLET EXPLAINS:

- details of the matters to be voted upon at the meeting, and
- how to exercise your right to vote even if you cannot attend the meeting.

THIS BOOKLET CONTAINS:

- the notice of the meeting,
- the proxy circular for the meeting, and
- a proxy form that you may use to vote your shares without attending the meeting.

REGISTERED SHAREOWNERS

A form of proxy is enclosed with this booklet. This form may be used to vote your shares if you are unable to attend the meeting in person. Instructions on how to vote using this form are found starting on page 1 of this proxy circular.

NON-REGISTERED BENEFICIAL SHAREOWNERS

If your shares are held on your behalf or for your account by a broker, securities dealer, bank, trust company or other intermediary, you will not be able to vote unless you carefully follow the instructions provided by your intermediary.

The accompanying circular and form of proxy are furnished in connection with the solicitation of proxies by or on behalf of management and the board of directors for use at the annual meeting of shareowners to be held on Tuesday, May 3, 2016 and any continuation of the meeting after an adjournment of such meeting.

AVAILABILITY OF QUARTERLY FINANCIAL INFORMATION

If you are a shareowner and wish to receive (or continue to receive) our quarterly interim financial statements (and the related management discussion and analysis) by mail, you must complete and return the enclosed request form. If you do not do so, quarterly financial statements will not be sent to you. Financial results are announced by media release, and financial statements are available on our website at *www.cott.com*, on the SEDAR website maintained by the Canadian securities regulators at *www.sedar.com* and on the EDGAR website maintained by the United States Securities and Exchange Commission at *www.sec.gov*.

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Cott Corporation

Proxy Circular

GENERAL INFORMATION

This proxy circular is furnished in connection with the solicitation of proxies by or on behalf of management and the board of directors of Cott Corporation (Cott or the Company) for use at the annual meeting of shareowners that is to be held at the time and place, and for the purposes, described in the accompanying notice of the meeting and any continuation of the meeting after an adjournment of such meeting.

We are first mailing or making available to shareowners this proxy circular, our 2015 annual report and related materials on or about March 23, 2016. All dollar amounts are in United States dollars unless otherwise stated. All information contained in this proxy circular is as of March 15, 2016, unless otherwise indicated. Our fiscal year ends on the Saturday closest to December 31 of each year. In this proxy circular, therefore, references to the year 2013 are to the fiscal year ended December 28, 2013, references to the year 2014 are to the fiscal year ended January 3, 2015, and references to the year 2015 are to the fiscal year ended January 2, 2016. As used herein, GAAP means United States generally accepted accounting principles.

VOTING AT THE MEETING

Who Can Vote

March 15, 2016 is the record date to determine shareowners who are entitled to receive notice of the meeting. Shareowners at the close of business on that date will be entitled to vote at the meeting. As of the record date, 122,672,005 common shares were outstanding. Each common share entitles the holder to one vote on all matters presented at the meeting.

Voting By Registered Shareowners

The following instructions are for registered shareowners only. **If you are a non-registered beneficial shareowner, please follow your intermediary s instructions on how to vote your shares.** See below under **Voting By Non-Registered Beneficial Shareowners.**

Voting in Person

Registered shareowners who attend the meeting may vote the shares registered in their name on resolutions put before the meeting. If you are a registered holder who will attend and vote in person at the meeting, you do not need to complete or return the form of proxy, although you are requested to do so. Please register your attendance with the scrutineer, Computershare Investor Services Inc. (**Computershare**), upon your arrival at the meeting. Whether or not you plan to attend the annual meeting of shareowners, you are requested to complete and promptly return the enclosed proxy.

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Voting by Proxy

If you are a registered shareowner but do not plan to attend the meeting in person, there are four ways that you can vote your proxy:

Mail: You may vote by completing, dating and signing the enclosed form of proxy and returning it to Computershare no later than 5:00 p.m. local time in Toronto on April 29, 2016, or the last business day prior to any postponed or adjourned meeting, by mail to 100 University Avenue, 8^{th} Floor, Toronto, Ontario, Canada M5J 2Y1 using the envelope provided.

Fax: You may vote by completing, dating and signing the enclosed form of proxy and faxing it to Computershare at 1-866-249-7775 (toll free within Canada and the United States) or 1-416-263-9524 (outside Canada and the United States) no later than 5:00 p.m. local time in Toronto on April 29, 2016 or the last business day prior to any postponed or adjourned meeting.

Internet: You may vote over the Internet by accessing *www.investorvote.com* and following the proxy login and voting procedures described for the meeting. The enclosed form of proxy contains certain information required for the Internet voting process. Detailed voting instructions will then be conveyed electronically via the Internet to those who have completed the login procedure. You may vote (and revoke a previous vote) over the Internet at any time before 5:00 p.m. local time in Toronto on April 29, 2016 or the last business day prior to any postponed or adjourned meeting.

The Internet voting procedure, which complies with Canadian law, is designed to authenticate shareowners identities, to allow shareowners to vote their shares and to confirm that shareowners votes have been recorded properly. Shareowners voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies that must be borne by the shareowners. Also, please be aware that Cott is not involved in the operation of the Internet voting procedure and cannot take responsibility for any access or Internet service interruptions that may occur or any inaccurate, erroneous or incomplete information that may appear.

Other: If you have not availed yourself of any of the foregoing voting procedures by 5:00 p.m. local time in Toronto on April 29, 2016 or the last business day prior to any postponed or adjourned meeting but still wish to vote by proxy, you may vote by (i) completing, dating and signing the enclosed form of proxy and faxing it to the attention of our Secretary at (813) 881-1923, or (ii) having the person you have chosen as your proxyholder deliver it in person to our Secretary, in each case so that it is received prior to the commencement of the meeting or any postponed or adjourned meeting.

What Is a Proxy?

A proxy is a document that authorizes another person to attend the meeting and cast votes on behalf of a registered shareowner at the meeting. If you are a registered shareowner, you can use the accompanying proxy form. You may also use any other legal form of proxy.

How do You Appoint a Proxyholder?

Your proxyholder is the person you appoint to cast your votes for you at the meeting. The persons named in the enclosed form of proxy are directors or officers of Cott. You may choose those individuals or any other person to be your proxyholder. Your proxyholder does not have to be a shareowner of Cott. If you want to authorize a director or officer of Cott who is named on the enclosed proxy form as your proxyholder, please leave the line near the top of the proxy form blank, as their names are pre-printed on the form. **If you want to authorize another person as your proxyholder, fill in that person s name in the blank space located near the top of the enclosed proxy form.**

Your proxy authorizes the proxyholder to vote and otherwise act for you at the meeting, including any continuation of the meeting if it is adjourned.

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How Will a Proxyholder Vote?

If you mark on the proxy how you want to vote on a particular issue, your proxyholder must cast your votes as instructed. By checking WITHHOLD on the proxy form, you will be abstaining from voting.

If you do NOT mark on the proxy how you want to vote on a particular matter, your proxyholder is entitled to vote your shares as he or she sees fit. If your proxy does not specify how to vote on any particular matter, and if you have authorized a director or officer of Cott to act as your proxyholder, your shares will be voted at the meeting:

- **FOR the election of the nominees named in this proxy circular as directors;**
- **FOR the approval of the appointment of PricewaterhouseCoopers LLP as Cott s independent registered certified public accounting firm; and**
- **FOR the approval, on a non-binding advisory basis, of the compensation of the Company s named executive officers, as such information is disclosed in the Compensation Discussion and Analysis, the compensation tables and the accompanying narrative disclosure beginning on page 62 (commonly referred to as say-on-pay).**

For more information on these matters, please see **Election of Directors**, beginning on page 7, **Independent Registered Certified Public Accounting Firm Approval of Appointment of Independent Registered Certified Public Accounting Firm** on page 59, and **Advisory Vote on Executive Compensation** on page 62.

If any amendments are proposed to these matters, or if any other matters properly arise at the meeting, your proxyholder can generally vote your shares as he or she sees fit. The notice of the meeting sets out all the matters to be presented at the meeting that are known to management as of March 15, 2016.

How do You Revoke Your Proxy?

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before the meeting by delivering to our Secretary a written notice of revocation or a duly executed proxy bearing a later date (or voting via the Internet at a later date) or by attending the meeting and voting in person. You may send a written notice to our Secretary to the following address: 5519 West Idlewild Avenue, Tampa, Florida U.S.A. 33634.

This revocation must be received by our Secretary before the meeting (or before the date of the reconvened meeting if it is adjourned), or in any other way permitted by law.

If you revoke your proxy and do not replace it with another form of proxy that is properly deposited, you may still vote shares registered in your name in person at the meeting.

Voting By Non-Registered Beneficial Shareowners

If your common shares are not registered in your name but in the name of an intermediary (typically a bank, trust company, securities dealer or broker, or a clearing agency in which an intermediary participates), then you are a non-registered beneficial shareowner (as opposed to a registered shareowner). Copies of this document have been distributed to intermediaries who are required to deliver them to, and seek voting instructions from, our non-registered beneficial shareowners. Intermediaries often use a service company (such as Computershare or Broadridge Investor Communications (**Broadridge**)) to forward meeting materials to beneficial shareowners. Cott intends to pay for intermediaries to deliver proxy-related materials and the request for voting instructions (Form 54-101F7) to objecting beneficial owners in accordance with National Instrument 54-101. If you are a non-registered beneficial shareowner, you can vote your common shares by proxy, by following the instructions your intermediary provides to you, through your intermediary or at the meeting. As a non-registered beneficial

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shareowner, while you are invited to attend the meeting, you will not be entitled to vote at the meeting unless you make the necessary arrangements with your intermediary to do so.

Voting in Person

A non-registered beneficial shareowner who received a voting instruction form from the intermediary and who wishes to attend and vote at the meeting in person (or have another person attend and vote on their behalf) should strike out the proxyholders named in the voting instruction form and insert the beneficial shareowner s (or such other person s) name in the blank space provided or follow the corresponding instructions provided by the intermediary.

Voting by Proxy through Intermediary

Internet: If your intermediary is registered with Computershare or Broadridge, both of which we have retained to manage beneficial shareowner Internet voting, you may vote over the Internet by following the proxy login and voting instructions on your voting instruction form.

Through Intermediary: A beneficial shareowner who does not vote via the Internet will be given a voting instruction form or other document by his or her intermediary that must be submitted by the beneficial shareowner in accordance with the instructions provided by the intermediary. In such case, you ***cannot*** use the Internet voting procedures described above and ***must*** follow the intermediary s instructions (which in some cases may allow the completion of the voting instruction form by telephone or on the intermediary s Internet website). Occasionally, a beneficial shareowner may be given a form of proxy that has been signed by the intermediary and is restricted to the number of shares owned by the beneficial shareowner but is otherwise not completed. This form of proxy does not need to be signed by the beneficial shareowner. In this case, you can complete the form of proxy and vote by mail or facsimile only in the same manner as described above under **Voting by Registered Shareowners Voting by Proxy** beginning on page 2 of this proxy circular.

In all cases, beneficial shareowners should carefully follow the instructions provided by the intermediary.

Proxies returned by intermediaries as non-votes because the intermediary has not received instructions from the beneficial shareowner with respect to the voting of certain shares, or because under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those shares on one or more of the matters that come before the meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter. Shares represented by such broker non-votes will, however, be counted in determining whether there is a quorum for the meeting. In addition to being able to submit to Cott or the intermediary, as applicable, a voting instruction form, beneficial shareowners are permitted to submit any other documents in writing that requests that the beneficial shareowner or a nominee thereof be appointed as a proxyholder.

Confidentiality of Vote

Computershare counts and tabulates proxies in a manner that preserves the confidentiality of your votes. Proxies will not be submitted to management unless:

- there is a proxy contest;
- the proxy contains comments clearly intended for management; or
- it is necessary to determine a proxy s validity or to enable management and/or the board of directors to meet their legal obligations to shareowners or to discharge their legal duties to Cott.

Quorum

The annual meeting requires a quorum, which for this meeting means:

- at least two persons personally present, each being a shareowner entitled to vote at the meeting or a duly appointed proxy for an absent shareowner so entitled; and

- persons owning or representing not less than a majority of the total number of our shares entitled to vote.

Vote Counting Rules

All matters that are scheduled to be voted upon at the meeting, other than as set out below, are ordinary resolutions. Ordinary resolutions are passed by a simple majority of votes: if more than half of the votes that are cast are cast in favor, the resolution passes. Ten directors nominated must be elected by ordinary resolution of the shareowners. Pursuant to Cott s Majority Voting and Director Resignation Policy, if a nominee in an uncontested election does not receive the vote of at least the majority of the votes cast (including votes for and votes withheld), such director is required to promptly tender his or her resignation from the board of directors. Cott s Majority Voting and Director Resignation Policy is described more particularly below under the heading **Majority Voting and Director Resignation Policy** on page 12 of this proxy circular.

The approval of Cott s independent registered certified public accounting firm must be approved by ordinary resolution of the shareowners. Due to the non-binding advisory nature of the matter to be voted upon in respect of the compensation of Cott s executive officers, there is no minimum vote requirement for the proposal. However, the matter will be considered to have passed with the affirmative vote of a majority of the votes cast by shareowners that are present or represented and entitled to vote at the meeting.

Proxies may be marked FOR, AGAINST or WITHHOLD/ABSTAIN. Abstentions/withholding and broker non-votes are counted for purposes of establishing a quorum, but they are not counted as votes cast for or against a proposal.

Solicitation of Proxies

The cost of soliciting proxies will be borne by Cott. In addition, Cott may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of our directors, officers and employees, without additional compensation, personally or by telephone, telegram, letter or facsimile. We have hired MacKenzie Partners, Inc., a professional soliciting organization, to assist us in conducting bank and broker searches, distributing proxy solicitation materials and responding to information requests from shareowners with respect to the materials. For these services, MacKenzie Partners, Inc. will be paid a fee of $12,000, plus limited reimbursement for out-of-pocket expenses.

Please Complete Your Proxy

Our management, with the support of the board of directors, requests that you fill out your proxy to ensure your votes are cast at the meeting. **This solicitation of your proxy (your vote) is made on behalf of management and the board of directors**.

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PROCEDURE FOR CONSIDERING SHAREOWNER PROPOSALS

If you want to propose any matter for inclusion in our 2017 proxy circular, it must be received by our Vice President, General Counsel and Secretary no later than November 23, 2016 at Cott Corporation, 5519 West Idlewild Avenue, Tampa, Florida, U.S.A. 33634.

Our by-laws fix a deadline by which shareowners must submit director nominations prior to any meeting of shareowners. In the case of annual meetings, advance notice must be delivered to us not less than 30 nor more than 60 days prior to the date of the annual meeting; provided, however, that if the annual meeting is called for a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, advance notice may be made not later than the close of business on the 10th day following the date on which the public announcement of the date of the annual meeting is first made by us. In the case of a special meeting of shareowners (which is not also an annual meeting), advance notice must be delivered to us no later than the close of business on the 15th day following the day on which the public announcement of the date of the special meeting is first made by us. Our by-laws also require any shareowner making a director nomination to provide certain important information about its nominees with its advance notice. Only shareowners who comply with these requirements will be permitted to nominate directors to the board of directors unless the advance notice requirements of our by-laws are waived by the board of directors in its sole discretion. You are advised to review our by-laws, which contain additional requirements about advance notice of director nominations.

PRINCIPAL SHAREOWNERS

We are not aware of any person who, as of March 15, 2016, beneficially owned or exercised control or direction, directly or indirectly, over more than 5% of our common shares except as set forth below:

Name	Nature of Ownership or Control	Number of Shares	Percentage of Class
Levin Capital Strategies, L.P.[1] 595 Madison Avenue, 17th Floor New York, New York 10022	Beneficial ownership	18,329,059	16.40%
Connor, Clark & Lunn Investment Management Ltd.[2] 2200-1111 West Georgia Street Vancouver, BC, V6E 4M3 Canada	Beneficial ownership	12,241,812	11.20%
FMR LLC[3] 245 Summer Street Boston, Massachusetts 02210	Beneficial ownership	9,249,557	8.44%

(1) Based solely on information reported in an amended Schedule 13G filed by Levin Capital Strategies, L.P. (Levin Capital) on January 29, 2016 with the United States Securities and Exchange Commission (the SEC). As reported in such filing, Levin Capital is the beneficial owner of 18,329,059 shares, constituting approximately 16.40% of the shares outstanding, with sole voting power and sole dispositive power with respect to 301,474 shares, shared voting power with respect to 13,659,637 shares, and shared dispositive power with respect to 18,027,585 shares.

(2) Based solely on information reported in a Schedule 13G filed by Connor, Clark & Lunn Investment Management Ltd (Connor Clark) on February 12, 2016 with the SEC. As reported in such filing, Connor Clark is the beneficial owner of 12,241,812 shares, constituting approximately 11.20% of the shares outstanding, with shared voting power with respect to 11,000,645 shares, and sole dispositive power with respect to 12,241,812 shares.

