

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

**FORM 8-K**

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

Date of Report (Date of the earliest event reported)  
**October 16, 2007**

**CompX International Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation)

**1-13905**  
(Commission  
File Number)

**57-0981653**  
(IRS Employer  
Identification No.)

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

**75240-2697**  
(Zip Code)

Registrant's telephone number, including area code  
**(972) 448-1400**

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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#### **Item 1.01 Entry into a Material Definitive Agreement.**

On October 16, 2007, the registrant entered into a Stock Purchase Agreement (the “*Stock Purchase Agreement*”) with TIMET Finance Management Company, a Delaware corporation that is a wholly owned subsidiary of Titanium Metals Corporation and related to the registrant (“*TFMC*”). The Stock Purchase Agreement provides for the sale to the registrant of 483,600 shares of the registrant’s class A common stock, par value \$0.01 per share (“*CompX Class A Common Stock*”), for a purchase price of \$19.50 per share to be paid in the form of an unsecured subordinated term loan promissory note in the original principal amount of \$9,430,200 payable by the registrant to TFMC (the “*Stock Purchase Promissory Note*”). The Stock Purchase Agreement provides for a closing date on the same day as the merger (the “*Merger*”) of CompX Group, Inc., a Delaware corporation that is a parent of CompX (“*CGI*”), with and into CompX KDL LLC, a Delaware limited liability company of which the registrant is the sole member (“*CompX KDL*”). When issued, the Stock Purchase Promissory Note would:

- mature in seven years;
- bear interest at a rate of LIBOR plus 1.00%;
- require quarterly principal payments of \$44,800 beginning on September 30, 2008;
- not have prepayment penalties; and
- be subordinated to the Credit Agreement (the “*Credit Agreement*”) dated as of December 23, 2005 among the registrant, CompX Security Products, Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc. (each of these wholly owned subsidiaries of the registrant are collectively referred to herein as the “*Subsidiaries*”), Wachovia Bank, National Association as administrative agent for itself, Compass Bank and Comerica Bank (collectively, the “*Banks*”).

Also on October 16, 2007, the registrant, CGI and CompX KDL entered into an Agreement and Plan of Merger (the “*Merger Agreement*”). NL Industries, Inc., a New Jersey corporation that is an indirect parent of the registrant (“*NL*”), and TFMC are the only stockholders of CGI. Pursuant to the Merger Agreement, upon the effectiveness of the Merger:

- CGI would merge into CompX KDL with CompX KDL surviving the Merger;
- each share of the CGI common stock outstanding immediately prior to the Merger would automatically be canceled and retired and shall cease to exist;
- 2,586,820 shares of CompX Class A Common Stock and 10.0 million shares of the registrant’s class B common stock, par value \$0.01 per share (the “*CompX Class B Common Stock*”), owned by CGI immediately prior to Merger would automatically be canceled;
- TFMC would receive an unsecured subordinated term loan promissory note (the “*Merger Promissory Note*”) executed by CompX payable to the order of TFMC in the original principal amount of \$43,149,990 that would have similar terms as the Stock Purchase Promissory Note; and
- the registrant would issue to NL 374,000 new shares of CompX Class A Common Stock (the “*New CompX Class A Shares*”) and 10,000,000 new shares of CompX Class B Common Stock (the “*New CompX Class B Shares*”).

The Merger is conditioned upon the satisfaction of all applicable material regulatory approvals, including the approval for listing upon official notice of issuance by the New York Stock Exchange of the issuance of the New CompX Class A Shares and 10,000,000 shares of CompX Class A Common Stock reserved for issuance upon the conversion of the New CompX Class B Shares.

As of October 16, 2007, the registrant, the Subsidiaries and the Banks entered into a First Amendment to Credit Agreement (the “*Credit Agreement Amendment*”). The Credit Agreement Amendment provides for, among other things:

- certain amendments to the Credit Agreement to allow for the issuance of the Stock Purchase Promissory Note and the Merger Promissory Note, which notes would promptly be combined (the “*Combined Note*”); and
- TFMC, the registrant, the Subsidiaries and Wachovia Bank, National Association, as administrative agent for the Banks, to enter into a Subordination Agreement whereby upon the issuance of the Combined Note TFMC would:
  - o agree that the registrant’s obligations under the Combined Note would be subordinate to the registrant’s obligations under the Credit Agreement; and
  - o grant to Wachovia Bank, National Association, as administrative agent for the Banks, a security interest in the Combined Note to the extent of the outstanding principal and accrued interest due thereon (the “*Subordination Agreement*”).

TIMET’s independent directors approved the Stock Purchase Agreement, the Merger Agreement and the Subordination Agreement. The registrant’s independent directors approved the Stock Purchase Agreement, the Merger Agreement, the Credit Agreement Amendment and the Subordination Agreement.

The descriptions of the Stock Purchase Agreement and the Stock Purchase Promissory Note (the form of which is attached as Exhibit A to the Stock Purchase Agreement) are qualified in their entirety by the terms of the Stock Purchase Agreement filed as Exhibit 10.1 to this current report and which terms are incorporated herein by reference. The descriptions of the Merger Agreement and the Merger Promissory Note (the form of which is attached as Exhibit A to the Merger Agreement) are qualified in their entirety by the terms of the Merger Agreement filed as Exhibit 10.2 to this current report and which terms are incorporated herein by reference. The descriptions of the Credit Agreement Amendment and the Subordination Agreement are qualified in their entirety by the terms of the Credit Agreement Amendment and the form of Subordination Agreement filed as Exhibits 10.3 and 10.4 to this current report.

#### **Item 9.01 Financial Statements and Exhibits.**

- (d) Exhibits

<b>Item No.</b>	<b>Description</b>
10.1*	Stock Purchase Agreement dated as of October 16, 2007 between TIMET Finance Management Company and CompX International Inc.
10.2*	Agreement and Plan of Merger dated as of October 16, 2007 among CompX International Inc., CompX Group, Inc. and CompX KDL LLC
10.3*	First Amendment to Credit Agreement dated as of October 16, 2007 among CompX International Inc., CompX Security Products, Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association for itself and as administrative agent for Compass Bank and Comerica Bank.
10.4*	Form of Subordination Agreement among TIMET Finance Management Company, CompX International Inc., CompX Security Products, Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association as administrative agent for itself, Compass Bank and Comerica Bank.

\* Filed herewith

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**SIGNATURE**

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

**CompX International Inc.**  
(Registrant)

Date: October 22, 2007

By: /s/ A. Andrew R. Louis  
*A. Andrew R. Louis, Secretary*

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## INDEX TO EXHIBITS

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*	Filed herewith

## STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "*Agreement*") is made and entered into as of October 16, 2007 between TIMET Finance Management Company, a Delaware corporation ("*Seller*"), and CompX International Inc., a Delaware corporation ("*CompX*").

### Recitals

A. Seller wishes to sell to CompX, and CompX wishes to purchase from Seller, on the terms and subject to the conditions of this Agreement (collectively, the "*Transaction*") 483,600 shares (the "*Shares*") of the class A common stock, \$0.01 par value per share, of CompX.

B. The parties do not wish to close the Transaction until the effectiveness of the merger (the "*Merger*") of CompX Group, Inc., a Delaware corporation that is a parent of CompX, with and into CompX KDL LLC, a Delaware limited liability company of which CompX is the sole member.

### Agreement

The parties agree as follows:

#### ARTICLE I. THE TRANSACTION

**Section 1.1. *Purchase and Sale of Shares.*** On the effective date of the Merger (the "*Closing Date*") and against payment of the purchase price therefor as specified in **Section 1.2**, Seller shall sell, transfer, assign and deliver to CompX the Shares. The Shares shall be delivered electronically to an account designated by CompX.

**Section 1.2. *Purchase Price and Payment.*** On the Closing Date, CompX shall purchase the Shares for a purchase price of \$19.50 per Share or an aggregate purchase price of \$9,430,200.00. The aggregate payment for the Shares shall be made substantially on the terms of the promissory note set forth on **Exhibit A** attached to this Agreement (the "*Promissory Note*").

#### ARTICLE II. REPRESENTATIONS AND WARRANTIES OF THE SELLER

Seller hereby represents and warrants to CompX as of the date of this Agreement, and as of the Closing Date as if made at such time, as follows:

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

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

**Section 2.3. *Ownership of Shares.*** It is the record and beneficial owner of the Shares and upon consummation of the transactions contemplated by this Agreement, CompX will acquire good and marketable title to the Shares, free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws.

#### ARTICLE III. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

CompX hereby represents and warrants to the Seller as of the date of this Agreement, and as of the Closing Date as if made at such time, as follows:

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

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

#### ARTICLE IV. GENERAL PROVISIONS

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

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

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

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

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

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

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

If to the Seller:                   TIMET Finance Management Company  
Nemours Building, Suite 1414  
1007 Orange Street  
Wilmington, Delaware 19801  
Attention: Secretary

If to the Purchaser:           CompX International Inc.  
5430 LBJ Freeway  
Three Lincoln Centre, Suite 1700  
Dallas, Texas 75240-2697  
Attention: General Counsel

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

**Section 4.9. Expenses.** Except as otherwise expressly provided herein, each party to this Agreement shall pay its own costs and expenses in connection with the transactions contemplated hereby.

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

**TIMET Finance Management Company**

By: /s/ Joan Yori  
*Joan Yori, President and Secretary*

**CompX International, Inc.**

By: /s/ Darryl R. Halbert  
*Darryl R. Halbert, Vice President*

EXHIBIT A

SUBORDINATED TERM LOAN PROMISSORY NOTE

\$9,430,200.00  
2007

October

For and in consideration of value received, the undersigned, **COMPX INTERNATIONAL INC.**, a corporation duly organized under the laws of Delaware ("Maker"), promises to pay to the order of **TIMET FINANCE MANAGEMENT COMPANY**, a corporation duly organized under the laws of Delaware ("Payee"), at its address 1007 Orange Street, Suite 1414, Wilmington, Delaware 19801, in lawful money of the United States of America, the principal sum of Nine Million Four Hundred Thirty Thousand Two Hundred United States Dollars (\$9,430,200.00) together with interest from the date hereof on the amount of principal from time to time outstanding at a rate equal to the three month United States LIBOR rate as quoted from time to time by The Wall Street Journal or other reliable source, plus one percent (1.00%) per annum. Interest shall be calculated on the basis of a year of 365/366 days and for the actual number of days (including the first, but excluding the last day) elapsed and shall be paid in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2007.

Principal payments of \$44,800 will be due and payable quarterly on the last day of each March, June, September and December commencing September 30, 2008, with any and all remaining outstanding principal and any accrued unpaid interest due on September 30, 2014 (the "Maturity Date"). All payments on this Note shall be applied first to accrued and unpaid interest, next to accrued interest not yet payable, and then to principal against the scheduled principal payments from earliest to latest. Maker may prepay principal at any time without penalty. In the event that principal or interest is not paid within five days of when due or declared due, interest shall thereafter accrue on the full amount of such payment at the rate of United States LIBOR plus three percent (3%) per annum.

Notice of written demand for payment shall be made by Payee to Maker by certified mail, postage prepaid and return receipt requested to Maker's address as set forth under its signature below. The demand for payment or any other communication shall be deemed given and effective as of the date of delivery or upon receipt as set forth on the return receipt.

Upon the occurrence and during the continuation of an Event of Default (as defined below), Payee shall have all of the rights and remedies provided in the applicable Uniform Commercial Code, this Note or any other agreement between Maker and in favor of Payee, as well as those rights and remedies provided by any other applicable law, rule or regulation. In conjunction with and in addition to the foregoing rights and remedies of Payee, Payee may declare all indebtedness due under this Note, although otherwise unmaturing, to be due and payable immediately without notice or demand whatsoever. All rights and remedies of the holder are cumulative and may be exercised singly or concurrently. The exercise of any right or remedy will not be a waiver of any other right or remedy.

For purposes of this Note, an Event of Default shall mean any one of the following events:

- (a) Maker fails to pay quarterly principal payments when due or interest payments within 30 days of becoming due;

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SUBORDINATED TERM LOAN PROMISSORY NOTE

\$9,430,200.00  
[redacted], 2007

October

- (b) Maker otherwise fails to perform or observe any other provision contained in this Note and such breach or failure to perform shall continue for a period of thirty days after notice thereof shall have been given to Makers by the holder hereof;
- (c) Maker defaults under any loan, extension of credit, security agreement, or any other agreement, in favor of any other creditor or person that may materially affect Maker's ability to repay this Note or perform Maker's obligations under this Note; or
- (d) Maker becomes insolvent, a receiver is appointed for any part of Maker's property, Maker makes an assignment for the benefit of creditors, or any proceeding is commenced either by Maker or against Maker under any bankruptcy or insolvency laws.

In the event Payee incurs costs in collecting on this Note, this Note is placed in the hands of any attorney for collection, suit is filed on this Note or if proceedings are had in bankruptcy, receivership, reorganization, or other legal or judicial proceedings for the collection of this Note, Maker agrees to pay on demand to Payee all expenses and costs of collection, including, but not limited to, reasonable attorneys' fees incurred in connection with any such collection, suit, or proceeding, in addition to the principal and interest then due.

It is agreed that time is of the essence on this Note. The failure of the holder of this Note to exercise any remedy shall not constitute a waiver on the part of the holder of the right to exercise any remedy at any other time. It is the intention of Maker and Payee to conform strictly to applicable usury laws, if any. Accordingly, notwithstanding anything to the contrary in this Note or any other agreement entered into in connection herewith, it is agreed as follows: (i) the aggregate of all interest and any other charges constituting interest under applicable law and contracted for, chargeable or receivable under this Note or otherwise in connection with the obligation evidenced hereby shall under no circumstances exceed the maximum amount of interest permitted by applicable law, if any, and any excess shall be deemed a mistake and canceled automatically and, if theretofore paid, shall, at the option of Payee, be refunded to Maker or credited on the principal amount of this Note; and (ii) in the event that the entire unpaid balance of this Note is declared due and payable by Payee, then earned interest may never include more than the maximum amount permitted by applicable law, if any, and any unearned interest shall be canceled automatically and, if theretofore paid, shall at the option of Payee, either be refunded to Maker or credited on the principal amount of this Note.

Maker expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of intention to accelerate, notice of acceleration, bringing of suit and diligence in taking any action to collect amounts called for hereunder and is and shall be liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for hereunder or in connection with any right, lien, interest or property at any and all times had or existing as security for any amount called for hereunder.

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**SUBORDINATED TERM LOAN PROMISSORY NOTE**

**\$9,430,200.00**  
[ ]], 2007

**October**

If any payment of principal on this Note shall become due on a Saturday, Sunday or public holiday under the laws of Delaware, United States of America, on which banks are not open for business, such payment shall be made on the next succeeding business day in which banks are open for business.

Pursuant to the terms of that certain Subordination Agreement dated October [ ]], 2007, executed by the Payee, the Maker and certain subsidiaries of the Maker, the indebtedness evidenced by this Note is subordinate and junior in right of payment, to all principal, interest, charges, expenses and attorneys' fees arising out of or relating to all indebtedness, liabilities and obligations of Maker arising under that certain Credit Agreement dated December 23, 2005, as amended by that certain First Amendment to Credit Agreement dated October [ ]], 2007, by and between Maker and the Administrative Agent and Lenders set forth therein and all other amendments and modifications thereto, and the Loan Documents (as defined in such Credit Agreement), whether outstanding on the date of this Note or subsequently incurred to renew, extend, modify, or otherwise amend such superior indebtedness (the "Superior Debt"). Superior Debt shall continue to be Superior Debt and entitled to the benefits of these subordination provisions irrespective of any amendment, modification, or waiver of any term of the Superior Debt or extension or renewal of the Superior Debt.

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

MAKER:

**COMPX INTERNATIONAL INC.**

By:

Name:

Title:

Address:

**Agreement and Plan of Merger**  
**Among**  
**CompX International Inc.**  
**CompX Group, Inc.**  
**and**  
**CompX KDL LLC**

*Dated as of October 16, 2007*

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SIGNATURE PAGE

EXHIBIT A *SUBORDINATED TERM LOAN PROMISSORY NOTE A*

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## AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this "*Agreement*") is made as of October 16, 2007 among CompX International Inc., a Delaware corporation ("*CompX*"), CompX KDL LLC, a Delaware limited liability company of which CompX is the sole member ("*KDL*"), and CompX Group, Inc., a Delaware corporation ("*CGI*").