(3) Based solely on information reported in an amended Schedule 13G filed by FMR LLC (FMR) on February 12, 2016 with the SEC. As reported in such filing, FMR Co., Inc, FIAM LLC, and Fidelity Institutional Asset Management Trust Company reported that each beneficially owns Cott common shares. Abigail P. Johnson is a Director, the Vice Chairman, the Chief Executive Officer and the President of FMR. Members of the family of Ms. Johnson (the Johnson Family) are the predominant owners, directly or through trusts,

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of Series B voting common shares of FMR, representing 49% of the voting power of FMR. The Johnson Family and all other Series B shareholders have entered into a shareholders voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. Accordingly, through their ownership of voting common shares and the execution of the shareholders voting agreement, members of the Johnson Family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR. Neither FMR nor Ms. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act (Fidelity Funds) advised by Fidelity Management & Research Company, a wholly owned subsidiary of FMR, which power resides with the Fidelity Funds Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds Boards of Trustees.

FINANCIAL STATEMENTS

At the meeting, we will submit to our shareowners Cott s annual consolidated financial statements for the year ended January 2, 2016, and the related report of Cott s independent registered certified public accounting firm. No vote will be taken regarding the financial statements.

ELECTION OF DIRECTORS

The Corporate Governance Committee of the board of directors (the **Corporate Governance Committee**) reviews annually the qualifications of persons proposed for election to the board and submits its recommendations to the board for consideration.

At its February 2016 meeting, the board of directors determined to reduce its size from 11 to 10 directors, effective immediately prior to the 2016 Annual Meeting of Shareowners. On February 25, 2016, Mr. George Burnett advised the board that he would not stand for re-election as a director of the Company at the end of his term. Mr. Burnett will serve the remainder of his term, which will conclude immediately prior to the 2016 Annual Meeting of Shareowners.

In the opinion of the Corporate Governance Committee and the board, each of the 10 nominees for election as a director is well qualified to act as a director of Cott and, together, the nominees bring the mix of independence, diversity, expertise and experience necessary for the board and its committees to function effectively. Our approach to corporate governance and the roles of the board and its committees are described under **Corporate Governance** on page 51 of this proxy circular.

During 2015, the board of directors held seven meetings. Each of our incumbent directors who served in 2015 attended, in person or by telephone, 75% or more of the applicable meetings of the board of directors and committees on which they served in 2015.

Set forth below is certain information concerning our nominees for election as directors of Cott, including information regarding each person s service as a director, committee membership, business experience, director positions held currently or at any time during the last five years, information regarding involvement in certain legal or administrative proceedings, if applicable, and the experiences, qualifications, attributes or skills that caused the Corporate Governance Committee and the board of directors to determine that the person should serve as a director of Cott. Because Cott is a Canadian corporation, we are required to have at least 25% of our directors be Canadian residents. The directors who are Canadian residents are identified below.

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The board has considered the independence of each of the nominees for election as directors of Cott for purposes of the rules of the SEC, New York Stock Exchange (**NYSE**) and, where applicable, National Instrument 58-101 Disclosure of Corporate Governance Practices (**NI 58-101**) of the Canadian Securities Administrators. All nominees are independent except for Mr. Fowden, our Chief Executive Officer. See **Certain Relationships and Related Transactions** on page 16 of this proxy circular for further discussion of the board s determinations as to independence.

Nominee	Committee Membership
Mark Benadiba, 63, of Toronto, Ontario, Canada, served as executive Vice-President, North American Operations, of Cott Corporation from 1996 until 2006. Mr. Benadiba held several roles during his tenure at Cott from 1990 through 2006, including Executive Vice President and Chief Executive Officer of Cott Canada from 1990 to 1998. Previously, Mr. Benadiba was a Senior Executive of Pepsi/Seven-Up, Toronto/Canada (a division of Seven-Up Canada Inc.). He has served on Cott s board since June 2008. The board nominated Mr. Benadiba to be a director because of his management experience in, and extensive knowledge of, the beverage industry. The board believes Mr. Benadiba s experience in the beverage industry, including the various positions he held within Cott, enable him to make valuable contributions to the board. Mr. Benadiba is a Canadian resident.	Corporate Governance Committee
Jerry Fowden, 59, of Tampa, Florida, U.S.A., was appointed as our Chief Executive Officer on February 18, 2009. Prior to this appointment, he served as President of Cott s international operating segments and Interim President, North America from May 2008 to February 2009, and as Interim President of Cott s United Kingdom business unit from September 2007 to May 2008. He served as Chief Executive Officer of Trader Media Group Ltd., a media company, and as a member of its parent Guardian Media Group plc s board of directors from 2005 until 2007. From 2001 until 2004, he served in a variety of roles with ABInBev S.A. Belgium, an alcoholic beverage company, including President, European Zone, Western, Central and Eastern Europe from 2003 to 2004, Global Chief Operating Officer from 2002 to 2003 and Chief Executive Officer of Bass Brewers Ltd., a subsidiary of ABInBev S.A. Belgium, from 2001 to 2002. From 1997 to 2001, Mr. Fowden was Managing Director of the Rank Group Plc s Hospitality and Holiday Division and was a member of the Rank Group Plc Board of Directors from 1999 to 2001. Mr. Fowden also served on the board of directors of Chesapeake Corporation (now known as Canal Corporation), a supplier of specialty paperboard packaging products, when it filed a voluntary Chapter 11 petition in the United States on December 29, 2008. He served as a director of such company until May 2009. Mr. Fowden currently serves on the board of directors of Constellation Brands, Inc., a premium wine company, and the American Beverage Association, a trade association that represents America s non-alcoholic beverage industry. Mr. Fowden has served on Cott s board since March 2009. The board nominated Mr. Fowden to be a director because he is Cott s Chief Executive Officer, and has held operational management positions within Cott in North America and Europe. Under Mr. Fowden s leadership, Cott has focused its resources and investments, streamlined operations and cut costs, and broadened its product portfolio.	

Nominee	Committee Membership
David T. Gibbons, 72, of Naples, Florida, U.S.A., was Cott s Interim Chief Executive Officer from March 2008 to February 2009. Prior to joining Cott, he was President and Chief Executive Officer of Perrigo Company, a manufacturer of retailer brand over-the-counter pharmaceutical and nutritional products, from 2000 to 2006, and from 2003 to 2007, he also held the role of Chairman of that company. Mr. Gibbons has served on the board of directors of Perrigo and Robbins & Myers, Inc., a manufacturer of fluid management products. He has served on Cott s board since April 2007, and is currently the Chairman of the board. The board nominated Mr. Gibbons to be a director because he has an extensive consumer products background, with leadership experience in strategic planning, sales and marketing, operational improvements and international operations, as well as extensive board and corporate governance experience from serving as a director and committee member on public, private and non-profit boards.	Chairman of the Board; Corporate Governance Committee
Stephen H. Halperin, 66, of Toronto, Ontario, Canada, is a partner at the law firm of Goodmans LLP and a member of that firm s Executive Committee. He has been a partner with Goodmans since 1987 and a member of the Executive Committee since 1993. He also serves as a director of Gluskin Sheff + Associates, Inc., a Toronto Stock Exchange listed wealth management company, and is a member of the Board of Governors of McGill University. Mr. Halperin served on the board of trustees of KCP Income Fund, a custom manufacturer of national brand and retailer brand consumer products, and has served on the boards of several other publicly listed issuers. He has served on Cott s board since 1992. The board nominated Mr. Halperin to be a director because he is an expert in Canadian corporate law, with over 30 years of experience counseling boards and senior management regarding corporate governance, compliance, disclosure, international business conduct, capital markets, corporate strategy and other relevant issues. Mr. Halperin is a Canadian resident.	
Betty Jane (BJ) Hess, 67, of Hingham, Massachusetts, U.S.A., was Senior Vice President, Office of the President, of Arrow Electronics, Inc., an electronics distributor, for five years prior to her retirement in 2004. Ms. Hess currently serves on the board of Harvest Power, a firm specializing in the management of organic waste. Ms. Hess served on the board of directors of the ServiceMaster Company, a company providing lawn care, landscape maintenance, and other cleaning, repair and inspection services. She has served on Cott s board since 2004. The board nominated Ms. Hess to be a director because it believes that her executive experience, leadership and communication skills are valuable assets to the board.	Human Resources and Compensation Committee

Nominee	Committee Membership
Gregory Monahan, 42, of Darien, Connecticut, U.S.A., has been a Senior Managing Director of Crescendo Partners, L.P., a New York-based investment firm, since December 2014 and has held various positions at Crescendo Partners since May 2005. Prior to Mr. Monahan s time with Crescendo Partners, he was the founder of Bind Network Solutions, a consulting firm focused on network infrastructure and security. Mr. Monahan also serves on the board of directors of Absolute Software Corp., a leader in firmware-embedded endpoint security and management for computers and ultra-portable devices. He also serves on the board of directors of COM DEV International Ltd., a supplier of space equipment and services, SAExploration Holdings Inc., a seismic data services company, and ENTREC Corporation, a heavy haul and crane services provider. He previously served on the board of Bridgewater Systems, a telecommunications software provider, and O Charley s Inc., a multi-concept restaurant company. Mr. Monahan has served on Cott s board since June 2008. The board nominated Mr. Monahan to be a director because it believes he possesses valuable financial expertise, including extensive expertise with capital markets transactions and investments in both public and private companies. He has served in managing roles in investment and technology consulting firms, which experience informs his judgment and risk assessment as a board member.	Audit Committee
Mario Pilozzi, 69, of Oakville, Ontario, Canada, was, until January 2008, President and CEO of Wal-Mart Canada. He joined Wal-Mart Canada in 1994 as Vice-President of Hardline Merchandise and was promoted to Senior Vice-President of Merchandise and Sales, and later Chief Operating Officer, before serving as President and CEO. Prior to joining Wal-Mart Canada, Mr. Pilozzi held a broad range of positions with Woolworth Canada spanning more than 30 years, including the positions of Vice-President of Hardline Merchandise, Administrator of Store Openings, District Manager, Store Manager and several other key roles in Woolworth s variety and discount-store divisions. Mr. Pilozzi has served on Cott s board since June 2008. The board nominated Mr. Pilozzi to be a director because he has extensive executive experience with two well-known, multinational corporations and understands the retail sales business of our retailer partners. Mr. Pilozzi is a Canadian resident.	Human Resources and Compensation Committee
Andrew Prozes, 70, of Greenwich, Connecticut, U.S.A., was Global Chief Executive Officer of LexisNexis Group, a provider of legal and risk management solutions and information in New York City, from 2000 to December 2010. Mr. Prozes served on the board of directors of Reed Elsevier plc and Reed Elsevier NV, parent entities to LexisNexis, until his retirement from LexisNexis Group at the end of 2010. Mr. Prozes also serves as a director on the boards of Transunion LLC, Asset International Inc., the Association of Certified Anti-Money Laundering Specialists, Scribestar Ltd., Ethoca Limited, Synaptive Medical Inc., Corporate Risk Holdings Limited and a number of other private for-profit and not-for-profit boards. He has served on Cott s board since January 2005. The board nominated Mr. Prozes to be a director because it believes he possesses valuable executive and financial expertise that makes him an asset to the board. Cott benefits from Mr. Prozes s experience as an executive officer and director of large, international companies.	Corporate Governance Committee; Chair, Human Resources and Compensation Committee

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Nominee	Committee Membership
Eric Rosenfeld, 59, of New York, New York, U.S.A., has been the President and Chief Executive Officer of Crescendo Partners, L.P., a New York based investment firm, since its formation in November 1998. Prior to forming Crescendo Partners, he held the position of Managing Director at CIBC Oppenheimer and its predecessor company Oppenheimer & Co., Inc. for 14 years. Mr. Rosenfeld currently serves as a director for CPI Aerostructures Inc., a company engaged in the contract production of structural aircraft parts, for which he also serves as Chairman, Absolute Software Corp., a leader in firmware-embedded endpoint security and management for computers and ultraportable devices, SAExploration Holdings Inc., a seismic data services company, and Pangaea Logistics Solutions Ltd., a logistics and shipping company that merged with Quartet Merger Corp., a blank-check company, for which he served as Chairman and CEO. Currently Mr. Rosenfeld serves as the Chairman and CEO of Harmony Merger Corp., a blank-check company. Mr. Rosenfeld has also served as a director for numerous companies, including Arpeggio Acquisition Corporation, Rhapsody Acquisition Corporation and Trio Merger Corp., all blank check companies that later merged with Hill International, Primoris Services Corporation and SAExploration Holdings Inc., respectively. He also served on the board of directors of Sierra Systems Group Inc., an information technology, management consulting and systems integration firm, Emergis Inc., an electronic commerce company, Hill International, a construction management firm, Matrikon Inc., a company that provides industrial intelligence solutions, DALSA Corp., a digital imaging and semiconductor firm, GEAC Computer, a software company, and Computer Horizons Corp., an IT services company. Mr. Rosenfeld has served on Cott s board since June 2008 and is our Lead Independent Director. The board nominated Mr. Rosenfeld to be a director because he has extensive experience serving on the boards of multinational public companies and in capital markets and mergers and acquisitions transactions. Mr. Rosenfeld also has valuable experience in the operation of a worldwide business faced with a myriad of international business issues. Mr. Rosenfeld s leadership and consensus-building skills, together with his experience as senior independent director of all boards on which he currently serves, make him an effective Lead Independent Director for the board.	Chair, Corporate Governance Committee
Graham Savage, 66, of Toronto, Ontario, Canada, is a corporate director. Between 2002 and 2007, Mr. Savage served as the Chairman of Callisto Capital L.P., a Toronto-based private equity firm. Prior to this, since 1998, Mr. Savage was Managing Director at Savage Walker Capital Inc., Callisto Capital L.P. s predecessor. Between 1975 and 1996, Mr. Savage was with Rogers Communications Inc. in various positions culminating in being appointed the Senior Vice President, Finance and Chief Financial Officer, a position he held for seven years. In addition, Mr. Savage serves on the boards of Postmedia Network Canada Corp, Sears Canada Inc. and Whistler Blackcomb Holdings Inc. He has also served on the boards of Canadian Tire Corporation, Rogers Communications Inc., Hollinger International, Inc., Alias Corp., Lions Gate Entertainment Corp. and Royal Group Technologies Limited, among others. Mr. Savage has served on Cott s board since February 2008. The board nominated Mr. Savage to be a director because of his financial expertise, including expertise in the area of private equity. He is our audit committee financial expert and has served as Chief Financial Officer of a large public company. Mr. Savage also has board and committee experience at both public and private companies, and his extensive executive experience brings strong financial and operational expertise to the board. Mr. Savage is a Canadian resident.	Chair, Audit Committee

It is intended that each director will hold office until the close of business of the 2017 annual meeting or until his or her earlier resignation, retirement or death. Pursuant to Cott s Corporate Governance Guidelines, no director may stand for election or re-election to the board of directors after the director has reached the age of 75 (a director that turns 75 during his or her term, however, may serve out the remainder of that term). No nominee identified above will reach the age of 75 prior to the date of the 2017 annual meeting.

Unless otherwise instructed, the persons named in the accompanying form of proxy intend to vote FOR the election to the board of directors of the 10 nominees who are identified above. Management and the board of directors do not contemplate that any of the nominees will be unable to serve as a director. If, for any reason at the time of the meeting, any of the nominees are unable to serve, then the persons named in the accompanying form of proxy will, unless otherwise instructed, vote at their discretion for a substitute nominee or nominees.

Majority Voting and Director Resignation Policy

Pursuant to Cott s Majority Voting and Director Resignation Policy, if a nominee in an uncontested election does not receive the vote of at least the majority of the votes cast, the director is required to promptly tender his or her resignation from the board of directors to the Corporate Governance Committee. Following receipt of a resignation, the Corporate Governance Committee must consider whether or not to accept the offer of resignation and recommend to the board of directors whether or not to accept it. With the exception of exceptional circumstances that would warrant the continued service of the applicable director on the board of directors, the Corporate Governance Committee is expected to accept and recommend acceptance of the resignation by the board of directors. In considering whether or not to accept the resignation, the Corporate Governance Committee may consider factors provided as guidance by the Toronto Stock Exchange (the **TSX**) and all factors deemed relevant by members of the Corporate Governance Committee including, without limitation, the stated reasons why shareowners withheld votes from the election of that nominee, the length of service and the qualifications of the director whose resignation has been submitted, such director s contributions to Cott, Cott s governance guidelines and Cott s obligations under applicable laws. The board of directors must make its decision on the Corporate Governance Committee s recommendation within 90 days following the meeting of Cott s shareowners. In considering the Corporate Governance Committee s recommendation, the board will consider the factors considered by the Corporate Governance Committee and such additional information and factors that the board of directors considers to be relevant. If a resignation is accepted in accordance with this policy, the board of directors may in accordance with the provisions of Cott s articles and by-laws appoint a new director to fill any vacancy created by the resignation or reduce the size of the board of directors.