### Recitals

A. On the date of this Agreement:

(1) the authorized capital stock of CGI consists of 13,000 shares of common stock, par value \$0.01 per share (the "*CGI Common Stock*"), of which 12,586.82 shares are outstanding;

(2) CGI is the record holder of 2,586,820 shares (the "*CGI CompX Class A Common Stock Shares*") of class A common stock, par value \$0.01 per share (the "*CompX Class A Common Stock*"), of CompX and 10.0 million shares (collectively with the CGI CompX Class A Common Stock Shares, the "*CGI CompX Common Stock Shares*") of the class B common stock, par value \$0.01 per share, of CompX (the "*CompX Class B Common Stock*" and collectively with the CompX Class A Common Stock, the "*CompX Common Stock*");

(3) NL Industries, Inc., a New Jersey corporation that is a parent of CompX ("*NL*"), is the record holder of 10,374 shares of CGI Common Stock;

(4) Titanium Metals Corporation, a Delaware corporation that is related to CompX, is the sole stockholder of TIMET Finance Management Company, a Delaware corporation ("*TFMC*");

(5) TFMC is the record holder of 2,212.82 shares of CGI Common Stock; and

(6) NL and TFMC are the only stockholders of CGI.

B. CGI and KDL desire to merge upon the terms set forth in this Agreement.

C. NL and TFMC, as the only stockholders of CGI, and CompX, as the sole member of KDL, have each approved and adopted this Agreement.

D. The parties to this Agreement desire to consummate the merger in accordance with the provisions of section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended.

### Agreement

In consideration of the premises and the covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties to this Agreement hereby agree as follows.

### ARTICLE I. THE MERGER

**Section 1.1. *The Merger.*** Upon the terms and subject to the conditions of this Agreement and in accordance with the relevant provisions of the Delaware General Corporation Law and the Delaware Limited Liability Act, each as amended (each, as applicable, the "*Applicable Delaware Entity Law*"), CGI shall merge with and into KDL (the "*Merger*") at the Effective Time (as defined below).

**Section 1.2. *Effective Time.*** The Merger requires the filing of documents with the Secretary of State of the state of Delaware. The Merger shall be effective as of the filing of a certificate of merger with the Secretary of State of the state of Delaware or such later time as the certificate of merger states the effective time of the Merger shall be (the "*Effective Time*").

**Section 1.3. *Effects of the Merger.*** As of the Effective Time, the separate corporate existence of CGI shall cease and it shall merge with and into KDL as the surviving company (the "*Surviving Company*"). The Merger shall have the effects set forth in this Agreement and in the Applicable Delaware Entity Law.

**Section 1.4. *Certificate of Formation and Limited Liability Company Agreement.*** Upon the Effective Time, the certificate of formation and limited liability company agreement of KDL shall be the certificate of formation and limited liability company agreement of the Surviving Company.

**Section 1.5. *Officers.*** At the Effective Time, the officers of KDL immediately prior to the Effective Time shall be the officers of the Surviving Company. Subject to the limited liability company agreement of the Surviving Company and the Delaware Limited Liability Act, as amended, each of the Surviving Company's officers shall serve until his or her successor is elected or appointed and qualified or until his or her earlier death, incapacity, resignation or removal.

**Section 1.6. *Continuation, Cancellation or Issuance of Membership Interests, Stock or Note.*** At the Effective Time, by virtue of the Merger and without any action on the part of any party to this Agreement, the following shall occur:

(a) each limited liability company interest in KDL outstanding prior to the Effective Time shall upon the Effective Time remain unchanged and continue to remain outstanding as a limited liability company interest in the Surviving Company;

(b) each share of the CGI Common Stock outstanding immediately prior to the Effective Time shall upon the Effective Time automatically be canceled and retired and shall cease to exist.

(c) each CGI CompX Common Stock Share outstanding immediately prior to the Effective Time shall upon the Effective Time automatically be canceled;

(d) CompX shall issue to NL upon the Effective Time 374,000 new shares of CompX Class A Common Stock and 10,000,000 new shares of CompX Class B Common Stock (collectively, the “*New NL CompX Common Stock Shares*”); and

(e) CompX shall execute and deliver to TFMC a subordinated term loan promissory note substantially on the terms set forth on **Exhibit A** attached to this Agreement (the “*Promissory Note*”).

The other parties agree that CompX has joined this Agreement to accommodate the structure of the Transaction as expressed by the other parties and all the parties agree that the cancellation of the CGI CompX Common Stock Shares shall not be deemed an “acquisition” by CompX under paragraph B(v)(g) of Article Four of CompX’s restated certificate of incorporation.

**Section 1.7. *Taking of Necessary Action.*** In case at any time after the Effective Time any further action is necessary to carry out the purposes of this Agreement or to vest the Surviving Company with full title to all assets, rights, approvals, immunities and franchises of CGI, the officers and directors, or the former officers and directors, as the case may be, of CGI and the Surviving Company shall take all such action, at the expense of the Surviving Company.

## **ARTICLE II. REPRESENTATIONS AND WARRANTIES**

**Section 2.1. *Representations and Warranties of CompX.*** CompX hereby represents and warrants to each other party to this Agreement as of the date of this Agreement, and as of the Effective Time as if made at such time, as follows:

(a) *Authority.* It is a corporation validly existing and in good standing under the laws of the state of its incorporation. It has full corporate power and authority, without the consent or approval of any other person, to execute and deliver this Agreement and the Promissory Note and to consummate the transactions contemplated by this Agreement (collectively, the “*Transactions*”). All corporate action required to be taken by or on behalf of it to authorize the execution, delivery and performance of this Agreement has been duly and properly taken.

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

(c) *Title to New NL CompX Common Stock Shares.* At the Effective Time, the New NL CompX Common Stock Shares shall be validly issued and non-assessable and NL will acquire good and marketable title to the New NL CompX Common Stock Shares, free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws.

**Section 2.1. *Representations and Warranties of KDL.*** KDL hereby represents and warrants to each other party to this Agreement as of the date of this Agreement, and as of the Effective Time as if made at such time, as follows:

(a) *Authority.* It is a limited liability company validly existing and in good standing under the laws of the state of its formation. It has full power and authority, without the consent or approval of any other person, to execute and deliver this Agreement and to consummate the Transactions. All action required to be taken by or on behalf of it to authorize the execution, delivery and performance of this Agreement has been duly and properly taken.

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

**Section 2.2. *Representations and Warranties of CGI.*** CGI hereby represents and warrants to each other party to this Agreement as of the date of this Agreement, and as of the Effective Time as if made at such time, as follows:

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

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

(c) *Title to CGI CompX Common Stock Shares.* It has, and at all times immediately prior to the Effective Time will have, good and marketable title to the CGI CompX Common Stock Shares free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws.

## **ARTICLE III. CONDITION TO THE MERGER**

The obligation of each party to consummate the transactions to be performed by it pursuant to this Agreement is subject to the satisfaction of all applicable material regulatory approvals.

**ARTICLE IV.**  
**TERMINATION, WAIVER AND AMENDMENT**

**Section 4.1. *Right of Termination.*** This Agreement and the transactions contemplated herein may be terminated and abandoned at any time prior to the Effective Time by the mutual consent of all of the parties to this Agreement.

**Section 4.2. *Effect of Termination.*** In the event of the termination and abandonment hereof, pursuant to the provisions of **Section 4.1**, this Agreement shall become void and have no effect, without any liability on the part of any party to this Agreement, or its respective directors, officers, stockholders or members, as applicable, with respect to this Agreement, except for liability of the party for its respective expenses.

**ARTICLE V.**  
**MISCELLANEOUS**

**Section 5.1. *Survival.*** The representations and warranties set forth in this Agreement shall survive the execution of this Agreement and the consummation of the transactions contemplated herein.

**Section 5.2. *Sole Agreement of Parties.*** This Agreement and the documents referred to herein constitute the full understanding of the parties and a complete and exclusive statement of the terms and conditions of their agreement relating to the subject matter hereof and supersede any and all prior agreements, whether written or oral, that may exist between the parties with respect thereto.

**Section 5.3. *Waiver; Modification or Amendment.*** Any of the terms or conditions of this Agreement may be waived at any time by the party that is entitled to the benefits thereof. This Agreement may not be modified or amended except in a writing signed by all of the parties.