COMPENSATION OF DIRECTORS

We use a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the board. We set director compensation at a level that reflects the significant amount of time and high skill level required of directors in performing their duties for Cott and for its shareowners.

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In 2015, other than Jerry Fowden, our Chief Executive Officer, no employees served as directors. Mr. Fowden s compensation during 2015 has been fully reflected in the Summary Compensation Table on page 37 of this proxy circular. We provided the following annual compensation to our non-employee directors in 2015:

Name	Fees Earned or Paid in Cash ($)[2]	Stock Awards ($)[3]
Mark Benadiba[1]	81,000	99,000
George Burnett	81,000	99,000
David Gibbons	181,000	99,000
Stephen Halperin[1]	81,000	99,000
Betty Jane Hess	81,000	99,000
Gregory Monahan	81,000	99,000
Mario Pilozzi[1]	81,000	99,000
Andrew Prozes	96,000	99,000
Eric Rosenfeld	121,000	99,000
Graham Savage[1]	98,500	99,000

(1) Messrs. Benadiba, Halperin, Pilozzi and Savage are compensated in Canadian dollars. The amounts paid to such individuals are converted from the U.S. dollar amounts listed above to Canadian dollar amounts at the U.S. to Canadian conversion rate in effect at the time of payment.

(2) Non-employee directors are also reimbursed for certain business expenses, including travel expenses, in connection with board and committee meeting attendance. These amounts are not included in the above table.

(3) Represents common shares issued in payment of the annual director long-term incentive fee for non-employee directors pursuant to the Company s Amended and Restated Cott Corporation Equity Incentive Plan. In 2015, upon recommendation of the Human Resources and Compensation Committee of the board of directors (the Compensation Committee), the board determined to increase the annual long-term equity incentive fee from $81,000 to $99,000.

Directors Compensation Schedule

The compensation of directors is considered in light of the overall governance structure of Cott. Compensation for directors is recommended to the board by the Compensation Committee and is approved by the independent directors. Director compensation is set solely on an annual fee basis (paid quarterly in arrears) and per-meeting attendance fees are not paid. Generally, directors are not separately compensated for service on board committees in roles other than the committee chair.

During 2015, directors of Cott were entitled to the following annual fees:

Category	Annual Fees
Annual board retainer	$ 81,000
Annual fee for the non-executive chair of the board	$ 100,000
Annual fee for chairing the:	
Audit Committee	$ 17,500
Compensation Committee	$ 15,000
Corporate Governance Committee	$ 10,000
Annual fee for the lead independent director	$ 30,000
Annual long-term equity incentive fee (stock award)	$ 99,000

The amounts listed in the table above are denominated in U.S. dollars. U.S. resident directors receive their applicable retainers in U.S. dollars, while Canadian resident directors receive their applicable retainers in Canadian dollars. Directors are also reimbursed for certain business expenses, including their travel expenses in connection with board and committee meeting attendance.

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Share Ownership Requirements for Board Members

The board of directors has adopted minimum share ownership requirements for non-management directors. Under the requirements, each such director must own common shares having a minimum aggregate value equal to five times his or her annual board retainer fee (excluding additional committee or chairman retainers). The Compensation Committee or the board of directors may, from time to time, reevaluate and revise these guidelines to give effect to changes in Cott s common share price or capitalization. The value of shares owned by each director is recalculated on a semi-annual basis on June 30 and December 31 of each year. Compliance with the requirements is measured by the General Counsel on December 31 of each year and reported to the Compensation Committee. Directors are not required to attain the minimum ownership level by a particular deadline. However, until the guideline amount is achieved, such directors are required to retain an amount equal to 100% of net shares received as equity compensation. Net shares are defined as those shares that remain after shares are sold or netted to pay the exercise price of stock options (if applicable) and taxes payable upon the grant of a stock payment or the vesting of restricted shares, restricted share units, performance shares, or performance share units or the exercise of stock options or stock appreciation rights. Failure to meet or to show sustained progress toward meeting the guidelines may be a factor considered by the Compensation Committee in determining future long-term incentive equity grants to such directors. Shares purchased on the open market may be sold in compliance with Cott s policies and applicable securities law. These requirements are designed to ensure that directors long-term interests are closely aligned with those of our shareowners. Each of the incumbent non-management directors holds common shares in excess of the threshold required by the share ownership guidelines as of December 31, 2015.

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SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

Security Ownership

The following table and the notes that follow show the number of our common shares beneficially owned as of March 15, 2016 by each of our directors and the individuals named in the Summary Compensation Table, as well as by our current directors and executive officers as a group.

Name	Common Shares Beneficially Owned, Controlled or Directed(1)	Options Exercisable within 60 days	Total	Common Shares Percentage of Class(2)
Mark Benadiba	57,508		57,508	*
George Burnett	81,158		81,158	*
David Gibbons	126,616		126,616	*
Stephen Halperin	110,180		110,180	*
Betty Jane Hess	65,509		65,509	*
Gregory Monahan	102,432		102,432	*
Mario Pilozzi	117,259		117,259	*
Andrew Prozes	77,236		77,236	*
Eric Rosenfeld	483,171		483,171	*
Graham Savage	59,045		59,045	*
Jerry Fowden(3)	532,384	314,978	847,362	*
Jay Wells(3)	36,478	82,569	119,047	*
Steven Kitching(3)	82,426	89,070	171,496	*
Tom Harrington				*
Marni Morgan Poe(3)	75,950	60,302	136,252	*
Directors and executive officers as a group (consisting of 18 persons, including the directors and executive officers named above)	2,078,620(2)	609,123	2,687,743	2.19%

* Less than 1%

(1) Each director and officer has provided the information on shares beneficially owned, controlled or directed. The shareowners named in this table have sole voting and investment power over all shares shown as beneficially owned by them.

(2) Percentage of class is based on 122,672,005 shares outstanding as of March 15, 2016.

(3) Amounts reported in the above table do not include unvested time-based restricted share units included in the amount of securities beneficially owned by such person as reported on Form 4.

Section 16(a) Beneficial Ownership Reporting Compliance

Our directors and executive officers and any beneficial owner of more than 10% of our common shares, as well as certain affiliates of those persons, must file reports with the SEC showing the number of common shares they beneficially own and any changes in their beneficial ownership. Based on our review of these reports and written representations of our directors and executive officers, we believe that all required reports in 2015 were filed in a timely manner.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The board has determined that nine of the nominees for director, Mark Benadiba, David T. Gibbons, Stephen Halperin, Betty Jane Hess, Gregory Monahan, Mario Pilozzi, Andrew Prozes, Eric Rosenfeld and Graham W. Savage, are independent within the meaning of the rules of the SEC, NYSE and NI 58-101. A director is independent in accordance with the rules of the SEC, NYSE and NI 58-101 if the board affirmatively determines that such director has no material relationship with us (either directly or as a partner, shareowner or officer of an organization that has a relationship with us). Mr. Fowden is a management director and is therefore not independent.

With respect to Mr. Halperin, the board of directors considered Mr. Halperin s position as a partner of Goodmans LLP, a law firm that provides services to Cott on a regular basis, and determined that Mr. Halperin is independent. The amount of fees earned by Goodmans LLP for legal services rendered to Cott is financially immaterial to Goodmans LLP and to Mr. Halperin s compensation from such firm. Although fees paid by the Company to Goodmans LLP are immaterial to that firm and Mr. Halperin s compensation, concern has been expressed by certain shareowners with respect to Mr. Halperin s service on board committees comprising solely independent directors in light of this relationship. To address this concern, Mr. Halperin and the board of directors have agreed that he not serve on standing board committees.

In addition, although Mr. Savage serves on the audit committees of more than two other publicly traded companies, the board of directors determined that such simultaneous service does not impair his ability to serve on Cott s Audit Committee.

Each director and nominee for election as director delivers to Cott annually a questionnaire that includes, among other things, a request for information relating to any transactions in which both the director or nominee, or their family members, and Cott participates, and in which the director or nominee, or such family member, has a material interest. Pursuant to Cott s Corporate Governance Guidelines and the charter of the Corporate Governance Committee, the Corporate Governance Committee is required to review all transactions between Cott and any related party (including transactions reported to it by a director or nominee in response to the questionnaire, or that are brought to its attention by management or otherwise), regardless of whether the transactions are reportable pursuant to Item 404 of Regulation S-K under the Securities and Exchange Act of 1934, as amended (the **Exchange Act**).

After considering advice from the Corporate Governance Committee, the board of directors is required to review, and, if appropriate, approve or ratify, such related party transactions. A related party transaction is defined under the Corporate Governance Guidelines as any transaction in which Cott was or is to be a participant and in which any related party has a direct or indirect material interest, other than transactions that (i) are available to all employees generally, (ii) involve compensation of executive officers or directors duly authorized by the appropriate board committee, or (iii) involve reimbursement of expenses in accordance with Cott s established policy.

A related party is defined under the Corporate Governance Guidelines as any person who is, or at any time since the beginning of Cott s last fiscal year was, an executive officer or director (including in each case nominees for director), any shareowner owning in excess of 5% of Cott s common shares, or an immediate family member of an executive officer, director, nominee for director or 5% shareowner.

An immediate family member is defined under the Corporate Governance Guidelines as a person s spouse, parents, stepparents, children, stepchildren, siblings, mother- and father-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than employees) who shares such person s home.

Management and directors must also update the board of directors as to any material changes to proposed transactions as they occur.

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Because related party transactions potentially vary, the Corporate Governance Committee or the board of directors has not to date developed a written set of standards for evaluating them, but rather addresses any such transactions on a case-by-case basis.

To the knowledge of the directors, no insider, director or proposed nominee for election as a director, or any associate or affiliate of any such persons, had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transaction with Cott since January 4, 2015.

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COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

Executive Summary

We seek to incentivize management to increase long-term, sustainable shareowner value giving appropriate consideration to risk and reward, and to focus management on executing our strategic priorities. Our strategic priorities for 2015 included: (1) continuing with our 4C s approach of running the business tightly, focusing on customers, costs, capital expenditures and cash flow; (2) continuing to grow our contract manufacturing business; (3) executing our integration and synergy plan for DS Services (**DSS**) and actively supporting DSS s continued roll-up strategy in the U.S. home office water and office coffee service markets; (4) deleveraging our balance sheet from free cash flow; and (5) continuing our quarterly dividend in U.S. dollars, providing a market-based return of funds to our shareowners. Our compensation programs are designed to reward executives based on the achievement of both individual and corporate performance targets, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. Our named executive officers total compensation consists of a base salary, opportunities for annual performance-based cash bonus compensation, and long-term compensation in the form of equity ownership.

This Compensation Discussion and Analysis focuses on the compensation of our named executive officers for 2015, who were:

Jerry Fowden	Chief Executive Officer
Jay Wells	Chief Financial Officer
Steven Kitching	President North America Business Unit
Thomas Harrington	Chief Executive Officer DSS
Marni Morgan Poe	Vice President, General Counsel and Secretary

We believe that our named executive officers were instrumental in helping us execute our strategic priorities, as follows:

- Adjusted free cash flow grew 25% to $133.6 million* in fiscal 2015 as a result of our continued focus on our 4C s. We remained dedicated to customer service and were recognized as a top supplier by several large retailers. On costs, we continued to implement our three-year $30 million cost reduction plan by reducing production costs, improving procurement practices, increasing operational efficiency, eliminating waste and reducing packaging cost, resulting in approximately $9.0 million in cost savings in 2015. We also maintained tight control of our capital expenditures, with $110.8 million in capital expenditures in 2015.

- Generating strong adjusted free cash flow in fiscal 2015 enabled us to make good progress on deleveraging the Company through the redemption of all of our convertible and non-convertible preferred shares issued in connection with the acquisition of DSS, as well the reduction of amounts drawn on our asset based lending facility.

- Our North American contract manufacturing business grew by 23.0 million equivalent serving cases from 2014 to 2015. Cott North America gross margin increased 170 basis points from 11.6% to 13.3% during fiscal 2015 as a result of stable volumes from growth in contract manufacturing and cost and efficiency savings.

- In 2015, we realized $10.0 million in synergies related to the acquisition of DSS.

* We define free cash flow as net cash provided by operating activities ($254.6 million) less capital expenditures ($110.8 million) and adjust it to exclude $5.3 million of DSS integration capital expenditures, $13.9 million of acquisition and integration cash costs and $(29.4) million of cash collateral.

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We completed nine acquisitions in our DSS business unit in 2015. In January 2016, we completed the acquisition of Aquaterra Corporation, Canada s oldest and largest direct-to-consumer home and office water delivery business, extending our beverage portfolio into higher margin categories with low customer concentration, and broadening the distribution platform of our existing Canadian business by adding a national direct-to-consumer route distribution fleet in Canada with approximately 70,000 customers.

We returned approximately $25.1 million to shareowners during the year through the payment of dividends.

In 2015, the Compensation Committee and management continued to implement compensation and corporate governance best practices that reflect our financial position and our business, including:

Salary, bonus and perquisite decisions reflecting our results for the year, including:

- Based on a review of peer group and survey data, we determined to increase the base salary for each of our named executive officers; perquisites available to our named executive officers continued to be limited to an annual executive physical examination and a car allowance.

- Each of our named executive officers, other than the President of our North America Business Unit and the Chief Executive Officer of DSS (the **DSS CEO**), received a performance bonus equal to 114.0% of target award opportunity. The President of our North America Business Unit received a performance bonus equal to 124.0% of target award opportunity, and the DSS CEO received a performance bonus equal to 60.0% of target award opportunity.

Awards of a combination of performance-based restricted share units (37.5%), time-based restricted share units (25%), and stock options (37.5%) to each of our named executive officers, other than the DSS CEO. All of these restricted share units and stock options cliff vest at the end of fiscal 2017, with the performance-based restricted share units vesting based upon the achievement of a specific level of cumulative pre-tax income over the three-year period ending at the end of fiscal 2017. The DSS CEO received a grant of performance-based restricted share units in 2014 vesting over the three year period ending in 2017, and therefore did not receive an equity award in 2015 (for additional details on the award granted to the DSS CEO in 2014, please see the **Outstanding Equity Awards at 2015 Fiscal Year End** Table on page 42 of this proxy circular). By linking an element of our long-term incentives to three-year financial results, our goal is to align our named executive officers incentives with the long-term interests of shareowners. For grants in 2016, our named executive officers, other than the DSS CEO, received the same types and relative percentages of equity awards as were awarded in 2015. After a review of peer group and survey data, for grants in 2016, the Compensation Committee determined to provide for pro rata vesting of stock options and the time-based restricted share units (ratable vesting in three equal annual installments), as well as the accrual of dividends on unvested time-based restricted share units and performance-based restricted share units (with payment of such accrued dividends made upon vesting of the award).

A number of policies designed to further our compensation goals and strategies:

- A clawback policy to allow the board of directors to recoup any excess annual or long-term incentive compensation paid to our current and former executive officers in the event of a required accounting restatement of a financial statement of Cott, whether or not based on misconduct, due to material non-compliance with any financial reporting requirement under the securities laws of the United States. The clawback policy is intended to reduce potential risks associated with our incentive plans, and thus better align the long-term interests of our named executive officers and shareowners.

- A no-hedging policy that prohibits our directors, named executive officers, and other key executive officers from engaging in any hedging or monetization transactions, such as zero-cost collars and forward sale contracts, with respect to Cott securities.

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- o A policy prohibiting directors and employees, including named executive officers, from engaging in any short-term, speculative transactions involving Cott securities, including purchasing securities on margin, engaging in short sales, buying or selling put or call options, and trading in options.

- o A policy prohibiting directors and employees, including named executive officers, from holding Cott securities in a margin account or pledging Cott securities as collateral for a loan.

- o Share ownership guidelines that require our directors, named executive officers, and other key employees to hold a certain amount of shares received as equity compensation from Cott, with the amount set at a particular multiple of base salary.

The Compensation Committee s continued engagement of an independent compensation consultant that does not provide any services to management and that had no relationship with management prior to the engagement.

The continued administration of a robust risk management program, which includes our Compensation Committee s oversight of the ongoing evaluation of the relationship between our compensation programs and risk, as well as the oversight of risk by the Audit Committee on behalf of the full board pursuant to the Audit Committee Charter.

We believe that the following two tables are helpful in understanding the actual performance-based compensation received by our named executive officers in fiscal 2013 through 2015. These tables supplement the information in the Summary Compensation Table, the Grants of Plan-Based Awards in Fiscal 2015 Table, and the Outstanding Equity Awards at 2015 Fiscal Year End Table appearing following Compensation Discussion and Analysis.