**Section 5.4. *Further Assurances.*** Each party hereto agrees to execute any and all documents, and to perform such other acts, whether before or after the Effective Time, that may be reasonably necessary or expedient to further the purposes of this Agreement or to further assure the benefits intended to be conferred hereby.

**Section 5.5. *Exhibit; Cross-References; Headings.*** The exhibit to this Agreement is incorporated herein and made a part hereof for all purposes. All sections and articles referred to herein are sections and articles of this Agreement and the exhibit referred to herein is the exhibit attached to this Agreement. Descriptive headings as to the contents of particular articles and sections are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

**Section 5.6. *Severability.*** In the event that any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, then (i) such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision were not a part hereof; (ii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by such illegal, invalid or unenforceable provision or by its severance from this Agreement; and (iii) there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and still be legal, valid and enforceable.

**Section 5.7. *Counterparts.*** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Section 5.8. *Applicable Law.*** This Agreement shall be governed by and construed in accordance with the domestic laws of the state of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the state of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of Delaware.

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**SIGNATURE PAGE**

The parties hereto have executed this Agreement as of the date first above written.

**CompX International Inc.**

By: /s/ Darryl R. Halbert  
*Darryl R. Halbert, Vice President*

**CompX Group, Inc.**

By: /s/ Gregory M. Swalwell  
*Gregory M. Swalwell, Vice President*

**CompX KDL LLC**

By: /s/ Kelly D. Luttmer  
*Kelly D. Luttmer, Vice President*

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**EXHIBIT A**

**SUBORDINATED TERM LOAN PROMISSORY NOTE**

**\$43,149,990.00**      **October [ ]**, 2007

For and in consideration of value received, the undersigned, **COMPX INTERNATIONAL INC.**, a corporation duly organized under the laws of Delaware ("Maker"), promises to pay to the order of **TIMET FINANCE MANAGEMENT COMPANY**, a corporation duly organized under the laws of Delaware ("Payee"), at its address 1007 Orange Street, Suite 1414, Wilmington, Delaware 19801, in lawful money of the United States of America, the principal sum of Forty Three Million One Hundred Forty Nine Thousand Nine Hundred and Ninety United States Dollars (\$43,149,990.00) together with interest from the date hereof on the amount of principal from time to time outstanding at a rate equal to the three month United States LIBOR rate as quoted from time to time by The Wall Street Journal or other reliable source, plus one percent (1.00%) per annum. Interest shall be calculated on the basis of a year of 365/366 days and for the actual number of days (including the first, but excluding the last day) elapsed and shall be paid in arrears quarterly on the last day of each March, June, September and December, commencing December 31, 2007.

Principal payments of \$205,200 will be due and payable quarterly on the last day of each March, June, September and December commencing September 30, 2008, with any and all remaining outstanding principal and any accrued unpaid interest due on September 30, 2014 (the "Maturity Date"). All payments on this Note shall be applied first to accrued and unpaid interest, next to accrued interest not yet payable, and then to principal against the scheduled principal payments from earliest to latest. Maker may prepay principal at any time without penalty. In the event that principal or interest is not paid within five days of when due or declared due, interest shall thereafter accrue on the full amount of such payment at the rate of United States LIBOR plus three percent (3%) per annum.

Notice of written demand for payment shall be made by Payee to Maker by certified mail, postage prepaid and return receipt requested to Maker's address as set forth under its signature below. The demand for payment or any other communication shall be deemed given and effective as of the date of delivery or upon receipt as set forth on the return receipt.

Upon the occurrence and during the continuation of an Event of Default (as defined below), Payee shall have all of the rights and remedies provided in the applicable Uniform Commercial Code, this Note or any other agreement between Maker and in favor of Payee, as well as those rights and remedies provided by any other applicable law, rule or regulation. In conjunction with and in addition to the foregoing rights and remedies of Payee, Payee may declare all indebtedness due under this Note, although otherwise unmatured, to be due and payable immediately without notice or demand whatsoever. All rights and remedies of the holder are cumulative and may be exercised singly or concurrently. The exercise of any right or remedy will not be a waiver of any other right or remedy.

For purposes of this Note, an Event of Default shall mean any one of the following events:

- (a) Maker fails to pay quarterly principal payments when due or interest payments within 30 days of becoming due;
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**SUBORDINATED TERM LOAN PROMISSORY NOTE**

**\$43,149,990.00**

**October [ ] , 2007**

- (b) Maker otherwise fails to perform or observe any other provision contained in this Note and such breach or failure to perform shall continue for a period of thirty days after notice thereof shall have been given to Makers by the holder hereof;
- (c) Maker defaults under any loan, extension of credit, security agreement, or any other agreement, in favor of any other creditor or person that may materially affect Maker's ability to repay this Note or perform Maker's obligations under this Note; or
- (d) Maker becomes insolvent, a receiver is appointed for any part of Maker's property, Maker makes an assignment for the benefit of creditors, or any proceeding is commenced either by Maker or against Maker under any bankruptcy or insolvency laws.

In the event Payee incurs costs in collecting on this Note, this Note is placed in the hands of any attorney for collection, suit is filed on this Note or if proceedings are had in bankruptcy, receivership, reorganization, or other legal or judicial proceedings for the collection of this Note, Maker agrees to pay on demand to Payee all expenses and costs of collection, including, but not limited to, reasonable attorneys' fees incurred in connection with any such collection, suit, or proceeding, in addition to the principal and interest then due.

It is agreed that time is of the essence on this Note. The failure of the holder of this Note to exercise any remedy shall not constitute a waiver on the part of the holder of the right to exercise any remedy at any other time. It is the intention of Maker and Payee to conform strictly to applicable usury laws, if any. Accordingly, notwithstanding anything to the contrary in this Note or any other agreement entered into in connection herewith, it is agreed as follows: (i) the aggregate of all interest and any other charges constituting interest under applicable law and contracted for, chargeable or receivable under this Note or otherwise in connection with the obligation evidenced hereby shall under no circumstances exceed the maximum amount of interest permitted by applicable law, if any, and any excess shall be deemed a mistake and canceled automatically and, if theretofore paid, shall, at the option of Payee, be refunded to Maker or credited on the principal amount of this Note; and (ii) in the event that the entire unpaid balance of this Note is declared due and payable by Payee, then earned interest may never include more than the maximum amount permitted by applicable law, if any, and any unearned interest shall be canceled automatically and, if theretofore paid, shall at the option of Payee, either be refunded to Maker or credited on the principal amount of this Note.

Maker expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of intention to accelerate, notice of acceleration, bringing of suit and diligence in taking any action to collect amounts called for hereunder and is and shall be liable for the payment of all sums owing and to be owing hereon, regardless of and without any notice, diligence, act or omission as or with respect to the collection of any amount called for hereunder or in connection with any right, lien, interest or property at any and all times had or existing as security for any amount called for hereunder.

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**SUBORDINATED TERM LOAN PROMISSORY NOTE**

**\$43,149,990.00**      **October [ ]**, 2007

If any payment of principal on this Note shall become due on a Saturday, Sunday or public holiday under the laws of Delaware, United States of America, on which banks are not open for business, such payment shall be made on the next succeeding business day in which banks are open for business.

Pursuant to the terms of that certain Subordination Agreement dated October [ ] , 2007, executed by the Payee, the Maker and certain subsidiaries of the Maker, the indebtedness evidenced by this Note is subordinate and junior in right of payment, to all principal, interest, charges, expenses and attorneys' fees arising out of or relating to all indebtedness, liabilities and obligations of Maker arising under that certain Credit Agreement dated December 23, 2005, as amended by that certain First Amendment to Credit Agreement dated October [ ] , 2007, by and between Maker and the Administrative Agent and Lenders set forth therein and all other amendments and modifications thereto, and the Loan Documents (as defined in such Credit Agreement), whether outstanding on the date of this Note or subsequently incurred to renew, extend, modify, or otherwise amend such superior indebtedness (the "Superior Debt"). Superior Debt shall continue to be Superior Debt and entitled to the benefits of these subordination provisions irrespective of any amendment, modification, or waiver of any term of the Superior Debt or extension or renewal of the Superior Debt.

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

MAKER:

**COMPX INTERNATIONAL INC.**

By:

Name:

Title:

Address:

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**CERTIFICATE OF SECRETARY  
OF  
CompX Group, Inc.**

The undersigned, being the secretary of CompX Group, Inc., a Delaware corporation ("*CompX Group*"), does hereby certify pursuant to Section 251 of the General Corporation Law of the state of Delaware that the stockholders of CompX Group duly adopted this Agreement and Plan of Merger by a written consent to action without a meeting pursuant to and in accordance with Section 228 of the General Corporation Law of the state of Delaware.