Table 1 illustrates the targeted versus actual payout of the performance-based cash bonuses to our named executive officers over the previous three fiscal years.

TABLE 1: PERFORMANCE-BASED CASH BONUS ACHIEVEMENT HISTORY

Named Executive Officer	Fiscal Year	Cash Incentives Actual Payout Against Target
Jerry Fowden	2015	114.0%
	2014	102.3%
Chief Executive Officer	2013	60.0%
Jay Wells	2015	114.0%
	2014	102.3%
Chief Financial Officer	2013	60.0%
Steven Kitching	2015	124.0%
	2014	88.2%
President North America Business Unit	2013	56.0%
Thomas Harrington[(1)]	2015	60.0%
	2014	[(2)]
Chief Executive Officer DS Services of America, Inc.	2013	
Marni Morgan Poe	2015	114.0%
	2014	102.3%
Vice President, Secretary and General Counsel	2013	60.0%

(1) Mr. Harrington was not a named executive officer in 2013. Mr. Harrington became an executive officer of Cott upon the acquisition of DSS on December 12, 2014.

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(2) Mr. Harrington did not receive a performance bonus for 2014, as actual EBITDA results for that year were below the threshold target established for the DSS bonus pool.

Table 2 shows the grant date fair values and share-based compensation expense for performance-based restricted share units granted over the last three years to our named executive officers. We believe that this supplemental table illustrates the actual fiscal year end value of performance-based restricted share units granted to our named executive officers in fiscal 2015 and in previous years. The performance targets established for the performance-based restricted share units granted to our named executive officers in fiscal 2013 were not met at the end of fiscal 2015, and as a result, those awards did not vest. The data set forth in this table excludes time-based restricted share units and stock options.

TABLE 2: PERFORMANCE-BASED RESTRICTED SHARE UNITS

Named Executive Officer	Fiscal Year	Grant Date Fair Value ($)	Share-Based Compensation Expense(1) ($)
Jerry Fowden	2015	900,000	1,800,000
	2014	825,000	924,000
Chief Executive Officer	2013	682,500	
Jay Wells	2015	202,500	405,000
	2014	202,500	226,800
Chief Financial Officer	2013	172,031	

$ .375		$ .375		
Basic and diluted average shares outstanding	48,614	48,630	48,607	48,625

See accompanying Notes to Condensed Consolidated Financial Statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY AND COMPREHENSIVE INCOME

Nine months ended September 30, 2010

(In thousands)

	NL stockholders' equity						
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss (unaudited)	Noncontrolling interest in subsidiary	Total equity	Comprehensive income
Balance at December 31, 2009	$6,076	$311,939	$-	$ (143,411)	$ 11,054	$185,658	
Net income	-	-	13,489	-	315	13,804	$ 13,804
Other comprehensive income, net	-	-	-	27,840	85	27,925	27,925
Issuance of NL common stock	2	131	-	-	-	133	
Dividends	-	(10,162)	(8,073)	-	(606)	(18,841)	
Other, net	-	(2,439)	-	-	9	(2,430)	
Balance at September 30, 2010	$6,078	$299,469	$5,416	$ (115,571)	$ 10,857	$206,249	
Comprehensive income							$ 41,729

See accompanying Notes to Condensed Consolidated Financial Statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine months ended September 30, 2009	2010
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$(11,081)	$13,804
Depreciation and amortization	6,271	5,916
Deferred income taxes	(3,857)	6,810
Equity in net (income) loss of Kronos Worldwide, Inc.	14,350	(33,894)
Benefit plan expense greater (less) than cash funding:		
Defined benefit pension expense	601	575
Other postretirement benefit expense	279	193
Litigation settlement gain	(11,313)	-
Litigation settlement expense:		
Accrued	-	32,174
Settlement payments made	-	(19,012)
Assets held for sale write-down	717	500
Other, net	1,132	617
Change in assets and liabilities:		
Accounts and other receivables, net	9,808	(5,421)
Inventories, net	5,131	(2,144)
Prepaid expenses and other	904	(800)
Accrued environmental costs	(4,413)	(5,340)
Accounts payable and accrued liabilities	(957)	(1,801)
Income taxes	(982)	1,972
Accounts with affiliates	(1,045)	2,267
Other, net	(1,717)	(1,358)
Net cash provided by (used in) operating activities	3,828	(4,942)
Cash flows from investing activities:		
Capital expenditures	(1,786)	(1,474)
Proceeds from real estate–related litigation settlement	11,800	-
Change in restricted cash equivalents and marketable debt securities, net	489	6,058
Collections of loans to affiliates	8,090	-
Collection of note receivable	261	-
Proceeds from disposal of marketable securities	89	280
Purchase of:		
Marketable securities	-	(326)
Kronos common stock	(139)	-
Valhi common stock	(33)	-

Net cash provided by investing activities	18,771	4,538

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

	Nine months ended September 30, 2009	2010
	(unaudited)	
Cash flows from financing activities:		
Cash dividends paid	$(18,228)	$(18,235)
Distributions to noncontrolling interests in subsidiary	(605)	(606)
Proceeds from issuance of common stock	84	68
Repurchase of noncontrolling interest in subsidiary	-	(6,988)
Indebtedness:		
Borrowings	-	14,200
Repayments	(750)	-
Deferred financing cost paid	(133)	(29)
Net cash used in financing activities	(19,632)	(11,590)
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	2,967	(11,994)
Currency translation	208	185
Cash and cash equivalents at beginning of period	16,450	24,555
Cash and cash equivalents at end of period	$19,625	$12,746
Supplemental disclosures:		
Cash paid (received) for:		
Interest	$1,149	$470
Income taxes, net	1,631	(1,471)
Non-cash investing activity:		
Accrual for capital expenditures	143	54
Non-cash financing activity:		
Promissory note payable incurred in connection with litigation settlement	-	18,000

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010

(unaudited)

Note 1 - Organization and basis of presentation:

Organization - We are majority-owned by Valhi, Inc. (NYSE: VHI), which owns approximately 83% of our outstanding common stock at September 30, 2010. Approximately 94% of Valhi's outstanding common stock is held by subsidiaries of Contran Corporation. 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 (for which Mr. Simmons is the sole trustee) or is held directly by Mr. Simmons or other persons or entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control Contran, Valhi and us.

Basis of presentation - Consolidated in this Quarterly Report are the results of our majority-owned subsidiary, CompX International Inc. We also own 36% of Kronos Worldwide, Inc. which we account for by the equity method. CompX (NYSE: CIX) and Kronos (NYSE: KRO) each file periodic reports with the Securities and Exchange Commission ("SEC").

The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009 that we filed with the SEC on March 9, 2010 (the "2009 Annual Report"). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2009 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2009) normally included in financial statements prepared in accordance with accounting principals generally accepted in the United States of America ("GAAP"). Our results of operations for the interim periods ended September 30, 2010 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2009 Consolidated Financial Statements contained in our 2009 Annual Report.

Unless otherwise indicated, references in this report to "NL," "we," "us" or "our" refer to NL Industries, Inc. and its subsidiaries and Kronos, taken as a whole.

Note 2 – Accounts and other receivables, net:

	December 31, 2009	September 30, 2010
	(In thousands)	
Trade receivables	$12,204	$18,032
Accrued insurance recoveries	465	96
Other receivables	133	88
Receivable from affiliates:		
Income taxes from Valhi	2,880	508
Other	8	-
Refundable income taxes	1,844	12
Allowance for doubtful accounts	(481)	(377)
Total	$17,053	$18,359

Note 3 – Inventories, net:

	December 31, 2009	September 30, 2010
	(In thousands)	
Raw materials	$4,830	$6,425
Work in process	6,151	6,765
Finished products	5,285	4,843
Total	$16,266	$18,033

Note 4 - Marketable securities:

	December 31, 2009	September 30, 2010
	(In thousands)	
Current assets (available-for-sale):		
Restricted debt securities	$5,225	$-
Other marketable securities	-	52
Total	$5,225	$52
Noncurrent assets (available-for-sale):		
Valhi common stock	$66,930	$97,257
TIMET common stock	18,143	28,924
Total	$85,073	$126,181

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	Fair Value Measurements		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
		(in thousands)	
December 31, 2009:			
Current assets (available-for-sale)-			
Restricted debt securities	$5,225	$-	$5,225
Noncurrent assets (available-for-sale):			
Valhi common stock	$66,930	$66,930	$-
TIMET common stock	18,143	18,143	-
Total	$85,073	$85,073	$-
September 30, 2010:			
Current assets (available-for-sale)-			
Other marketable securities	$52	$52	$-
Noncurrent assets (available-for-sale):			
Valhi common stock	$97,257	$97,257	$-
TIMET common stock	28,924	28,924	-
Total	$126,181	$126,181	$-

We held no level 3 securities at September 30, 2010 or December 31, 2009. Restricted debt securities at December 31, 2009 collateralized certain of our outstanding letters of credit. Such investments matured during the first half of 2010 and are now held in investments classified as restricted cash equivalents at September 30, 2010.

Our investments in related parties' Valhi and Titanium Metals Corporation ("TIMET") common stock are accounted for as available-for-sale marketable equity securities carried at fair value based on quoted market prices, a Level 1 input as defined by Accounting Standards Codification ("ASC") Topic 820-10-35, Fair Value Measurements and Disclosures. We held approximately 4.2%, or 4.8 million shares, of Valhi's outstanding common stock and .8%, or 1.4 million shares, of TIMET's outstanding common stock at December 31, 2009 and September 30, 2010. At September 30, 2010, the quoted market price of Valhi's and TIMET's common stock was $20.30 and $19.96 per share, respectively. At December 31, 2009, such quoted market prices were $13.97 and $12.52 per share, respectively.

Note 5 – Investment in Kronos Worldwide, Inc.:

At December 31, 2009 and September 30, 2010, we owned approximately 17.6 million shares of Kronos common stock. At September 30, 2010, the quoted market price of Kronos' common stock was $39.84 per share, or an aggregate market value of $701.6 million. At December 31, 2009, the quoted market price was $16.25, or an aggregate market value of $286.2 million. We have pledged certain shares of our Kronos common stock (and a nominal number of shares of our CompX common stock), as indicated in Note 11.

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The change in the carrying value of our investment in Kronos during the first nine months of 2010 is summarized below:

	Amount (In millions)
Balance at the beginning of the period	$112.8
Equity in net income of Kronos	33.9
Other, principally equity in other comprehensive income items of Kronos	.2
Balance at the end of the period	$146.9

Selected financial information of Kronos is summarized below:

	December 31, 2009	September 30, 2010
	(In millions)	
Current assets	$529.9	$ 568.6
Property and equipment, net	499.7	463.3
Investment in TiO2 joint venture	98.7	96.9
Other noncurrent assets	196.7	200.4
Total assets	$1,325.0	$1,329.2
Current liabilities	$215.4	$204.7
Long-term debt	611.1	539.9
Accrued pension and postretirement benefits	131.7	121.0
Other noncurrent liabilities	54.3	56.3
Stockholders' equity	312.5	407.3
Total liabilities and stockholders' equity	$1,325.0	$1,329.2

	Three months ended September 30,		Nine months ended September 30,	
	2009	2010	2009	2010
	(In millions)		(In millions)	
Net sales	$310.1	$376.6	$840.2	$1,076.4
Cost of sales	250.6	280.4	762.4	834.5
Income (loss) from operations	21.1	57.0	(26.9)	117.5
Net income (loss)	8.6	32.1	(39.9)	94.1

On October 28, 2010, Kronos announced the pricing of a public offering of 7.8 million shares of its common stock in an underwritten offering. Kronos intends to use the $293.5 million net proceeds of this offering for its general corporate purposes. Subject to customary closing conditions, the offering is expected to close on November 2, 2010. Kronos has also granted the underwriters a 30-day option to purchase up to an additional 1.17 million shares of its common stock to cover overallotments, if any, which if exercised in full would generate an additional $44.1 million net proceeds to Kronos. This disclosure does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of its common stock in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such state or other jurisdiction. Upon completion of the offering, our ownership of Kronos would be reduced to 31.0% (30.4% if the underwriters' over-allotment option were to be exercised in full).

Note 6 – Intangible and other noncurrent assets:

	December 31, 2009	September 30, 2010
	(In thousands)	
Promissory note receivable	$15,000	$15,000
Patents and other intangible assets, net	1,408	974
Other	618	580
Total	$17,026	$16,554

Note 7 – Accrued liabilities:

	December 31, 2009	September 30, 2010
	(In thousands)	
Current:		
Employee benefits	$7,561	$8,875
Professional fees and legal settlements	6,747	2,748
Payable to affiliates:		
Accrued interest payable to TIMET	-	740
Other	583	471
Reserve for uncertain tax positions	59	-
Other	11,599	2,957
Total	$26,549	$15,791
Noncurrent:		
Reserve for uncertain tax positions	$16,936	$16,937
Insurance claims and expenses	659	617
Other	1,517	1,125
Total	$19,112	$18,679

Note 8 – Long-term debt:

	December 31, 2009	September 30, 2010
	(In thousands)	
NL:		
Promissory note payable to Valhi	$-	$9,200
Promissory note issued in conjunction with litigation settlement	-	18,000
Subtotal	-	27,200
Subsidiary debt:		

CompX credit facility	-	5,000
CompX promissory note payable to TIMET	42,540	42,230
Subtotal	42,540	47,230
Total debt	42,540	74,430
Less current maturities	-	9,950
Total long-term debt	$42,540	$64,480

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NL - In June 2010, we entered into a promissory note with Valhi that allows us to borrow up to $40 million. Our borrowings from Valhi under the revolving note are unsecured, bear interest at prime rate plus 2.75% (6.00% at September 30, 2010) with all principal due on demand, but in any event no later than December 31, 2011. The amount of the outstanding borrowings at any time is solely at the discretion of Valhi.

The $18.0 million promissory note is discussed in Note 11.

CompX - During the first nine months of 2010, CompX borrowed $5.0 million under its revolving bank credit facility that matures in January 2012. The average interest rate on this outstanding borrowing at September 30, 2010 was 3.5%.

We are in compliance with all of our debt covenants at September 30, 2010. Our ability and the ability of our affiliates to borrow funds under credit facilities in the future will, in some instances, depend in part on our ability to comply with specified financial ratios and satisfy certain financial covenants contained in the applicable credit agreement.

Provisions contained in CompX's revolving credit facility could result in the acceleration of any outstanding indebtedness prior to its stated maturity for reasons other than defaults from failing to comply with typical financial covenants. For example, CompX's revolving credit facility allows the lender to accelerate the maturity of the indebtedness upon a change of control (as defined) of the borrower. The terms of the revolving credit facility could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside of the ordinary course of business. Although there are no current expectations to borrow on the revolving credit facility to fund working capital, capital expenditures, debt service or dividends (if declared), lower future operating results could reduce or eliminate our amount available to borrow and restrict future dividends.

Note 9 – Employee benefit plans:

Defined benefit plans - The components of net periodic defined benefit pension cost (income) are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2010	2009	2010
	(In thousands)			
Interest cost	$736	$717	$2,164	$2,173
Expected return on plan assets	(830)	(843)	(2,470)	(2,527)
Recognized actuarial losses	307	308	906	929
Total	$213	$182	$600	$575

Postretirement benefits - The components of net periodic postretirement benefits other than pension cost are presented in the table below.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2010	2009	2010
	(In thousands)			
Interest cost	$137	$108	$413	$327

Amortization of prior service credit	(44)	(44)	(134)	(134)
Total	$93	$64	$279	$193

Contributions – We expect our 2010 contributions for our pension and other postretirement benefit plans to be consistent with the amount disclosed in our 2009 Annual Report.

Note 10 - Income tax provision:

	Nine months ended September 30, 2009	2010
	(In millions)	
Expected tax provision (benefit) at U.S. federal statutory income tax rate of 35%	$(4.9)	$8.2
Non-U.S. tax rates	-	(.4)
Incremental U.S. tax and rate differences on equity in earnings of non-tax group companies	1.8	2.1
U.S. state income taxes, net	(.6)	.2
Change in reserve for uncertain tax positions, net	.7	-
Nondeductible expenses	.2	.2
Nontaxable income	-	(.4)
Other, net	(.2)	(.2)
Total	$(3.0)	$9.7

Tax authorities are examining certain of our U.S. and non-U.S. tax returns and have or may propose tax deficiencies, including penalties and interest. We cannot guarantee these tax matters will be resolved in our favor due to the inherent uncertainties involved in settlement initiatives and court and tax proceedings. We believe we have adequate accruals for additional taxes and related interest expense which could ultimately result from tax examinations. We believe the ultimate disposition of tax examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity. We currently estimate that our unrecognized tax benefits will decrease by approximately $.1 million during the next twelve months due to certain statutes of limitations.

Under GAAP, we are required to recognize a deferred income tax liability with respect to the incremental U.S. (federal and state) and non-U.S. withholding taxes that would be incurred when undistributed earnings of a non-U.S. subsidiary are subsequently repatriated, unless management has determined that those undistributed earnings are permanently reinvested for the foreseeable future. Prior to March 31, 2010, we had not recognized a deferred income tax liability related to incremental income taxes on the pre-2005 undistributed earnings of CompX's Taiwanese subsidiary, as those earnings were deemed to be permanently reinvested. GAAP requires us to reassess the permanent reinvestment conclusion on an ongoing basis to determine if our intentions have changed. At the end of March 2010, and based primarily upon changes in our cash management plans, we determined that all of the undistributed earnings of CompX's Taiwanese subsidiary could no longer be considered to be permanently reinvested in Taiwan. Accordingly, in the first quarter of 2010 we recognized an aggregate $1.9 million provision for deferred income taxes on the pre-2005 undistributed earnings of CompX's Taiwanese subsidiary. Consequently, all of the undistributed earnings of CompX's non-U.S. operations are now considered to be not permanently reinvested.

Note 11 – Commitments and contingencies:

Lead pigment litigation

Our former operations included the manufacture of lead pigments for use in paint and lead-based paint. We, other former manufacturers of lead pigments for use in paint and lead-based paint (together, the "former pigment manufacturers"), and the Lead Industries Association ("LIA"), which discontinued business operations in 2002, have been named as defendants in various legal proceedings seeking damages for personal injury, property damage and governmental expenditures allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of states, counties, cities or their public housing authorities and school districts, and certain others have been asserted as class actions. These lawsuits seek recovery under a variety of theories, including public and private nuisance, negligent product design, negligent failure to warn, strict liability, breach of warranty, conspiracy/concert of action, aiding and abetting, enterprise liability, market share or risk contribution liability, intentional tort, fraud and misrepresentation, violations of state consumer protection statutes, supplier negligence and similar claims.

The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and health concerns associated with the use of lead-based paints, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. To the extent the plaintiffs seek compensatory or punitive damages in these actions, such damages are generally unspecified. In some cases, the damages are unspecified pursuant to the requirements of applicable state law. A number of cases are inactive or have been dismissed or withdrawn. Most of the remaining cases are in various pre-trial stages. Some are on appeal following dismissal or summary judgment rulings in favor of either the defendants or the plaintiffs. In addition, various other cases (in which we are not a defendant) are pending that seek recovery for injury allegedly caused by lead pigment and lead-based paint. Although we are not a defendant in these cases, the outcome of these cases may have an impact on cases that might be filed against us in the future.

We believe that these actions are without merit, and we intend to continue to deny all allegations of wrongdoing and liability and to defend against all actions vigorously. We do not believe it is probable that we have incurred any liability with respect to all of the lead pigment litigation cases to which we are a party, and liability to us that may result, if any, in this regard cannot be reasonably estimated, because:

- we have never settled any of the market share, risk contribution, intentional tort, fraud, nuisance, supplier negligence, strict liability, breach of warranty, conspiracy, misrepresentation, aiding and abetting, enterprise liability, or statutory cases,
- no final, non-appealable adverse verdicts have ever been entered against us, and
- we have never ultimately been found liable with respect to any such litigation matters.

Accordingly, we have not accrued any amounts for any of the pending lead pigment and lead-based paint litigation cases. New cases may continue to be filed against us. We cannot assure you that we will not incur liability in the future in respect of any of the pending or possible litigation in view of the inherent uncertainties involved in court and jury rulings. The resolution of any of these cases could result in recognition of a loss contingency accrual that could have a material adverse impact on our net income for the interim or annual period during which such liability is recognized and a material adverse impact on our consolidated financial condition and liquidity.

Environmental matters and litigation

Our operations are governed by various environmental laws and regulations. Certain of our businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws and regulations. As with other companies engaged in similar businesses, certain of our past and current operations and products have the potential to cause environmental or other damage. We have implemented and continue to implement various policies and programs in an effort to minimize these risks. Our policy is to maintain compliance with applicable environmental laws and regulations at all of our plants and to strive to improve environmental performance. From time to time, we may be subject to environmental regulatory enforcement under U.S. and non-U.S. statutes, the resolution of which typically involves the establishment of compliance programs. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies, could adversely affect our production, handling, use, storage, transportation, sale or disposal of such substances. We believe that all of our facilities are in substantial compliance with applicable environmental laws.

Certain properties and facilities used in our former operations, including divested primary and secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or investigations arising under federal and state environmental laws. Additionally, in connection with past operating practices, we are currently involved as a defendant, potentially responsible party ("PRP") or both, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA"), and similar state laws in various governmental and private actions associated with waste disposal sites, mining locations, and facilities we or our predecessors currently or previously owned, operated or were used by us or our subsidiaries, or their predecessors, certain of which are on the United States Environmental Protection Agency's ("EPA") Superfund National Priorities List or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage and/or damages for injury to natural resources. Certain of these proceedings involve claims for substantial amounts. Although we may be jointly and severally liable for these costs, in most cases we are only one of a number of PRPs who may also be jointly and severally liable, and among whom costs may be shared or allocated. In addition, we are also a party to a number of personal injury lawsuits filed in various jurisdictions alleging claims related to environmental conditions alleged to have resulted from our operations.

Environmental obligations are difficult to assess and estimate for numerous reasons including the:

- complexity and differing interpretations of governmental regulations,
- number of PRPs and their ability or willingness to fund such allocation of costs,
- financial capabilities of the PRPs and the allocation of costs among them,
- solvency of other PRPs,
- multiplicity of possible solutions,
- number of years of investigatory, remedial and monitoring activity required and
- number of years between former operations and notice of claims and lack of information and documents about the former operations.

In addition, the imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or allocation of costs among PRPs, solvency of other PRPs, the results of future testing and analysis undertaken with respect to certain sites or a determination that we are potentially responsible for the release of hazardous substances at other sites, could cause our expenditures to exceed our current estimates. Because we may be jointly and severally liable for the total remediation cost at certain sites, the amount for which we are ultimately liable may exceed our accruals due to, among other things, the reallocation of costs among PRPs or the insolvency of one or more PRPs. We cannot assure you that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and we cannot assure you that costs will not be incurred for sites where no estimates presently can be made. Further, additional environmental matters may arise in the future. If we were to incur any future liability, this could have a material adverse effect on our consolidated financial statements, results of operations and liquidity.

We record liabilities related to environmental remediation obligations when estimated future expenditures are probable and reasonably estimable. We adjust our environmental accruals as further information becomes available to us or as circumstances change. Such further information or changed circumstances could include, among other things, new assertions of liability, revised expectations regarding the nature, timing and extent of any remediation required or revised estimates of the allocation of remediation costs among PRPs, and such further information or changed circumstances could result in an increase or reduction in our accrued environmental costs. We generally do not discount estimated future expenditures to their present value due to the uncertainty of the timing of the pay out. We recognize recoveries of remediation costs from other parties, if any, as assets when their receipt is deemed probable. At September 30, 2010, we have not recognized any receivables for recoveries.

We do not know and cannot estimate the exact time frame over which we will make payments for our accrued environmental costs. The timing of payments depends upon a number of factors including the timing of the actual remediation process; which in turn depends on factors outside of our control. At each balance sheet date, we estimate the amount of our accrued environmental costs which we expect to pay within the next twelve months, and we classify this estimate as a current liability. We classify the remaining accrued environmental costs as a noncurrent liability.

Changes in the accrued environmental costs during the first nine months of 2010 are as follows:

	Amount (In thousands)
Balance at the beginning of the period	$45,846
Reductions charged against expense, net	(354)
Settlement agreement	(1,979)
Payments, net	(3,007)
Balance at the end of the period	$40,506
Amounts recognized in the balance sheet at the end of the period:	
Current liability	$ 7,522
Noncurrent liability	32,984
Total	$40,506

On a quarterly basis, we evaluate the potential range of our liability at sites where we have been named as a PRP or defendant, including sites for which our wholly-owned environmental management subsidiary, NL Environmental Management Services, Inc., ("EMS"), has contractually assumed our obligations. At September 30, 2010, we had accrued approximately $41 million, related to approximately 50 sites, which are environmental matters that we believe are at the present time and/or in their current phase reasonably estimable. The upper end of the range of reasonably possible costs to us for sites for which we believe it is possible to estimate costs is approximately $75 million, including the amount currently accrued. We have not discounted these estimates to present value.

We believe that it is not possible to estimate the range of costs for certain sites. At September 30, 2010, there were approximately 5 sites for which we are not currently able to estimate a range of costs. For these sites, generally the investigation is in the early stages, and we are unable to determine whether or not we actually had any association with the site, the nature of our responsibility, if any, for the contamination at the site and the extent of contamination at and cost to remediate the site. The timing and availability of information on these sites is dependent on events outside of our control, such as when the party alleging liability provides information to us. At certain of these previously inactive sites, we have received general and special notices of liability from the EPA and/or state agencies alleging that we, sometimes with other PRPs, are liable for past and future costs of remediating environmental contamination allegedly caused by former operations. These notifications may assert that we, along with any other alleged PRPs, are liable for past and/or future clean-up costs that could be material to us if we are ultimately found liable.

In July 2010, we entered into a settlement agreement with another PRP pursuant to which, among other things, the other PRP reimbursed us for certain remediation costs we had previously incurred for certain sites related to one of our former business units, and such PRP also affirmed its full responsibility to indemnify us for all claims (environmental or otherwise) with respect to certain specified sites related to such former business unit as well as indemnify us for any future claims that may arise related to such former business unit. As a result of the July 2010 settlement agreement, in the third quarter of 2010 we recognized a litigation settlement gain of $5.3 million, consisting of $3.2 million related to the PRP's cash reimbursement of prior remediation costs, $2.0 million related to a reduction in our accrued environmental remediation costs and $.1 reversal of legal settlement costs resulting from the PRP's agreement to indemnify us.

Insurance coverage claims

We are involved in certain legal proceedings with a number of our former insurance carriers regarding the nature and extent of the carriers' obligations to us under insurance policies with respect to certain lead pigment and asbestos lawsuits. The issue of whether insurance coverage for defense costs or indemnity or both will be found to exist for our lead pigment and asbestos litigation depends upon a variety of factors, and we cannot assure you that such insurance coverage will be available.

We have agreements with two former insurance carriers pursuant to which the carriers reimburse us for a portion of our future lead pigment litigation defense costs, and one such carrier reimburses us for a portion of our future asbestos litigation defense costs. We are not able to determine how much we will ultimately recover from these carriers for defense costs incurred by us because of certain issues that arise regarding which defense costs qualify for reimbursement. While we continue to seek additional insurance recoveries, we do not know if we will be successful in obtaining reimbursement for either defense costs or indemnity. Accordingly, insurance recoveries are recognized when the receipt is probable and the amount is determinable.

For a complete discussion of certain litigation involving us and certain of our former insurance carriers, refer to our 2009 Annual Report.

Other litigation

In June 2010, the case captioned Contran Corporation, et al. v. Terry S. Casey, et al. (Case No. 07-04855, 192nd Judicial District Court, Dallas County, Texas) was dismissed with prejudice in accordance with the previously-reported settlement agreement. In May 2010, pursuant to such agreement, we paid $26.0 million in cash and we issued an $18.0 million long-term promissory note. The note bears interest, payable quarterly, at the prime rate. Fifty percent of the principal amount will be payable on each of December 1, 2011 and December 1, 2012. The note is collateralized by shares of Kronos and CompX common stock, owned by us, having an aggregate market value of at least 200% of the outstanding principal amount of the promissory note. Under certain conditions, we have agreed to prepay up to $4.0 million principal amount of such indebtedness.

For financial reporting purposes, we classified $32.2 million of the aggregate amount payable under the settlement agreement as a litigation settlement expense in respect of certain claims made by plaintiffs in the litigation. We had insurance coverage for a portion of such litigation settlement, and a substantial portion of the insurance recoveries we recognized in the first quarter of 2010 relates to such coverage. With respect to the other claim of the plaintiffs as it relates to the repurchase of their EMS noncontrolling interest, the resulting $2.5 million increase over our previous estimate of such payment is accounted for as a reduction in additional paid-in capital in accordance with GAAP.

We have been named as a defendant in various lawsuits in several jurisdictions, alleging personal injuries as a result of occupational exposure primarily to products manufactured by our former operations containing asbestos, silica and/or mixed dust. In addition, some plaintiffs allege exposure to asbestos from working in various facilities previously owned and/or operated by NL. There are approximately 1,226 of these types of cases pending, involving a total of approximately 2,670 plaintiffs. In addition, the claims of approximately 7,500 plaintiffs have been administratively dismissed or placed on the inactive docket in Ohio, Indiana and Texas state courts. We do not expect these claims will be re-opened unless the plaintiffs meet the courts' medical criteria for asbestos-related claims. We have not accrued any amounts for this litigation because of the uncertainty of liability and inability to reasonably estimate the liability, if any. To date, we have not been adjudicated liable in any of these matters. Based on information available to us, including:

- facts concerning historical operations,
- the rate of new claims,
- the number of claims from which we have been dismissed and
- our prior experience in the defense of these matters,

we believe that the range of reasonably possible outcomes of these matters will be consistent with our historical costs (which are not material). Furthermore, we do not expect any reasonably possible outcome would involve amounts material to our consolidated financial position, results of operations or liquidity. We have sought and will continue to vigorously seek, dismissal and/or a finding of no liability from each claim. In addition, from time to time, we have received notices regarding asbestos or silica claims purporting to be brought against former subsidiaries, including notices provided to insurers with which we have entered into settlements extinguishing certain insurance policies. These insurers may seek indemnification from us.

CompX

On February 10, 2009, Humanscale Corporation ("Humanscale") filed a complaint with the U.S. International Trade Commission ("ITC") requesting that the ITC commence an investigation pursuant to the Tariff Act of 1930 to evaluate allegations concerning the unlawful importation of certain adjustable keyboard support products into the U.S. by CompX's Canadian subsidiary. The products were alleged to infringe certain claims under a U.S. patent held by Humanscale. The complaint sought as relief the barring of future imports of the products into the U.S. until the expiration of the related patent in March 2011. On July 9, 2010, the ITC issued its final ruling that CompX had not infringed on the Humanscale patent and that the patent is invalid. Humanscale has chosen not to appeal the ITC's ruling. Humanscale also had previously filed a complaint for patent infringement in the United States District Court for the Eastern District of Virginia against CompX involving the identical patent in question in the ITC case. That claim was stayed by the Court pending the outcome of the ITC case. With the issuance of the final determination in the ITC case, Humanscale has filed for dismissal of their action in the U.S. District Court.

On March 30, 2009, CompX filed in the U.S. District Court for the Eastern District of Virginia a counterclaim of patent infringement against Humanscale for infringement of certain of CompX's keyboard support patents by Humanscale's models 2G, 4G and 5G support arms. A jury trial was completed on February 25, 2010 relating to CompX's counterclaims with the jury finding that Humanscale infringed on its patents and awarded damages to CompX of approximately $20 million for past royalties. The judge issued the final judgment on October 19, 2010, which confirmed the dismissal of the Humanscale claims and the jury verdict and their award of damages in the amount of approximately $20 million. Humanscale appealed to the U.S. Court of Appeals for the Federal Circuit the outcome of the trial prior to the issuance of the final judgment by the District Court. Due to the uncertain nature of the ongoing legal proceedings, we have not accrued a receivable for the amount of the award at September 30, 2010.

While we currently believe the disposition of all claims and disputes, individually or in the aggregate, should not have a material long-term adverse effect on our consolidated financial condition, results of operations or liquidity, we may incur costs resolving such claims during the short-term that could be material.

For a discussion of other legal proceedings to which we are a party, refer to our 2009 Annual Report.

In addition to the litigation described above, we and our affiliates are also involved in various other environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to present and former businesses. In certain cases, we have insurance coverage for these items, although we do not expect additional material insurance coverage for environmental claims.

We currently believe that the disposition of all of these various other claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial position, results of operations or liquidity beyond the accruals already provided.

Note 12 - Financial instruments:

See Note 4 for information on how we determine fair value of our marketable securities.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure at December 31,
2009 and September 30, 2010:

	December 31, 2009		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Cash and cash equivalents, current restricted cash equivalents and current marketable securities	$36.9	$36.9	$19.1	$19.1
Promissory note receivable	15.0	15.0	15.0	15.0
Notes payable to affiliates	42.2	42.2	51.4	51.4
CompX bank credit facility	-	-	5.0	5.0
Promissory note payable	-	-	18.0	18.0
Noncontrolling interest in CompX common stock	11.1	12.2	10.9	21.4
NL stockholders' equity	174.6	337.4	195.4	441.6

The fair value of our noncurrent marketable equity securities, restricted marketable debt securities, noncontrolling interest in CompX and NL stockholder's equity are based upon quoted market prices at each balance sheet date, which represent Level 1 inputs. The fair value of our promissory note receivable and our variable interest rate debt is deemed to approximate book value. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. The fair values of our promissory note receivable, long-term debt and notes payable to affiliates are Level 2 inputs.

Note 13 – Assets held for sale:

Our assets held for sale consist of two properties (primarily land, buildings and building improvements) formerly used in our component products operations. These assets were classified as "assets held for sale" when they ceased to be used in our operations and met all of the applicable criteria under GAAP. Assets held for sale are stated at the lower of depreciated cost or fair value less cost to sell. During the third quarter of 2010, and as weak economic conditions continued longer than expected, we obtained an independent appraisal for the larger of these two properties. Based on this appraisal we recorded a write-down of $500,000 during the third quarter of 2010 to reduce the carrying value of the asset to its aggregate estimated fair value less cost to sell. This charge is included in income from operations. The appraisal represents a Level 2 input. The carrying value of the other property is not significant. Both properties are being actively marketed; however we cannot be certain of the timing of the disposition of these assets.

Note 14 – Earnings per share:

Earnings per share is based on the weighted average number of common shares outstanding during each period. A reconciliation of the numerator used in the calculation of earnings (loss) per share is presented in the following table:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2010	2009	2010
	(in thousands)			
Net income (loss) attributable to NL stockholders	$3,120	$11,494	$(10,867)	$13,489
Paid-in capital adjustment	-	-	-	(2,513)
Adjusted net income (loss) attributable to NL Stockholders	$3,120	$11,494	$(10,867)	$10,976

The paid-in capital adjustment is discussed in Note 11.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Business and results of operations overview

We are primarily a holding company. We operate in the component products industry through our majority-owned subsidiary, CompX International Inc. We also own a noncontrolling interest in Kronos Worldwide, Inc. Both CompX (NYSE: CIX) and Kronos (NYSE: KRO) file periodic reports with the Securities and Exchange Commission (“SEC”).

CompX is a leading manufacturer of security products, precision ball bearing slides and ergonomic computer support systems used in the office furniture, transportation, tool storage and a variety of other industries. CompX is also a leading manufacturer of stainless steel exhaust systems, gauges and throttle controls for the performance marine industry.

We account for our 36% noncontrolling interest in Kronos by the equity method. Kronos is a leading global producer and marketer of value-added titanium dioxide pigments (“TiO2”). TiO2 is used in a diverse range of customer applications and end-use markets, including coatings, plastics, paper, food, cosmetics, inks, textile fibers, rubber, pharmaceuticals, glass, ceramics and other industrial and consumer markets.

Forward-looking information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking in nature. Statements found in this report including, but not limited to, the statements found in Item 2 - "Management’s Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that represent our beliefs and assumptions based on currently available information. In some cases you can identify these forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expected" or comparable terminology, or by discussions of strategies or trends. Although we believe the expectations reflected in forward-looking statements are reasonable, we do not know if these expectations will be correct. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. While it is not possible to identify all factors, we continue to face many risks and uncertainties. Among the factors that could cause our actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in our other filings with the SEC, which include, but are not limited to, the following:

- Future supply and demand for our products;
- The extent of the dependence of certain of our businesses on certain market sectors;
- The cyclicality of our businesses (such as Kronos' TiO2 operations);
- Customer inventory levels (such as the extent to which Kronos' customers may, from time to time, accelerate purchases of TiO2 in advance of anticipated price increases or defer purchases of TiO2 in advance of anticipated price decreases);
- Changes in raw material and other operating costs (such as energy and steel costs);
- General global economic and political conditions (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for, among other things, TiO2 and component products);
- Possible disruption of our business or increases in the cost of doing business resulting from terrorist activities or global conflicts;
- Competitive products and prices, including increased competition from low-cost manufacturing sources (such as China);
- Customer and competitor strategies;
- Potential consolidation or solvency of Kronos' competitors;
- Demand for office furniture;
- Demand for high performance marine components;
- Substitute products;
- The impact of pricing and production decisions;
- Competitive technology positions;
- Our ability to protect our intellectual property rights in our technology;
- The introduction of trade barriers;
- Service industry employment levels;
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone, the Canadian dollar and the New Taiwan dollar);
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime and transportation interruptions);
- The timing and amounts of insurance recoveries,
- Our ability to maintain sufficient liquidity;
- The extent to which our subsidiaries were to become unable to pay us dividends;
- CompX's and Kronos' ability to renew or refinance debt;
- CompX's ability to comply with covenants contained in its revolving bank credit facility;
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters;
- Potential difficulties in integrating completed or future acquisitions,
- Decisions to sell operating assets other than in the ordinary course of business;
- Uncertainties associated with the development of new product features;
- Our ability to utilize income tax attributes or changes in income tax rates related to such attributes, the benefits of which have been recognized under the more-likely-than-not recognition criteria;
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities or new developments regarding environmental remediation at sites related to our former operations);
- Government laws and regulations and possible changes therein (such as changes in government regulations which might impose various obligations on present and former manufacturers of lead pigment and lead-based paint, including us, with respect to asserted health concerns associated with the use of such products);
- The ultimate resolution of pending litigation (such as our lead pigment and environmental matters); and
- Possible future litigation.

Should one or more of these risks materialize or if the consequences of such a development worsen, or should the underlying assumptions prove incorrect, actual results could differ materially from those currently forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

Results of Operations

Net Income (Loss) Overview

Quarter Ended September 30, 2010 Compared to Quarter Ended September 30, 2009

Our net income attributable to NL stockholders was $11.5 million, or $.24 per share, in the third quarter of 2010 compared to $3.1 million, or $.06 per share, in the third quarter of 2009. As more fully discussed below, our income per share increased from 2009 to 2010 primarily due to the net effect of:

- higher equity in net income from Kronos in 2010,
- income from operations from component products in 2010 as compared to a loss in 2009,
- a pre-tax litigation settlement gain of $5.3 million in 2010,
- an asset held for sale write-down of $.5 million in 2010,
- higher environmental remediation expense in 2009 and
- higher insurance recoveries in 2009.

Our 2010 net income attributable to NL stockholders includes a litigation settlement gain of $.07 per share related to a settlement agreement we entered into with another PRP for certain environmental matters.

Our 2009 net income attributable to NL stockholders includes income of $.02 per share related to certain insurance recoveries.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Our net income attributable to NL stockholders was $13.5 million, or $.23 per share, in the first nine months of 2010 compared to a net loss of $10.9 million, or $.22 per share, in the first nine months of 2009. As more fully discussed below, the increase in our net income per share from 2009 to 2010 is primarily due to the net effect of:

- equity in net income from Kronos in 2010 as compared to equity in losses in 2009,
- a pre-tax litigation settlement gain of $11.3 million in 2009,
- a pre-tax litigation settlement gain of $5.3 million in 2010,
- income from operations from component products in 2010 as compared to a loss in 2009,
- a litigation settlement expense in 2010 as discussed below,
- lower environmental remediation expense in 2010,
- lower litigation and related expenses in 2010, and
- higher insurance recoveries in 2010 primarily related to the litigation settlement expense.

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Our 2010 net income attributable to NL stockholders includes:

- income included in our equity in earnings of Kronos of $.17 per share related to an income tax benefit recognized by Kronos in the first quarter related to a European Court ruling that resulted in the favorable resolution of certain German income tax issues,
- income of $.25 per share related to certain insurance recoveries we recognized,
- income of $.07 per share related to a settlement agreement we entered into with another PRP for certain environmental matters,
- a charge of $.43 per share related to a litigation settlement expense,
- a charge of $.03 per share, net of noncontrolling interest, related to recognition of a deferred income tax liability associated with a determination that certain undistributed earnings of CompX's Taiwanese subsidiary can no longer be considered to be permanently reinvested, and
- a write-down of assets held for sale of $.01 per share.

Our 2009 net loss attributable to NL stockholders includes:

- a litigation settlement gain of $.15 per share related to the settlement of condemnation proceedings on real property we owned,
- income of $.05 per share related to certain insurance recoveries, and
- a write-down of assets held for sale of $.01 per share.

Income (loss) from Operations

The following table shows the components of our income (loss) from operations.

	Three months ended September 30,		%	Nine months ended September 30,		%
	2009	2010	Change	2009	2010	Change
	(In millions)			(In millions)		
CompX	$(.2)	$3.1	n.m.	$(2.0)	$7.8	482%
Insurance recoveries	1.4	.3	(78)%	4.1	18.6	353%
Litigation settlement expense	-	-	-	-	(32.2)	-
Litigation settlement gain	-	5.3	-	11.3	5.3	(53)%
Corporate expense and other, net	(5.0)	(3.6)	(28)%	(14.3)	(10.8)	(24)%
Income (loss) from operations	$(3.8)	$5.1	234%	$(.9)	$(11.3)	n.m.

Amounts attributable to CompX relate to its components products business, while the other amounts generally relate to NL. Each of these items is further discussed below.

CompX International Inc.

	Three months ended September 30, 2009	2010	% Change	Nine months ended September 30, 2009	2010	% Change
	(In millions)			(In millions)		
Net sales	$29.4	$35.7	22%	$87.1	$102.9	18%
Cost of sales	22.4	26.1	16%	69.1	75.3	9%
Gross margin	$7.0	$9.6		$18.0	$27.6	
Income (loss) from operations	$(.2)	$3.1	n.m.	$(2.0)	$7.8	482%
Percentage of net sales:						
Cost of sales	76%	73%		79%	73%	
Income (loss) from operations	(1)%	9%		(2)%	8%	

n.m. - not meaningful

Net sales – Net sales increased 22% in the third quarter of 2010 and increased 18% in the first nine months of 2010 as compared to the same periods of 2009. Net sales increased due to an increase in order rates from our customers resulting from improving economic conditions in North America. For the nine-month period comparison, CompX's Furniture Components, Security Products and Marine Components businesses accounted for approximately 59%, 31% and 10%, respectively, of the total increase in sales. Furniture Components sales were a greater percentage of the total increase because this business experienced a greater contraction in demand during the economic downturn in 2009 resulting in a greater relative increase as customer demand began to return. CompX's Marine Components business accounted for a smaller percentage of the total increase due to its smaller sales volume.

Cost of sales and gross margin – Cost of sales as a percentage of sales decreased by 3% in the third quarter of 2010 and decreased 6% in the first nine months compared to the same periods in 2009. As a result, gross margin increased over the same periods. The resulting increase in gross margin is primarily due to improved coverage of overhead and fixed manufacturing costs from higher sales volume and the related efficiency gains.

Income (loss) from operations - Our component products income (loss) from operations improved to income for both the third quarter and first nine months of 2010 compared to losses in the same periods in 2009. Income from operations improved for both comparative periods primarily due to the impact of higher sales and the related leveraging of fixed expenses as well as lower litigation expense, partially offset by a negative impact of relative changes in currency exchange rates. As a percentage of net sales, operating costs and expenses decreased 2% in the third quarter and in the first nine months of 2010 compared to the same periods in 2009 primarily due to selling, general and administrative costs increasing at a slower rate than sales volumes. In addition, CompX recorded lower patent litigation expenses relating to Furniture Components in both the three month and nine month periods of 2010 compared to the same periods of 2009, primarily due to the timing of litigation proceedings. See Note 11 to the Condensed Consolidated Financial Statements.

Assets held for sale - During the third quarter of 2010, CompX recorded a write-down on assets held for sale of $500,000. During the second quarter of 2009, CompX also recorded a write-down of assets held for sale of $717,000, See Note 13 to the Condensed Consolidated Financial Statements.

Currency - CompX's Furniture Components business has substantial operations and assets located outside the United States (in Canada and Taiwan). The majority of sales generated from our non-U.S. operations are denominated in the U.S. dollar, with the remainder denominated in non-U.S. currencies, principally the Canadian dollar and the New Taiwan dollar. Most raw materials, labor and other production costs for our non-U.S. operations are denominated primarily in local currencies. Consequently, the translated U.S. dollar values of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect comparability of period-to-period operating results. CompX's Furniture Component business's net sales were positively impacted while its income from operations was negatively impacted by currency exchange rates in the following amounts as compared to the impact of currency exchange rates during the corresponding periods in the prior year.

Impact of changes in currency exchange rates
Three months ended September 30, 2010 vs September 30, 2009

	Transaction gains/(losses)			Translation gain/loss-impact of rate changes	Total currency impact
	2009	2010	Change		
			(in thousands)		
Impact on:					
Net sales	$-	$-	$-	$150	$150
Income from operations	(175)	(126)	49	(252)	(203)

Impact of changes in currency exchange rates
Nine months ended September 30, 2010 vs September 30, 2009

	Transaction gains/(losses)			Translation gain/loss-impact of rate changes	Total currency impact
	2009	2010	Change		
		(in thousands)			
Impact on:					
Net sales	$-	$-	$-	$893	$893
Income from operations	(189)	(59)	130	(1,385)	(1,255)

The positive impact on sales relates to CompX's sales denominated in non-U.S. dollar currencies which translated into higher U.S. dollar sales due to a strengthening of the local currency in relation to the U.S. dollar. The negative impact on income from operations results from CompX's U.S. dollar denominated sales of non-U.S. operations converted into lower local currency amounts due to the weakening of the U.S. dollar. This negatively impacted our gross margin as it results in less local currency generated from sales to cover the costs of non-U.S. operations which are denominated in local currency.

Results by Reporting Unit

The key performance indicator for CompX's reporting units is income from operations.

	Three months ended September 30, 2009	Three months ended September 30, 2010	% Change	Nine months ended September 30, 2009	Nine months ended September 30, 2010	% Change
	(Dollars in thousands)					
Net sales:						
Security Products	$16,150	$17,723	10 %	$46,863	$51,740	10 %
Furniture Components	11,583	16,119	39 %	35,172	44,504	27 %
Marine Components	1,678	1,898	13 %	5,091	6,680	31 %
Total net sales	$29,411	$35,740	22 %	$87,126	$102,924	18 %
Gross margin:						
Security Products	$5,241	$5,770	10 %	$13,515	$16,617	23 %
Furniture Components	1,676	3,753	124 %	4,734	10,136	114 %
Marine Components	48	175	265 %	(264)	899	441 %
Total gross margin	$6,965	$9,698	39 %	$17,985	$27,652	54 %
Income (loss) from operations:						
Security Products	$3,282	$3,680	12 %	$7,386	$10,261	39 %
Furniture Components	(1,574)	1,630	204 %	(2,575)	2,715	205 %
Marine Components	(539)	(393)	27 %	(2,129)	(840)	61 %
Corporate operating expense(a)	(1,328)	(1,778)	(34)%	(4,728)	(4,323)	9 %
Total income (loss) from CompX operations	$(159)	$3,139	n.m.	$(2,046)	$7,813	482 %
Gross margin as a percentage of net sales:						
Security Products	32 %	33 %		29 %	32 %	
Furniture Components	14 %	23 %		13 %	23 %	
Marine Components	3 %	9 %		(5)%	13 %	
Total gross margin	24 %	27 %		21 %	27 %	
Operating income margin:						
Security Products	20 %	21 %		16 %	20 %	
Furniture Components	(14)%	10 %		(7)%	6 %	
Marine Components	(32)%	(21)%		(42)%	(13)%	
Total income from CompX operations margin	(1)%	9 %		(2)%	8 %	

n.m. - not meaningful

(a) Corporate operating expense includes $717,000 and $500,000 of write-downs of assets held for sale in the second quarter of 2009 and the third quarter of 2010, respectively.

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Security Products. Security Products net sales increased 10% in both the third quarter of 2010 and the first nine months of 2010 compared to the same periods in the prior year. The increase in sales is primarily due to an increase in customer order rates across most customers resulting from improved economic conditions in North America. Compared to the same period in 2009, the 2010 third quarter gross margin and income from operations percentages improved only slightly, as by the third quarter of 2009 Security Products had aligned their cost structure with their sales volume resulting in minimal margin improvement on higher sales in 2010.

For the 2010 nine month period compared to the same period in 2009, gross margin percentage increased approximately 3%. The increase in gross margin for the nine month period was primarily achieved as a result of the positive impact of (i) a prior year comparative increase of 2% in variable contribution margin due to lower comparative material costs (primarily during the first quarter of 2010) and through more efficient use of labor and overhead due to the higher sales in 2010 and (ii) a prior year comparative increase of 1% relating to improved coverage of fixed manufacturing costs from higher sales volume. As a result, income from operations percentage for Security Products increased 4% for the nine month period as compared to the same period in the prior year.

Furniture Components. Furniture Components net sales increased 39% in the third quarter of 2010 compared to the same period last year, and increased 27% in the first nine months of 2010 compared to the same period in the prior year. The increase in sales is primarily due to an increase in customer order rates across most customers resulting from improved economic conditions in North America. Gross margin percentage increased approximately 9 percentage points for the quarter and 10 percentage points for the nine month comparative period. The increase in gross margin percentage was primarily achieved as a result of the positive impact of (i) a prior year comparative increase of 4% for the quarter and 5% for the nine month period in variable contribution margin through more efficient use of labor and overhead due to the higher sales and (ii) a prior year comparative increase of 5% for both the third quarter the nine month periods relating to improved coverage of fixed manufacturing costs from higher sales volume each net of the negative impact of changes in currency exchange rates. With respect to income from operations, the current year quarter and nine month periods were impacted by lower litigation expenses of $1.4 million and $400,000, respectively. See Note 11 to the Condensed Consolidated Financial Statements. As a result, income from operations percentage for Furniture Components increased 24% for the third quarter and 13% for the nine month period as compared to the same periods in the prior year.

Marine Components. Marine Components net sales increased 13% in the third quarter of 2010 compared to the same period last year, and increased 31% in the first nine months of 2010 compared to the same period in the prior year. The increase in sales is primarily due to an increase in customer order rates resulting from improved economic conditions in North America. As a result of the improved labor efficiency and coverage of overhead and fixed cost from the higher sales, gross margin percentage increased approximately 6% for the quarter and 18% for the nine month comparative period. Consequently, the loss from operations decreased to $393,000 in the third quarter of 2010 compared to $539,000 in the same period last year, and decreased to $840,000 in the first nine months of 2010 compared to $2.1 million in the same period in the prior year.

Outlook. Demand for CompX's products increased compared to the prior year as conditions in the overall economy improved somewhat during 2010, although there is still uncertainty as to the level of future sales. While changes in market demand are not within our control, we are focused on the areas we can impact. Staffing levels are continuously being evaluated in relation to sales order rates that may result in headcount adjustments, to the extent possible, to match staffing levels with demand. We expect our continuous lean manufacturing and cost improvement initiatives to positively impact our productivity and result in an efficient infrastructure that we are leveraging as sales improve. Additionally, we continue to seek opportunities to gain market share in markets we currently serve, expand into new markets and develop new product features in order to mitigate the impact of changes in demand as well as broaden our sales base.

In addition to challenges with overall demand, volatility in the cost of raw materials is ongoing. The cost of commodity raw materials began to increase during the first half of 2010 as compared to the end of 2009 and we currently expect these costs to continue to be volatile during the remainder of 2010. We generally seek to mitigate the impact of fluctuations in raw material costs on our margins through improvements in production efficiencies or other operating cost reductions as well as occasionally executing larger quantity tactical spot buys of raw materials which may result in higher inventory balances for a period of time. In the event we are unable to offset raw material cost increases with other cost reductions, it may be difficult to recover those cost increases through increased product selling prices or raw material surcharges due to the competitive nature of the markets served by our products. Consequently, overall operating margins may be affected by raw material cost pressures.

As discussed in Note 11 to the Condensed Consolidated Financial Statements, CompX has been involved in certain patent infringement litigation, which has in the past resulted in us incurring significant litigation expense. With regard to the litigation discussed in Note 11 where CompX was the defendant, CompX has received a favorable court ruling and dismissal of the patent infringement claims and does not expect to incur any significant additional costs relating to this litigation. With regard to the litigation where CompX received a favorable judgment for patent infringement against a competitor, we may incur costs during the short-term that could be material relating to the competitor appealing the judgment.

General corporate and other items

Insurance recoveries – We have agreements with certain insurance carriers pursuant to which the carriers reimburse us for a portion of our past lead pigment and asbestos litigation defense costs. Insurance recoveries include amounts we received from these insurance carriers.

The agreements with certain of our insurance carriers also include reimbursement for a portion of our future litigation defense costs. We are not able to determine how much we will ultimately recover from these carriers for defense costs incurred by us because of certain issues that arise regarding which defense costs qualify for reimbursement. Accordingly, these insurance recoveries are recognized when the receipt is probable and the amount is determinable. See Note 11 to our Condensed Consolidated Financial Statements.

In addition to insurance recoveries discussed above, our insurance recoveries in the first nine months of 2010 include an insurance recovery recognized in the first quarter in connection with the litigation settlement discussed in Note 11 to our Condensed Consolidated Financial Statements. We had insurance coverage for a portion of the litigation settlement expense, and a substantial portion of the insurance recoveries we recognized in the first nine months of 2010 relates to such coverage.

Litigation settlement expense and corporate expense – The $32.2 million litigation settlement expense is discussed in Note 11 to our Condensed Consolidated Financial Statements. Corporate expenses were $3.6 million in the third quarter of 2010, $1.4 million or 28% lower than in the third quarter of 2009 primarily due to lower litigation and related costs and lower environmental expense in 2010. Included in corporate expense are:

- litigation and related costs of $1.6 million in 2010 compared to $2.1 million in 2009 and
- environmental expense of $529,000 in 2010, compared to $1.3 million in 2009.

Corporate expenses were $10.9 million in the first nine months of 2010, $3.4 million or 24% lower than in the first nine months of 2009 primarily due to lower litigation and related costs and lower environmental expense in 2010. Included in corporate expense are:

- litigation and related costs (exclusive of the litigation settlement discussed above) of $6.6 million in 2010 compared to $7.4 million in 2009 and
  - an environmental credit of $354,000 in 2010, compared to an expense of $1.5 million in 2009.

The level of our litigation and related expenses varies from period to period depending upon, among other things, the number of cases in which we are currently involved, the nature of such cases and the current stage of such cases (e.g. discovery, pre-trial motions, trial or appeal, if applicable). See Note −−−−−11 to the Condensed Consolidated Financial Statements.

Obligations for environmental remediation costs are difficult to assess and estimate, and it is possible that actual costs for environmental remediation will exceed accrued amounts or that costs will be incurred in the future for sites in which we cannot currently estimate our liability. If these events were to occur in the remainder of 2010, our corporate expenses would be higher than we currently estimate. In addition, we adjust our environmental accruals as further information becomes available to us or as circumstances change. Such further information or changed circumstances could result in an increase or reduction in our accrued environmental costs. See Note −−−−−11 to the Condensed Consolidated Financial Statements.

In July 2010, we entered into a settlement agreement with another PRP pursuant to which, among other things, the other PRP reimbursed us for certain remediation costs we had previously incurred for certain sites related to one of our former business units, and such PRP also affirmed its full responsibility to indemnify us for all claims (environmental or otherwise) with respect to certain specified sites related to such former business unit as well as indemnify us for any future claims that may arise related to such former business unit. As a result of the July 2010 settlement agreement, in the third quarter of 2010 we recognized a litigation settlement gain of $5.3 million, consisting of $3.1 million related to the PRP's cash reimbursement of prior remediation costs and $2.1 million related to a reduction in our accrued environmental remediation costs and legal settlement costs resulting from the PRP's agreement to indemnify us.

Provision for income taxes – We recognized income tax expense of $5.1 million and $9.7 million in the third quarter and first nine months of 2010, respectively, as compared to a benefit of $3.4 million and $3.0 million in the third quarter and first nine months of 2009, respectively. Our income tax expense in the first nine months of 2010 includes an aggregate $1.9 million provision for deferred income taxes on the pre-2005 undistributed earnings of CompX's Taiwanese subsidiary. See Note 10 to our Condensed Consolidated Financial Statements for a tabular reconciliation between our effective income tax rates and the U.S. federal statutory income tax rate of 35%.

Noncontrolling interest in subsidiary - Noncontrolling interest in net income (loss) of subsidiary increased $529,000 in the first nine months of 2010 as compared to the first nine months of 2009 due to higher earnings of CompX in 2010.

Equity in net income (loss) of Kronos Worldwide, Inc.

	Three months ended September 30, 2009	2010	% Change	Nine months ended September 30, 2009	2010	% Change
	(In millions)			(In millions)		
Kronos historical:						
Net sales	$310.1	$376.6	21 %	$840.2	$1,076.4	28 %
Cost of sales	250.6	280.4	12 %	762.4	834.5	9 %
Gross margin	$59.5	$96.2		$77.8	$241.9	
Income (loss) from operations	$21.1	$57.0		$(26.9)	117.5	
Other, net	.1	-		.1	.1	
Interest expense	(10.5)	(9.0)		(30.6)	(29.2)	
	10.7	48.0		(57.4)	88.4	
Income tax expense (benefit)	2.1	15.9		(17.5)	(5.7)	
Net income (loss)	$8.6	$32.1		$(39.9)	$94.1	
Percentage of net sales:						
Cost of sales	81 %	75 %		91 %	78 %	
Income (loss) from operations	7 %	15 %		(3)%	11 %	
Equity in net income (loss) of Kronos Worldwide, Inc.	$3.1	$11.6		$(14.4)	$33.9	
TiO2 operating statistics:						
Sales volumes*	124	138	11 %	335	408	22 %
Production volumes*	129	134	4 %	280	392	40 %
Change in Ti02 net sales:						
Ti02 product pricing			16 %			7 %
Ti02 sales volumes			11 %			22 %
Ti02 product mix			1 %			1 %
Changes in currency exchange rates			(7)%			(2)%
Total			21 %			28 %

* Thousands of metric tons

The key performance indicators for Kronos are TiO2 average selling prices and TiO2 sales and production volumes.

Net sales – Kronos' net sales increased 21% or $66.5 million compared to the third quarter of 2009 primarily due to a 16% increase in average TiO2 selling prices and an 11% increase in sales volumes, partially offset by the negative impact of currency exchange rates. Kronos estimates that the unfavorable effect of changes in currency exchange rates decreased net sales by approximately $22 million, or 7%, as compared to the same period in 2009. Kronos currently expects average selling prices in the fourth quarter of 2010 to be higher than the average selling prices in the third quarter of 2010.

Kronos' net sales increased 28% or $236.2 million compared to the nine months ended September 30, 2009 primarily due to a 22% increase in sales volumes along with a 7% increase in average TiO2 selling prices, offset partially by the negative impact of currency exchange rates. Kronos estimates that the unfavorable effect of changes in currency exchange rates decreased net sales by approximately $19 million, or 2%, as compared to the same period in 2009. TiO2 selling prices will increase or decrease generally as a result of competitive market pressures and changes in the relative level of supply and demand.

Sales volumes in the third quarter of 2010 increased 11% as compared to the same period in 2009 and increased 22% in the nine months ended September 30, 2010 as compared to the same period in 2009 due to higher demand across all market segments resulting from the improvement in current economic conditions. Kronos expects demand will continue to remain above 2009 levels for the remainder of the year.

Cost of sales – Kronos' cost of sales increased $29.8 million or 12% in the third quarter of 2010 compared to 2009 due to the net impact of an 11% increase in sales volumes, a 4% increase in TiO2 production volumes, higher raw material costs of $5.6 million, and an increase in maintenance costs of $7.8 million which is consistent with the increased production volumes. In addition, cost of sales in the third quarter of 2010 was negatively impacted by approximately $3 million as a result of higher production costs in 2010 at Kronos' ilmenite mines in Norway. Cost of sales as a percentage of net sales decreased to 75% in the third quarter of 2010 compared to 81% in the third quarter of 2009 primarily due to the higher selling prices and higher production volumes in the third quarter of 2010.

Kronos' cost of sales increased $72.1 million or 9% in the nine months ended September 30, 2010 compared to the same period in 2009 due to the net impact of a 22% increase in sales volumes, a 40% increase in TiO2 production volumes, lower raw material costs of $1.8 million, lower utility costs of $12.2 million and an increase in maintenance costs of $18.7 million. In addition, cost of sales in the first nine months of 2010 was negatively impacted by approximately $11 million as a result of higher production costs in 2010 at Kronos' ilmenite mines in Norway. Cost of sales as a percentage of net sales decreased to 78% in the first nine months of 2010 compared to 91% in the same period in 2009 primarily due to higher selling prices in 2010 and the significantly higher production volumes in 2010, as Kronos implemented temporary plant curtailments during the first half of 2009 in order to reduce its finished goods inventories to an appropriate level. Such temporary plant curtailments resulted in approximately $80 million of unabsorbed fixed production costs which were charged directly to cost of sales in the first six months of 2009.

Income from operations – Kronos' income from operations increased by $35.9 million from $21.1 million in the third quarter of 2009 to $57.0 million in the third quarter of 2010. Income from operations as a percentage of net sales increased to 15% in the third quarter of 2010 from 7% in the same period for 2009. This increase was driven by the improvement in gross margin, which increased to 25% for the third quarter of 2010 compared to 19% for the third quarter of 2009. Gross margin has increased primarily because of higher sales volumes, higher selling prices and lower manufacturing costs per ton resulting from higher production volumes. However, changes in currency exchange rates have negatively affected gross margin and income from operations. Kronos estimates that changes in currency exchange rates decreased income from operations by approximately $4 million in the third quarter of 2010 as compared to the same period in 2009.

Kronos' income from operations increased by $144.4 million from an operating loss of $26.9 million in the first nine months of 2009 to operating income of $117.5 million in the first nine months of 2010. Income from operations as a percentage of net sales increased to 11% in the first nine months of 2010 from (3)% in the same period for 2009. This increase is driven by the improvement in gross margin, which increased to 22% for the first nine months of 2010 compared to 9% for the first nine months of 2009. Kronos' gross margin has increased primarily because of higher sales volumes, higher selling prices and lower manufacturing costs per ton resulting from higher production volumes. However, changes in currency exchange rates have negatively affected gross margin and income from operations. Kronos estimates that changes in currency exchange rates decreased income from operations by approximately $24 million in the first nine months of 2010 as compared to the same period in 2009.

Interest expense – Kronos' interest expense decreased $1.5 million from $10.5 million in the third quarter of 2009 to $9.0 million in the third quarter of 2010 due to decreased average borrowings under its revolving credit facilities.

Kronos' interest expense decreased $1.4 million from $30.6 million for the first nine months of 2009 to $29.2 million for the first nine months of 2010 due to decreased average borrowings under its revolving credit facilities which offset the effect of higher interest rates on its European credit facility. The interest expense Kronos recognizes will vary with fluctuations in the euro exchange rate.

Provision for income taxes – Kronos' provision for income taxes was $15.9 million in the third quarter of 2010 compared to $2.1 million in the same period last year. This increase in provision for income taxes was primarily due to improved income from operations in the third quarter of 2010 compared to the third quarter of 2009.

Kronos' income tax benefit was $5.7 million in the first nine months of 2010 compared to an income tax benefit of $17.5 million in the same period last year. Kronos' income tax benefit in 2010 includes a $35.2 million income tax benefit related to a European Court ruling that resulted in the favorable resolution of certain income tax issues in Germany and an increase in the amount of Kronos' German corporate and trade tax net operating loss carryforwards.

Kronos has substantial net operating loss carryforwards in Germany (the equivalent of $941 million for German corporate purposes and $288 million for German trade tax purposes at December 31, 2009), which amounts exclude the adjustment to such carryforwards recognized in the first quarter of 2010. At September 30, 2010, Kronos has concluded that no deferred income tax asset valuation allowance is required to be recognized with respect to such carryforwards, principally because (i) such carryforwards have an indefinite carryforward period, (ii) Kronos has utilized a portion of such carryforwards during the most recent three-year period and (iii) Kronos currently expects to utilize the remainder of such carryforwards over the long term. However, prior to the complete utilization of such carryforwards, particularly if Kronos were to generate losses in its German operations for an extended period of time, it is possible that Kronos might conclude the benefit of such carryforwards would no longer meet the more-likely-than-not recognition criteria, at which point Kronos would be required to recognize a valuation allowance against some or all of the then-remaining tax benefit associated with the carryforwards.

Currency - Kronos has substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of Kronos' sales generated from its non-U.S. operations is denominated in the U.S. dollar. Certain raw materials used worldwide, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are purchased primarily in local currencies. Consequently, the translated U.S. dollar value of Kronos' non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, Kronos' non-U.S. operations also generate currency transaction gains and losses which primarily relate to the difference between the currency exchange rates in effect when non-local currency sales or operating costs are initially accrued and when such amounts are settled with the non-local currency.

Overall, Kronos estimates that fluctuations in currency exchange rates had the following effects on sales and income (loss) from operations for the periods indicated.