/s/ A. Andrew R. Louis  
*A. Andrew R. Louis, Secretary*

Date: October 16, 2007

## FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 16th day of October, 2007, by and among COMPLEX INTERNATIONAL, INC., COMPLEX SECURITY PRODUCTS, INC., COMPLEX PRECISION SLIDES, INC., COMPLEX MARINE, INC., CUSTOM MARINE, INC. (f/k/a CUSTOM MARINE ACQUISITION, INC.), LIVORSI MARINE, INC., WACHOVIA BANK, NATIONAL ASSOCIATION, as Administrative Agent and a Lender, COMPASS BANK and COMERICA BANK (collectively referred to herein as the "Lenders").

### RECITALS:

The Borrower, the Administrative Agent and the Lenders have entered into a certain Credit Agreement dated as of December 23, 2005 (referred to herein as the "Credit Agreement"). Capitalized terms used in this Amendment which are not otherwise defined in this Amendment shall have the respective meanings assigned to them in the Credit Agreement. In connection with the Credit Agreement, the Subsidiary Guarantors have executed the Subsidiary Guaranty Agreement in favor of the Administrative Agent, for the ratable benefit of the Administrative Agent and the Lenders.

The Borrower and Subsidiary Guarantors have requested the Administrative Agent and the Lenders to: (1) amend Sections 9.1, 10.1, 10.3 and 10.6 of the Credit Agreement as set forth herein; (2) amend the definition of "Consolidated Net Worth" as set forth herein; and (3) modify certain additional provisions of the Credit Agreement as more fully set forth herein.

The Lenders, the Administrative Agent, the Subsidiary Guarantors and the Borrower desire to amend the Credit Agreement upon the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the Recitals and the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower, the Subsidiary Guarantors, the Administrative Agent and the Lenders, intending to be legally bound hereby, agree as follows:

SECTION 1. Recitals. The Recitals are incorporated herein by reference and shall be deemed to be a part of this Amendment.

SECTION 2. Amendments. The Credit Agreement is hereby amended as set forth in this Section 2.

SECTION 2.01. Amendment to Section 1.1. (a) The definition of "Consolidated Net Worth" set forth in Section 1.1 of the Credit Agreement is amended and restated to read in its entirety as follows:

"Consolidated Net Worth" means, with respect to the Borrower and its Subsidiaries, on any date of determination, the total stockholders' equity (including capital stock, additional paid-in capital and retained earnings after deducting the treasury stock) of the Borrower and its Subsidiaries appearing on a Consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP (excluding on a cumulative basis any adjustments for foreign currency translation); provided, however, for purposes of Section 9.2 the term "Consolidated Net Worth": (1) shall be calculated without regard to the Affiliate Loans permitted pursuant to Section 10.3(h); and (2) shall be increased by the principal amount of the Permitted TIMET Debt relating to the Permitted TIMET Redemption.

(a) Section 1.1 of the Credit Amendment is amended to add the following definitions:

"Permitted TIMET Debt" shall mean that certain unsecured term loan not to exceed \$55,000,000.00 made by TIMET Finance Management Company to the Borrower and incurred to finance the Permitted TIMET Redemption, which is subordinate to the repayment of the Obligations upon terms and conditions satisfactory to the Administrative Agent.

"Permitted TIMET Redemption" shall mean the redemption by the Borrower of 2,696,420 shares of the Borrower's Class A common stock, whether directly or indirectly through the purchase of shares of CompX Group, Inc. stock, from TIMET Finance Management Company the purchase price of which shall be paid by the Borrower by issuance of the Permitted TIMET Debt.

SECTION 2.02. Amendment to Section 9.1. Section 9.1 of the Credit Agreement is amended and restated to read in its entirety as follows:

SECTION 9.1. Leverage Ratio. As of any fiscal quarter end, permit the ratio of (a) Total Funded Debt (excluding the Permitted TIMET Debt) on such date, to (b) EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date, to be greater than 2.50 to 1.00.

SECTION 2.03. Amendment to Section 10.1. Section 10.1 of the Credit Agreement is amended and restated to read in its entirety as follows:

SECTION 10.1. Limitations on Debt. Create, incur, assume or suffer to exist any Debt except:

- (a) the Obligations (excluding any Hedging Obligations);
- (b) Debt incurred in connection with a Hedging Agreement with a counterparty and upon terms and conditions (including interest rate) reasonably satisfactory to the Administrative Agent; provided, that any counterparty that is a Lender or the Bank of Montreal shall be deemed satisfactory to the Administrative Agent;
- (c) Debt existing on the Closing Date and not otherwise permitted under this Section 10.1, as set forth on Schedule 6.1(q), and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof;
- (d) Guaranty Obligations in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders;
- (e) unsecured Debt of the Borrower and the Domestic Subsidiaries in an aggregate amount not to exceed \$5,000,000 on any date of determination (provided that such Debt may be secured to the extent that any such Debt is created, incurred, assumed or suffered to exist in connection with Capital Leases and purchase money financing);

- (f) Debt of the Foreign Subsidiaries in an aggregate amount not to exceed \$10,000,000 on any date of determination;
- (g) intercompany Debt between the Borrower and any Subsidiary of the Borrower or between any Subsidiary of the Borrower and any other Subsidiary of the Borrower;
- (h) the Permitted TIMET Debt; or
- (i) Debt of any Person acquired in accordance with Section 10.3(c), including any renewal, extension or refinancing, but not any increase in the aggregate principal amount, thereof (provided that such Debt was not incurred in connection with such acquisition);

provided, that no agreement or instrument with respect to Debt permitted to be incurred by this Section shall restrict, limit or otherwise encumber (by covenant or otherwise) the ability of any Subsidiary of the Borrower to make any payment to the Borrower or any of its Subsidiaries (in the form of dividends, intercompany advances or otherwise) for the purpose of enabling the Borrower to pay the Obligations.

SECTION 2.04. Amendment to Section 10.3. Section 10.3 of the Credit Agreement is amended and restated to read in its entirety as follows:

SECTION 10.3. Limitations on Loans, Advances, Investments and Acquisitions. Purchase, own, invest in or otherwise acquire, directly or indirectly, any capital stock, interests in any partnership or joint venture (including, without limitation, the creation or capitalization of any Subsidiary), evidence of Debt or other obligation or security, substantially all or a portion of the business or assets of any other Person or any other investment or interest whatsoever in any other Person, or make or permit to exist, directly or indirectly, any loans, advances or extensions of credit to, or any investment in cash or by delivery of property in, any Person except:

- (a) investments (i) existing on the Closing Date in Subsidiaries, (ii) in Subsidiaries formed or acquired after the Closing Date so long as the Borrower and its Subsidiaries comply with the provisions of Section 8.10 and (iii) existing on the Closing Date in the form of loans, advances and investments described on Schedule 10.3;
- (b) investments in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within three hundred sixty-five (365) days from the date of acquisition thereof, (ii) commercial paper maturing no more than one hundred twenty (120) days from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one hundred twenty (120) days from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$500,000,000 and having a rating of "A" or better by a nationally recognized rating agency; provided, that the aggregate amount invested in such certificates of deposit shall not at any time exceed \$5,000,000 for any one such certificate of deposit and \$10,000,000 for any one such bank, (iv) time deposits maturing no more than thirty (30) days from the date of creation thereof with commercial banks or savings banks or savings and loan associations each having membership either in the FDIC or the deposits of which are insured by the FDIC and in amounts not exceeding the maximum amounts of insurance thereunder, (v) tax-exempt municipal bonds maturing within one hundred twenty (120) days from the date of acquisition thereof, (vi) any money market or bank fund investing only in the investments set forth above or (vii) investments held in trust or escrow accounts subject to government regulation, legal settlements, collateral requirements or other similar arrangements; and
- (c) investments by the Borrower or any of its Subsidiaries in the form of acquisitions of all, substantially all or a majority of the stock or assets of the business or a line of business (whether by the acquisition of capital stock, assets or any combination thereof) of any other Person (each, a "Permitted Acquisition"); provided that:
  - (i) the Person to be acquired shall be a going concern, engaged in a business, or the assets to be acquired shall be used in a business which is similar, related or complimentary to the line of business of the Borrower and its Subsidiaries as required pursuant to Section 10.12;
  - (ii) the Borrower or such Subsidiary (unless the Person to be acquired complies with Section 8.10), as applicable, shall be the surviving Person and no Change in Control shall have been effected thereby;
  - (iii) with respect to any Material Acquisition, the Borrower shall have delivered written notice of such proposed acquisition to the Administrative Agent (for delivery by the Administrative Agent to the Lenders) and the Lenders, which notice shall include the proposed closing date of such proposed acquisition, not less than twenty (20) calendar days prior to such proposed closing date;
  - (iv) with respect to any Material Acquisition, the Borrower shall have delivered to the Administrative Agent copies of the Permitted Acquisition Documents;
  - (v) with respect to any Material Acquisition, the Borrower shall have certified on or before the closing date of such proposed acquisition, in writing and in a form reasonably acceptable to the Administrative Agent and the Lenders, that such proposed acquisition has been approved by the board of directors or equivalent governing body of the Person to be acquired;
  - (vi) no Default or Event of Default shall have occurred and be continuing both before and after giving effect to such proposed acquisition;
  - (vii) the Borrower shall have complied with Section 8.10;
  - (viii) with respect to any Material Acquisition, the Borrower shall have delivered to the Administrative Agent and the Lenders an Officer's Compliance Certificate dated as of the closing date of such proposed acquisition demonstrating, in form and substance reasonably satisfactory thereto, proforma compliance with each covenant contained in Article IX (both before and after giving effect to such proposed acquisition) (it being agreed by the Borrower, the Administrative Agent and the Lenders that such calculations shall assume that all Debt assumed or incurred in conjunction with such proposed acquisition was incurred at the beginning of the applicable calculation period and that all income and expenses associated with such proposed acquisition shall be treated as earned and included in the pro-forma calculations (both on a consolidated and consolidating basis));

(ix) the Borrower shall have at least \$10,000,000 in Liquidity both before and after giving effect to such proposed acquisition; and

(x) the Person to be acquired is not subject to material pending litigation which could reasonably be expected to have a Material Adverse Effect;

(d) investments by the Borrower or any of its Subsidiaries in the form of acquisitions of less than a majority of the capital stock or other ownership interests of any other Person; provided that:

(i) the Person to be invested in shall be a going concern, engaged in a business which is similar, related or complimentary to the line of business of the Borrower and its Subsidiaries;

(ii) the amount of the investment (regardless of the form of consideration), together with the aggregate amounts of all other investments pursuant to this Section 10.3(d), shall not exceed \$10,000,000 during the term of this Agreement;

(iii) neither the Borrower nor any Material Domestic Subsidiary or Material Foreign Subsidiary shall make any investment in which such party's potential liability is not limited to the amount of its investment (i.e., investments as a general partner, in joint ventures, etc.);

(iv) no Default or Event of Default shall have occurred and be continuing both before and after giving effect to such proposed investment;

(v) the Borrower shall have complied with Section 8.10;

(vi) the Borrower shall have at least \$10,000,000 in Liquidity both before and after giving effect to such proposed investment; and

(vii) the Person to be invested in is not subject to material pending litigation which could reasonably be expected to have a Material Adverse Effect.

(e) intercompany loans and advances in connection with intercompany Debt permitted under Section 10.1(g);

(f) Hedging Agreements permitted pursuant to Section 10.1;

(g) purchases of assets in the ordinary course of business; and

(h) loans to Affiliates, the aggregate outstanding principal amount of which shall not exceed at any time \$15,000,000 on terms that are no less favorable than would be obtained in a comparable arm's length transaction ("Affiliate Loans").

SECTION 2.05. Amendment to Section 10.6. Section 10.6 of the Credit Agreement is amended and restated to read in its entirety as follows:

SECTION 10.6. Limitations on Dividends and Distributions. Declare or pay any dividends upon any of its capital stock or any other ownership interests; purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares of its capital stock or other ownership interests, or make any distribution of cash, property or assets among the holders of shares of its capital stock or other ownership interests, or make any change in its capital structure; provided that:

(a) the Borrower or any Subsidiary may pay dividends in shares of its own capital stock;

(b) any Subsidiary may pay cash dividends to the Borrower;

(c) the Borrower may pay cash dividends on its capital stock, purchase, redeem, retire or otherwise acquire, directly or indirectly, shares of its capital stock (including purchases of treasury stock), or make distributions of cash, property or assets among its shareholders in an aggregate amount not to exceed the lesser of (i) twelve and one-half cents (\$0.125) per share in any calendar quarter, or (ii) \$8,000,000 in any calendar year;

(d) the Borrower may redeem shares of its capital stock pursuant to the Permitted TIMET Redemption; and

(e) in addition to transactions permitted under subsection (c) above, the Borrower may pay cash dividends on its capital stock, purchase, redeem, retire or otherwise acquire, directly or indirectly, shares of its capital stock (including purchases of treasury stock), or make distributions of cash, property or assets among its shareholders in an aggregate amount not to exceed, during the term of this Agreement, the sum of (i) \$20,000,000 plus (ii) an amount equal to fifty percent (50%) of aggregate Net Income of the Borrower and its Subsidiaries since September 30, 2005. The Borrower, Administrative Agent and Lenders acknowledge and agree that Affiliate Loans made pursuant to Section 10.3(h) shall not be construed as a purchase, redemption, retirement or other acquisition by Borrower of its capital stock prohibited by this Section 10.6.

SECTION 3. Conditions to Effectiveness. The effectiveness of this Amendment and the obligations of the Lenders hereunder are subject to the following conditions, unless the Required Lenders waive such conditions:

(a) receipt by the Administrative Agent from each of the parties hereto of a duly executed counterpart of this Amendment signed by such party;

(b) receipt by the Administrative Agent of all documents which the Administrative Agent may reasonably request;

(c) the fact that the representations and warranties of the Borrower and Subsidiary Guarantors contained in Section 5 of this

Amendment shall be true on and as of the date hereof except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties were true on and as of such earlier date; and

(d) All other documents and legal matters in connection with the transactions contemplated by this Amendment shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

SECTION 4. No Other Amendment. Except for the amendments set forth above, the text of the Credit Agreement shall remain unchanged and in full force and effect. On and after the First Amendment Effective Date, all references to the Credit Agreement in each of the Loan Documents shall hereafter mean the Credit Agreement as amended by this Amendment. This Amendment is not intended to effect, nor shall it be construed as, a novation. The Credit Agreement and this Amendment shall be construed together as a single agreement. This amendment shall constitute a Loan Document under the terms of the Credit Agreement. Nothing herein contained shall waive, annul, vary or affect any provision, condition, covenant or agreement contained in the Credit Agreement, except as herein amended, nor affect nor impair any rights, powers or remedies under the Credit Agreement as hereby amended. The Lenders and the Administrative Agent do hereby reserve all of their rights and remedies against all parties who may be or may hereafter become secondarily liable for the repayment of the Notes. The Borrower and Subsidiary Guarantors promise and agree to perform all of the requirements, conditions, agreements and obligations under the terms of the Credit Agreement, as heretofore and hereby amended, the Credit Agreement, as amended, and the other Loan Documents being hereby ratified and affirmed. The Borrower and Subsidiary Guarantors hereby expressly agree that the Credit Agreement, as amended, and the other Loan Documents are in full force and effect.

SECTION 5. Representations and Warranties. The Borrower and Subsidiary Guarantors hereby represent and warrant to each of the Lenders as follows:

(a) No Default or Event of Default under the Credit Agreement or any other Loan Document has occurred and is continuing unwaived by the Lenders on the date hereof.

(b) The Borrower and Subsidiary Guarantors have the power and authority to enter into this Amendment and to do all acts and things as are required or contemplated hereunder to be done, observed and performed by them.

(c) This Amendment has been duly authorized, validly executed and delivered by one or more authorized officers of the Borrower and Subsidiary Guarantors and constitutes the legal, valid and binding obligations of the Borrower and Subsidiary Guarantors enforceable against them in accordance with its terms, provided that such enforceability is subject to general principles of equity.