Impact of changes in currency exchange rates
Three months ended September 30, 2010 vs September 30, 2009

	Transaction gains/(losses) recognized			Translation gain/loss-impact of rate changes	Total currency impact
	2009 (in millions)	2010	Change		
Impact on:					
Net sales	$-	$-	$-	$(22)	$(22)
Income from operations	3	5	2	(6)	(4)

Impact of changes in currency exchange rates
Nine months ended September 30, 2010 vs September 30, 2009

	Transaction gains/(losses) recognized			Translation gain/loss-impact of rate changes	Total currency impact
	2009 (in millions)	2010	Change		
Impact on:					
Net sales	$-	$-	$-	$(19)	$(19)
Income (loss) from operations	9	5	(4)	(20)	(24)

Outlook - During 2009 and to-date in 2010, Kronos has announced various TiO2 price increases, a portion of which were implemented during the second half of 2009 and the first nine months of 2010, with portions of the remainder expected to be implemented during the fourth quarter of 2010 and into 2011. Kronos' average TiO2 selling prices were 7% higher in the first nine months of 2010 as compared to the first nine months of 2009, and average selling prices at the end of the first nine months of 2010 were 16% higher as compared to the end of 2009. Based on an expected continuation of strong demand levels, Kronos anticipates average selling prices will continue to increase during the remainder of 2010 as well as into 2011.

Kronos implemented production curtailments in the first half of 2009 in order to reduce inventory levels and improve liquidity. Overall industry pigment demand has been and is expected to continue to be higher in 2010 as compared to 2009 as a result of improving worldwide economic conditions. While Kronos operated its facilities at approximately 58% of capacity during the first half of 2009, Kronos increased its capacity utilization to be approximately 94% during the second half of 2009. Kronos operated its plants at near full capacity utilization during the first nine months of 2010 and Kronos currently expects to continue to operate its facilities at near full capacity levels during the remainder of 2010. Expected capacity utilization levels could be adjusted upwards or downwards to match changes in demand for Kronos' products. Kronos also expects relative increases in its raw material, energy and freight costs during the remainder of 2010 and a portion of any future price increases would compensate for such increases in operating costs.

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Kronos expects income from operations will be higher in 2010 as compared to 2009, as the favorable effects of the worldwide economic recovery and improving consumer confidence will continue to improve demand in all of its key market segments. The expected increase in sales volumes for 2010 should allow Kronos to maintain its near full capacity utilization for the remainder of the year. With such improved capacity utilization levels and higher expected selling prices, Kronos expects to report improved operating and financial performance in 2010.

Overall, Kronos expects to report net income in 2010 as compared to reporting a net loss in 2009 due to higher expected income from operations in 2010 as well as the impact of the $35.2 million non-cash income tax benefit recognized in the first quarter of 2010.

Kronos' expectations as to the future of the TiO2 industry are based upon a number of factors beyond its control, including worldwide growth of gross domestic product, competition in the marketplace, solvency and continued operation of competitors, unexpected or earlier than expected capacity additions or reductions and technological advances. If actual developments differ from Kronos' expectations, its results of operations could be unfavorably affected.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

Operating activities

Trends in cash flows from operating activities, excluding the impact of deferred taxes and relative changes in assets and liabilities, are generally similar to trends in our income from operations. Changes in assets and liabilities result primarily from the timing of production, sales and purchases. Changes in assets and liabilities generally tend to even out over time. However, period-to-period relative changes in assets and liabilities can significantly affect the comparability of cash flows from operating activities. Cash flows used in operating activities were $4.9 million in the first nine months of 2010 compared to cash flows provided by operating activities of $3.8 million in the first nine months of 2009.

The $8.8 million increase in cash used in operating activities includes the net effect of:

- higher income from operations in 2010 of $15.7 million (excluding the impact of the litigation settlement and related insurance recoveries in the first nine months of 2010, and the litigation settlement gain in the first nine months of 2009),
- $19.0 million paid in 2010 related to the litigation settlement expense,
- higher net cash from relative changes in receivables, inventories, payables and accrued liabilities in 2010 of $23.3 million primarily due to the impact of CompX's increase in sales on accounts receivable, inventories and payables, and
- lower cash paid for income taxes in 2010 of $3.1 million due to the timing of tax payments and refunds.

We do not have complete access to CompX's cash flows in part because we do not own 100% of CompX. A detail of our consolidated cash flows from operating activities is presented in the table below. Intercompany dividends have been eliminated. The reference to NL Parent in the table below is a reference to NL Industries, Inc., as the parent company of CompX and our other wholly-owned subsidiaries.

	Nine months ended September 30, 2009	2010
	(In millions)	
Cash provided by (used in) operating activities:		
CompX	$10.6	$5.8
NL Parent and wholly-owned subsidiaries	(2.8)	(6.7)
Eliminations	(4.0)	(4.0)
Total	$3.8	$(4.9)

Relative changes in working capital can have a significant effect on cash flows from operating activities. As shown below, our average days sales outstanding increased from December 31, 2009 to September 30, 2010 as a result of the increase in sales during the first nine months of 2010. Historically, our December 31 days sales outstanding are low due to the timing of sales and collections in the fourth quarter. Overall, our September 30, 2010 days sales outstanding is comparable to September 30, 2009.

	December 31, 2008	September 30, 2009	December 31, 2009	September 30, 2010
Days sales outstanding	41 Days	43 Days	37 Days	45 Days
Days in inventory	70 Days	70 Days	64 Days	63 Days

Investing and financing activities

Net cash provided by investing activities totaled $4.5 million in the first nine months of 2010 compared to $18.8 million in the first nine months of 2009.

During 2010:

- we reduced restricted cash and restricted marketable securities by a total of $5.1 million due to the release of funds to us from escrow related to a litigation settlement and due to the reduction of one of our letters of credit,
- we reduced restricted cash by $.9 million due to payments made on an environmental remediation project, and
- we had $1.5 million in capital expenditures, substantially all of which related to CompX.

Net cash used in financing activities totaled $11.6 million in the first nine months of 2010 compared to $19.6 million in the first nine months of 2009.

During 2010:

- we paid $18.2 million or $.375 per share in dividends,
- we paid $7.0 million for the repurchase of noncontrolling interest in a subsidiary's stock,
- we borrowed $9.2 million on a promissory note with Valhi,
- CompX paid $.6 million in dividends to shareholders other than us, and
- CompX borrowed $5.0 million under its credit facility.

In June 2010, we entered into a promissory note with Valhi that allows us to borrow up to $40 million. Our borrowings from Valhi under the revolving note are unsecured, bear interest at prime rate plus 2.75% (6.00% at September 30, 2010) with all principal due on demand, but in any event no later than December 31, 2011. The amount of the outstanding borrowings at any time is solely at the discretion of Valhi.

CompX and Kronos are in compliance with all of their debt covenants at September 30, 2010. Our ability and the ability of our affiliates to borrow funds under credit facilities in the future will, in some instances, depend in part on our ability to comply with specified financial ratios and satisfy certain financial covenants contained in the applicable credit agreement.

Provisions contained in CompX's revolving credit facility could result in the acceleration of any outstanding indebtedness prior to its stated maturity for reasons other than defaults from failing to comply with typical financial covenants. For example, CompX's revolving credit facility allows the lender to accelerate the maturity of the indebtedness upon a change of control (as defined) of the borrower. The terms of the revolving credit facility could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside of the ordinary course of business. Although there are no current expectations to borrow on the revolving credit facility to fund working capital, capital expenditures, debt service or dividends (if declared), lower future operating results could reduce or eliminate our amount available to borrow and restrict future dividends.

We believe that Kronos will be able to comply with its financial covenants contained in all of its credit facilities through the maturity of the respective facilities; however if future operating results differ materially from our expectations Kronos may be unable to maintain compliance.

Future cash requirements

Liquidity

Our primary source of liquidity on an ongoing basis is our cash flow from operating activities. We generally use these amounts to (i) fund capital expenditures, (ii) pay ongoing environmental remediation and legal expenses and (iii) provide for the payment of short-term indebtedness and dividends (if declared).

At September 30, 2010, there was $5 million outstanding under CompX's $37.5 million revolving credit facility that matures in January 2012. Although CompX's bank credit facility has a remaining capacity of $32.5 million, only $25 million is currently available to borrow due to debt covenant restrictions. CompX expects to repay the $5.0 million currently outstanding, as cash flows permit, prior to the maturity of the facility in January 2012.

At September 30, 2010, we had an aggregate of $19.1 million of restricted and unrestricted cash and cash equivalents. A detail by entity is presented in the table below.

	Amount (In millions)
CompX	$10.7
NL Parent and wholly-owned subsidiaries	8.4
Total	$19.1

In addition, at September 30, 2010 we owned 4.8 million shares of Valhi common stock and 1.4 million shares of TIMET common stock with an aggregate market value of $126.2 million. See Note 4 to the Condensed Consolidated Financial Statements.

We routinely compare our liquidity requirements and alternative uses of capital against the estimated future cash flows we expect to receive from our subsidiaries and affiliates. As a result of this process, we have in the past sought, and may in the future seek to raise additional capital, incur debt, repurchase indebtedness in the market or otherwise, modify our dividend policies, consider the sale of our interests in our subsidiaries, affiliates, business units, marketable securities or other assets, or take a combination of these and other steps, to increase liquidity, reduce indebtedness and fund future activities. Such activities have in the past and may in the future involve related companies.

We periodically evaluate acquisitions of interests in or combinations with companies (including related companies) perceived by management to be undervalued in the marketplace. These companies may or may not be engaged in businesses related to our current businesses. We intend to consider such acquisition activities in the future and, in connection with this activity, may consider issuing additional equity securities and increasing indebtedness. From time to time, we also evaluate the restructuring of ownership interests among our respective subsidiaries and related companies.

Based upon our expectations of our operating performance, and the anticipated demands on our cash resources we expect to have sufficient liquidity to meet our short-term obligations (defined as the twelve-month period ending September 30, 2011). If actual developments differ from our expectations, our liquidity could be adversely affected. In this regard, during 2010 we have borrowed and expect to continue to borrow funds from Valhi in order to meet our cash requirements, and Valhi (at its sole discretion) has agreed to loan us up to $40 million ($9.2 million outstanding at September 30, 2010).

Capital Expenditures

Firm purchase commitments for capital projects in process at September 30, 2010 approximated $335,000. CompX's 2010 capital investments are limited to those expenditures required to meet expected customer demand and those required to properly maintain our facilities.

Dividends

Because our operations are conducted primarily through subsidiaries and affiliates, our long-term ability to meet parent company-level corporate obligations is largely dependent on the receipt of dividends or other distributions from our subsidiaries and affiliates. CompX currently pays a regular quarterly dividend of $.125 per share. At that rate, and based on the 10.8 million shares of CompX we held at September 30, 2010, we would receive annual dividends from CompX of $5.4 million. In addition, Valhi pays regular quarterly dividends of $.10 per share. Based on the 4.8 million shares of Valhi we held at September 30, 2010, we would receive annual dividends from Valhi of $1.9 million.

On October 7, 2010, Kronos' board of directors determined to resume its regular quarterly dividend, and declared a cash dividend of $.25 per share, payable on December 23, 2010 to holders of record at the close of business on December 10, 2010. Based on the 17.6 million shares of Kronos we held at September 30, 2010, we will receive $4.4 million from Kronos in the fourth quarter of 2010, and our annual dividends from Kronos would be $17.6 million.

Investments in our subsidiaries and affiliates and other acquisitions

We have in the past purchased, and may in the future purchase, the securities of our subsidiaries and affiliates or third-parties in market or privately-negotiated transactions. We base our purchase decisions on a variety of factors, including an analysis of the optimal use of our capital, taking into account the market value of the securities and the relative value of expected returns on alternative investments. In connection with these activities, we may consider issuing additional equity securities or increasing our indebtedness. We may also evaluate the restructuring of ownership interests of our businesses among our subsidiaries and related companies.

On October 28, 2010, Kronos announced the pricing of a public offering of 7.8 million shares of its common stock in an underwritten offering. Kronos intends to use the $293.5 million net proceeds of this offering for its general corporate purposes. Subject to customary closing conditions, the offering is expected to close on November 2, 2010. Kronos has also granted the underwriters a 30-day option to purchase up to an additional 1.17 million shares of its common stock to cover overallotments, if any, which if exercised in full would generate an additional $44.1 million net proceeds to Kronos. See Note 5 to our Condensed Consolidated Financial Statements.

Off-balance sheet financing arrangements

We do not have any off-balance sheet financing agreements other than the operating leases discussed in our 2009 Annual Report.

Commitments and contingencies

We are subject to certain commitments and contingencies, as more fully described in Note 11 to the Condensed Consolidated Financial Statements or in Part II, Item 1 of this report. In addition to those legal proceedings described in Note 11 to the Condensed Consolidated Financial Statements, various legislation and administrative regulations have, from time to time, been proposed that seek to (i) impose various obligations on present and former manufacturers of lead pigment and lead-based paint (including us) with respect to asserted health concerns associated with the use of such products and (ii) effectively overturn court decisions in which we and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage, and bills which would revive actions barred by the statute of limitations. While no legislation or regulations have been enacted to date that are expected to have a material adverse effect on our consolidated financial position, results of operations or liquidity, enactment of such legislation could have such an effect.

Recent accounting pronouncements

There have been no recent accounting pronouncements expected to have a material impact on our Condensed Consolidated Financial Statements for the period ended September 30, 2010.

Critical accounting policies

For a discussion of our critical accounting policies, refer to Part I, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2009 Annual Report. There have been no changes in our critical accounting policies during the first nine months of 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risk, including currency exchange rates, interest rates and security prices. For a discussion of such market risk items, refer to Part I, Item 7A. - “Quantitative and Qualitative Disclosure About Market Risk” in our 2009 Annual Report and Note 12 to the Condensed Consolidated Financial Statements. There have been no material changes in these market risks during the first nine months of 2010.

CompX has substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amounts of our assets and liabilities related to our non-U.S. operations, and therefore our consolidated net assets, will fluctuate based upon changes in currency exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures - We maintain a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Harold C. Simmons, our Chief Executive Officer, and Gregory M. Swalwell, our Vice President, Finance and Chief Financial Officer, have evaluated the design and effectiveness of our disclosure controls and procedures as of September 30, 2010. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of September 30, 2010.

Internal control over financial reporting - We also maintain internal control over financial reporting. The term “internal control over financial reporting,” as defined by Exchange Act Rule 13a-15(f), means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of an unauthorized acquisition, use or disposition of assets that could have a material effect on our Condensed Consolidated Financial Statements.

As permitted by the SEC, our assessment of internal control over financial reporting excludes (i) internal control over financial reporting of equity method investees and (ii) internal control over the preparation of our financial statement schedules required by Article 12 of Regulation S-X. However, our assessment of internal control over financial reporting with respect to equity method investees did include our controls over the recording of amounts related to our investment that are recorded in our Condensed Consolidated Financial Statements, including controls over the selection of accounting methods for our investments, the recognition of equity method earnings and losses and the determination, valuation and recording of our investment account balances.

Changes in Internal Control over Financial Reporting - There has been no change to our internal control over financial reporting during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In addition to the matters discussed below, refer to Note 11 to our Condensed Consolidated Financial Statements, to our 2009 Annual Report and to our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 and June 30, 2010.

Circuit Court Cases in Milwaukee County, Wisconsin. In September 2010, NL filed motions for summary judgment based on constitutional grounds in the Clark and Gibson cases and the plaintiffs in the Stokes, Owens and Burton cases filed motions to strike NL's constitutional defenses.

Sifuentes v. American Cyanamid Company, et al. (United District Court, Eastern District of Wisconsin, Case No. 10-C-0075). In September 2010, the plaintiff filed a motion to strike NL's constitutional defenses.

Barton, et al. v. NL Industries, Inc., (U.S. District Court, Eastern District of Michigan, Case No.: 2:08-CV-12558). In September 2010, the trial court denied NL's motion for summary judgment.

New Jersey Department of Environmental Protection v. Occidental Chemical Corp., et al. (L-009868-05, Superior Court of New Jersey, Essex County). In October 2010, the Third-Party Defendants filed a motion to sever and stay the Third-Party Action pending resolution of the State's claims against the direct defendants and all parties have begun discussions to develop a global Alternative Dispute Resolution process.

Beets v. Blue Tee Corp. et al. (Oklahoma State Court, District of Ottawa County, Case No. CJ-09-298). Trial has been scheduled to begin in October 2011.

Item 1A. Risk Factors

For a discussion of the risk factors related to our businesses, refer to Part I, Item 1A., "Risk Factors," in our 2009 Annual Report. There have been no material changes to such risk factors during the nine months ended September 30, 2010.

Item 6. Exhibits

31.1 - Certification

31.2 - Certification

32.1 – Certification

SIGNATURES

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 thereunto duly authorized.

NL INDUSTRIES, INC.
(Registrant)

Date November 1, 2010	/s/ Gregory M. Swalwell Gregory M. Swalwell (Vice President, Finance and Chief Financial Officer, Principal Financial Officer)
Date November 1, 2010	/s/ Tim C. Hafer Tim C. Hafer (Vice President and Controller, Principal Accounting Officer)

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