(d) The execution and delivery of this Amendment and the performance by the Borrower and Subsidiary Guarantors hereunder does not and will not, as a condition to such execution, delivery and performance, require the consent or approval of any regulatory authority or governmental authority or agency having jurisdiction over the Borrower, or any Subsidiary Guarantor, nor be in contravention of or in conflict with the articles of incorporation, bylaws or other organizational documents of the Borrower, or any Subsidiary Guarantor or the provision of any statute, or any judgment, order or indenture, instrument, agreement or undertaking, to which the Borrower, or any Subsidiary Guarantor is party or by which the assets or properties of the Borrower, and Subsidiary Guarantors are or may become bound.

(e) The Collateral Agreement continues to create a valid security interest in, and Lien upon, the Collateral, in favor of the Administrative Agent, for the benefit of the Lenders, which security interests and Liens are perfected in accordance with the terms of the Collateral Agreement and prior to all Liens other than Liens permitted under Section 10.2 of the Credit Agreement.

SECTION 6. Counterparts; Governing Law. This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement. This Amendment shall be construed in accordance with and governed by the laws of the State of North Carolina.

SECTION 7. Effective Date. This Amendment shall be effective as of September, 2007 (the "First Amendment Effective Date").

SECTION 8. Expenses. The Borrower and Subsidiary Guarantors agree to pay all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including without limitation the reasonable fees and expenses of the Administrative Agent's legal counsel.

SECTION 9. Further Assurances. The Loan Parties agree to promptly take such action, upon the request of the Administrative Agent, as is necessary to carry out the intent of this Amendment.

SECTION 10. Consent by Subsidiary Guarantors. The Subsidiary Guarantors consent to the foregoing amendments. The Subsidiary Guarantors promise and agree to perform all of the requirements, conditions, agreements and obligations under the terms of the Subsidiary Guaranty Agreement, said Subsidiary Guaranty Agreement being hereby ratified and affirmed. The Subsidiary Guarantors hereby expressly agree that the Subsidiary Guaranty Agreement, is in full force and effect.

SECTION 11. Amendment and Extension Fee. On the date hereof, the Borrower and Subsidiary Guarantors shall pay to the Administrative Agent for the account of each Lender an amendment and extension fee of \$5,000.00 per Lender.

[Remainder of this page intentionally left blank]



IN WITNESS WHEREOF, the parties hereto have executed and delivered, or have caused their respective duly authorized officers or representatives to execute and deliver, this Amendment as of the day and year first above written.

[CORPORATE SEAL] COMPX INTERNATIONAL, INC.

By: /s/ Darryl R. Halbert (SEAL)  
Name: Darryl R. Halbert  
Title: Chief Financial Officer

[CORPORATE SEAL] COMPX SECURITY PRODUCTS, INC.

By: /s/ Darryl R. Halbert (SEAL)  
Name: Darryl R. Halbert  
Title: Vice President - Finance

[CORPORATE SEAL] COMPX PRECISION SLIDES, INC.

By: /s/ Darryl R. Halbert (SEAL)  
Name: Darryl R. Halbert  
Title: Treasurer

[CORPORATE SEAL] COMPX MARINE, INC.

By: /s/ Darryl R. Halbert (SEAL)  
Name: Darryl R. Halbert  
Title: Chief Financial Officer

[CORPORATE SEAL] CUSTOM MARINE, INC.

By: /s/ Darryl R. Halbert (SEAL)  
Name: Darryl R. Halbert  
Title: Chief Financial Officer

[CORPORATE SEAL] LIVORSI MARINE, INC.

By: /s/ Darryl R. Halbert (SEAL)  
Name: Darryl R. Halbert  
Title: Chief Financial Officer

ADMINISTRATIVE AGENT AND LENDERS:

WACHOVIA BANK, NATIONAL ASSOCIATION,  
as Administrative Agent and as a Lender

By: /s/ Thomas F. Snider  
Name: Thomas F. Snider  
Title: Senior Vice President

[Signature pages continued on the following page]

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COMPASS BANK,  
as Lender

By: /s/Key Coker  
Name: Key Coker  
Title: Executive Vice President

[Signature pages continued on the following page]

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COMERICA BANK,  
as Lender

By: /s/William B. Dridge  
Name: William B. Dridge  
Title: Vice President

[Remainder of this page intentionally left blank]

## SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "Agreement" which term shall include all amendments and modifications thereto) is made as of this \_\_\_\_ day of October, 2007 by TIMET FINANCE MANAGEMENT COMPANY, a Delaware corporation (the "Subordinate Lender") and WACHOVIA BANK, NATIONAL ASSOCIATION, as administrative agent (in such capacity, together with any successor agent, the "Administrative Agent") for the benefit of the Lenders (including, without limitation, the Issuing Lender, the Swing Line Lender and the Alternative Currency Lender) (as defined in the Credit Agreement). Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to them in the Credit Agreement referred to below.

### Recitals:

A. CompX International, Inc., a Delaware corporation (the "Borrower"), CompX Security Products, Inc., CompX Precision Slides, Inc., CompX Marine, Inc., Custom Marine, Inc. (f/k/a Custom Marine Acquisition, Inc.), and Livorsi Marine, Inc. (collectively, the "Guarantors"), the Administrative Agent and the Lenders have entered into a certain Credit Agreement dated as of December 23, 2005, as amended by that First Amendment to Credit Agreement dated October, 2007 (as amended, the "Credit Agreement" which term shall include all amendments and modifications thereto). As used in this Agreement, (i) the term "Senior Obligations" means all past, present, and future indebtedness, liabilities, and obligations of any nature whatsoever of the Borrower to the Lenders in connection with or arising from the Credit Agreement, and the Loan Documents (including, without limitation, the Obligations (as defined in the Credit Agreement)); and (ii) the term "Subordinated Debt" means all past, present, and future indebtedness, liabilities, and obligations of any nature whatsoever of the Borrower to the Subordinate Lender, including, without limitation, any and all indebtedness, liabilities, and obligations of the Borrower to the Subordinate Lender evidenced by that certain Subordinated Term Loan Promissory Note dated October \_\_\_, 2007 made by Borrower and payable to Subordinate Lender in the principal amount of \$52,580,190.00 (the "Subordinate Note").

B. The Subordinate Lender has requested the Required Lenders to consent to Subordinate Lender making a term loan to the Borrower evidenced by the Subordinate Note.

C. The Required Lenders have required, as a condition to the granting of their consent, the execution of this Agreement by the Subordinate Lender.

**NOW, THEREFORE**, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinate Lender hereby agrees with the Administrative Agent (for the benefit of the Lenders) as follows:

1. *Amount of Subordinated Debt and Recitals.* The Subordinate Lender represents and warrants that (a) the outstanding principal amount of the Subordinated Debt shall not at any time exceed \$52,580,190.00; (b) the above Recitals are true, accurate, and correct and are incorporated in this Agreement by reference; (c) the Subordinate Lender is the lawful owner of the Subordinated Debt, free and clear of all liens, assignments, security interests and other encumbrances; and (d) the Subordinate Lender has not previously subordinated the Subordinated Debt.

2. *Subordination to Senior Obligations.* The Subordinate Lender hereby subordinates and postpones the payment and the time of payment of the Subordinated Debt to and in favor of the payment and the time of payment of the Senior Obligations. So long as all or any part of the Senior Obligations remain unpaid, the Subordinate Lender shall not, without the prior written consent of the Required Lenders, ask, demand, sue for, set off, accept, or receive any payment of all or any part of the Subordinated Debt; provided, that until the occurrence of an Event of Default (as defined in the Credit Agreement), the Subordinate Lender may receive payment of that portion of the Subordinated Debt consisting of scheduled principal payments (including prepayments) and accrued unpaid interest in accordance with the terms of the Subordinate Note as in effect on the date hereof, if, after giving pro forma effect to such payment or prepayment, an Event of Default would not exist. The Subordinate Lender agrees not to subordinate, grant a security interest or lien on, assign, or transfer all or any part of the Subordinated Debt to any other person without the prior written consent of the Required Lenders. Subordinate Lender will not, without the prior written consent of the Required Lenders: (a) commence, or join with any other creditor in commencing, any bankruptcy, reorganization, insolvency or similar proceedings with respect to Borrower or any Guarantor; or (b) extend, amend, modify or renew any of the Borrower's obligations under the Subordinated Debt or the documents evidencing or executed or delivered in connection with the Subordinated Debt, or release any surety or security for such obligations or obtain collateral security or exercise any other right under the Subordinated Debt, or the documents evidencing or executed or delivered in connection with the Subordinated Debt.

3. *Distributions, etc.* In the event of any distribution, division, or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of the assets of the Borrower or any Guarantor or the proceeds thereof to creditors of the Borrower or any Guarantor or to any indebtedness, liabilities, and obligations of the Borrower or any Guarantor by reason of the liquidation, dissolution, or other winding up of the Borrower or any Guarantor or the business of the Borrower or any Guarantor or in the event of any sale, receivership, insolvency, or bankruptcy proceeding, or assignment for the benefit of creditors, or any proceeding by or against the Borrower or any Guarantor for any relief under the Bankruptcy Code or any insolvency law or other laws relating to the relief of debtors, readjustment of indebtedness, reorganizations, compositions, or extensions, then and in any such event, Lenders shall first be entitled to receive payment in full of all amounts due and owing under the Senior Obligations before the Subordinate Lender shall be entitled to receive any payment in respect of the Subordinated Debt.

4. *Receipt of Payments by Subordinate Lender.* Should any payment or distribution not permitted by the provisions of this Agreement be received by the Subordinate Lender upon or with respect to all or any part of the Subordinated Debt, the Subordinate Lender will deliver the same to the Administrative Agent in precisely the form received (except for the endorsement or assignment of the Subordinate Lender where necessary) for application to the Senior Obligations (whether due or not due and in such order and manner as the Required Lenders may elect) and, until so delivered, the same shall be held in trust by the Subordinate Lender as property of the Administrative Agent (on behalf of the Lenders). In the event of the failure of the Subordinate Lender to make any such endorsement or assignment, the Administrative Agent, or any of its officers or employees on behalf of the Lenders, is hereby irrevocably authorized to make the same.

5. *Endorsement, etc.* So as to secure the performance by the Subordinate Lender of the provisions of this Agreement and the payment of the Senior Obligations, the Subordinate Lender assigns, pledges, and grants to the Administrative Agent (on behalf of the Lenders) a security interest in the Subordinated Note to the extent of outstanding principal and accrued interest due thereon. Upon the request of the Required Lenders, the Subordinate Lender shall endorse, assign, and deliver to the Administrative Agent in a manner acceptable to the Administrative Agent all notes, instruments, and agreements evidencing, securing, guaranteeing, or made in connection with the Subordinated Note. Subordinate Lender will endorse on any and all instruments evidencing the Subordinated Note a statement satisfactory to Administrative Agent stating that the obligations evidenced by such instrument and the rights of the holders thereof are subordinated to the claims of Lenders as provided in this Agreement. The Subordinate Lender and the Borrower each

will further mark their books of account in such a manner as shall be effective to give proper notice of the effect of this Agreement. Upon the occurrence of an Event of Default under the Senior Obligations, Lenders shall be entitled to collect and receive payments of outstanding principal and accrued interest then due and payable under the Subordinated Note until such time as all outstanding principal and accrued interest due and payable to the Lenders under the Senior Obligations has been repaid. Other than the grant to the Administrative Agent (on behalf of the Lenders) of a security interest in the Subordinated Note as provided herein, nothing in this Agreement shall be construed to provide that the Subordinate Lender is responsible for, or has guaranteed the payment of, the Senior Obligations.

6. *Consents, Waivers, etc.* The Subordinate Lender hereby consents that at any time and from time to time and with or without consideration, the Administrative Agent and Lenders may, without further consent of or notice to the Subordinate Lender and without in any manner affecting, impairing, lessening, or releasing any of the provisions of this Agreement, renew, extend, change the manner, time, place, and terms of payment of, sell, exchange, release, substitute, surrender, realize upon, modify, waive, grant indulgences with respect to, and otherwise deal with in any manner: (a) all or any part of the Senior Obligations; (b) all or any of the Loan Documents; (c) all or any part of any property at any time securing all or any part of the Senior Obligations; and (d) any person at any time primarily or secondarily liable for all or any part of the Senior Obligations and/or any collateral and security therefor. The Subordinate Lender hereby waives demand, presentment for payment, protest, notice of dishonor and of protest with respect to the Subordinated Debt, notice of acceptance of this Agreement by the Administrative Agent and Lenders, notice of the making of any of the Senior Obligations, and notice of the occurrence of an event of default under any of the Loan Documents.

7. *Notices and Communications.* All notices and other communications hereunder shall be in writing and shall be effective when sent by certified mail, return receipt requested: (a) if to the Subordinate Lender at 1007 Orange Street, Suite 1414, Wilmington, Delaware 19801, or at such other address as the Subordinate Lender shall have furnished in writing to the Administrative Agent or Lender, or (b) if to the Administrative Agent or Lenders, addressed to such address as set forth in the Credit Agreement.

8. *Transfer or Assignment of Obligations.* If any of the Senior Obligations should be transferred or assigned by the Lenders, this Agreement will inure to the benefit of the Lenders' transferee or assignee to the extent of such transfer or assignment, provided that the Lenders shall continue to have the unimpaired right to enforce this Agreement as to any of the Senior Obligations not so transferred or assigned.

9. *Miscellaneous.* This Agreement shall not be affected, impaired, or released by the delay or failure of the Administrative Agent or any of the Lenders to exercise any of their respective rights and remedies against the Borrower or any Guarantor or under any of the Loan Documents or against any collateral or security for the Senior Obligations. No delay or failure on the part of the Administrative Agent or any of the Lenders to exercise any of its rights or remedies hereunder or now or hereafter existing at law or in equity or by statute or otherwise, or any partial or single exercise thereof, shall constitute a waiver thereof. All such rights and remedies are cumulative and may be exercised singly or concurrently and the exercise of any one or more of them will not be a waiver of any other. No waiver of any of its rights and remedies hereunder and no modification or amendment of this Agreement shall be deemed to be made by the Administrative Agent and Lenders unless the same shall be in writing, duly signed by the Administrative Agent on behalf of the Lenders, and each such waiver, if any, shall apply only with respect to the specific instance involved and shall in no way impair the rights and remedies of the Administrative Agent and Lenders hereunder in any other respect at any other time. The Administrative Agent and Lenders shall have the right to grant participations in the Senior Obligations to others at any time and from time to time, and the Administrative Agent and Lenders may divulge to any such participant or potential participant all information, reports, financial statements, and documents obtained in connection with this Agreement, any of the Loan Documents, or otherwise. If any term of this Agreement or any obligation thereunder shall be held to be invalid, illegal, or unenforceable, the remainder of this Agreement and any other application of such term shall not be affected thereby. This Agreement may be executed in duplicate originals or in several counterparts, each of which shall be deemed an original but all of which together shall constitute one instrument, and it shall not be necessary in making proof hereof to produce or account for more than one such duplicate, original, or counterpart. This Agreement shall be binding upon the heirs, personal representatives, successors, and assigns of the Subordinate Lender and shall inure to the benefit of the successors and assigns of the Administrative Agent and Lenders. As used herein, the singular number shall include the plural, the plural the singular, and the use of the masculine, feminine, or neuter gender shall include all genders, as the context may require, and the term "person" shall include an individual, a corporation, an association, a partnership, a trust, and an organization. The paragraph headings of this Agreement are for convenience only and shall not limit or otherwise affect any of the terms hereof. This Agreement shall be governed by and construed in accordance with the laws of the State of North Carolina and shall be deemed to be executed, delivered, and accepted in the State of North Carolina.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the Subordinate Lender has caused this Agreement to be signed, sealed, and delivered on the day and year first written above.

**SUBORDINATE LENDER:**

TIMET FINANCE MANAGEMENT COMPANY,  
a Delaware corporation

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

[ADDITIONAL SIGNATURE PAGES FOLLOW]

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The Borrower and the Guarantors join in the execution of this Agreement so as to signify their acceptance of and agreement and consent to the provisions of this Agreement.

**BORROWER:**

COMPX INTERNATIONAL, INC.,  
a Delaware corporation

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

**GUARANTORS:**

COMPX SECURITY PRODUCTS, INC.

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

COMPX PRECISION SLIDES, INC.

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

COMPX MARINE, INC.

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

CUSTOM MARINE, INC.

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

LIVORSI MARINE, INC.

[CORPORATE SEAL}

By: (SEAL)  
Name:  
Title:

ACCEPTED BY:

**ADMINISTRATIVE AGENT:**

WACHOVIA BANK, NATIONAL ASSOCIATION,  
a national banking association

By:  
Name:  
Title: