AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 6, 1998

REGISTRATION NO. 333-42643

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2

TO
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COMPX INTERNATIONAL INC.
(Exact name of registrant as specified in its charter)

DELAWARE	3499	57-0981653
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

200 OLD MILL ROAD
MAULDIN, SOUTH CAROLINA 29662
(864) 297-6655
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

JOSEPH S. COMPOFELICE

CHIEF EXECUTIVE OFFICER
COMPX INTERNATIONAL INC.
200 OLD MILL ROAD
MAULDIN, SOUTH CAROLINA 29662
(864) 297-6655
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

EDWARD J. HARDIN, ESQ.
ROGERS & HARDIN
2700 INTERNATIONAL TOWER
229 PEACHTREE STREET, N.E.
ATLANTA, GEORGIA 30303
(404) 522-4700

JOHN W. WHITE, ESQ.
CRAVATH, SWAINE & MOORE
WORLDWIDE PLAZA
825 EIGHTH AVENUE
NEW YORK, NEW YORK 10019
(212) 474-1000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement. [ ]

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE
Shares of Class A Common Stock, $.01 par value.....	5,980,000 shares	$20.00	$119,600,000	$35,282

(1) Registration fee calculated on the basis of $295 per $1,000,000 or fraction thereof of the proposed maximum offering price. $31,890 has been paid in previous filings.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

SUBJECT TO COMPLETION, DATED MARCH 6, 1998

PROSPECTUS

5,200,000 SHARES

COMPX INTERNATIONAL INC.
CLASS A COMMON STOCK

All of the shares of Class A Common Stock, par value $.01 per share (the "Class A Common Stock"), being offered hereby (the "Offering") are being sold by CompX International Inc. ("CompX" or the "Company"). A portion of the net proceeds to the Company from the Offering will be used to fully repay certain bank indebtedness which was incurred to satisfy a $50 million note payable to Valcor, Inc., the Company's sole stockholder prior to the Offering. See "Use of Proceeds."

Each share of Class A Common Stock entitles its holder to one vote, and each share of Class B Common Stock, par value $.01 per share (the "Class B Common Stock" and together with the Class A Common Stock, the "Common Stock"), of the Company entitles its holder to one vote on all matters except the election of directors on which each share of Class B Common Stock is entitled to ten votes. All the shares of Class B Common Stock are owned by Valcor, Inc. Immediately after consummation of the Offering (assuming no exercise of the over-allotment option granted to the Underwriters), Valcor will beneficially own shares of Common Stock having approximately 65% of the combined voting power (95% for election of directors) of the outstanding shares of Common Stock.

Prior to the Offering, there has not been a public market for the Class A Common Stock of the Company. The initial public offering price for the Shares of Class A Common Stock included in the Offering has been determined by negotiations between the Company and the Representatives. See "Underwriting" for information relating to the factors considered in determining the initial public offering price. The Class A Common Stock has been approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "CIX."

SEE "RISK FACTORS" BEGINNING ON PAGE 7 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE CLASS A COMMON STOCK.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS(1)	PROCEEDS TO COMPANY(2)
Per Share	$20.00	$1.40	$18.60
Total(3)	$104,000,000	$7,280,000	$96,720,000

(1) For information regarding indemnification of the Underwriters, see "Underwriting."

(2) Before deducting expenses estimated at $500,000 payable by the Company.

(3) The Company has granted to the Underwriters a 30-day option to purchase up to 780,000 additional shares of Class A Common solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $119,600,000, $8,372,000 and $111,228,000, respectively.

The shares of Class A Common Stock are being offered by the several Underwriters named herein, subject to prior sale, when, as and if accepted by them and subject to certain conditions. It is expected that certificates for the shares of Class A Common Stock offered hereby will be available for delivery on or about March 11, 1998, at the office of Smith Barney Inc., 333 West 34th Street, New York, New York 10001.

SALOMON SMITH BARNEY

NATIONSBANC MONTGOMERY SECURITIES LLC

WHEAT FIRST UNION

March 6, 1998

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[FROSTED 7 1/2' X 9' PHOTOGRAPH OF AN OFFICE ENVIRONMENT USED AS A BACKDROP FOR INSETS OF PHOTOGRAPHS OF THE VARIOUS COMPX PRODUCTS USED IN THE OFFICE ENVIRONMENT.]

National Cabinet Lock(R), STOCK LOCKS(R), Waterloo Furniture Components Limited(R), KeSet(R), Fort Lock Corp.(R), Fortronics(R) and Leverlock(R) are registered trademarks of CompX International Inc.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE CLASS A COMMON STOCK, INCLUDING OVERALLOTMENT, ENTERING STABILIZING BIDS, EFFECTING SYNDICATE COVERING TRANSACTIONS AND IMPOSING PENALTY BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

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[TWO PAGE FOLD OUT GRAPHIC ON INSIDE FRONT COVER WITH A BACKGROUND COLLAGE OF ILLUSTRATIONS OF VARIOUS END-USER PRODUCTS AND INSET PHOTOGRAPHS OF THE COMPX PRODUCT USED IN SUCH END-USER PRODUCTS.]

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PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. As used in this Prospectus, unless the context requires otherwise, the terms "Company" and "CompX(TM)" refer to CompX International Inc. and its subsidiaries. Unless otherwise indicated or the context otherwise requires, all share and per-share data in this Prospectus and all other information relating to the Offering (i) assume no exercise of the Underwriters' over-allotment option; (ii) give effect to the amendment to the Company's certificate of incorporation to change the Company's authorized capital stock to Class A Common Stock and Class B Common Stock and preferred stock, par value $.01 per share (the "Preferred Stock"), effected on February 4, 1998; and (iii) give effect to the reclassification of

each outstanding share of the Company's previously outstanding common stock, par value $1 per share, into 10,000 shares of its newly created Class B Common Stock which was also effected on February 4, 1998. The Company's operations are comprised of a 52 or 53 week fiscal year. Each of the years ended December 31, 1993 through 1997 consisted of a 52 week year.

THE COMPANY

CompX(TM) is a leading manufacturer of ergonomic computer support systems, precision ball bearing drawer slides and medium-security mechanical locks for office furniture and a variety of other applications. The Company's products are principally designed for use in medium- to high-end applications, where product design, quality and durability are critical to the Company's customers. CompX(TM) believes that, in the North American market, it is among the largest producers of ergonomic computer support systems for office furniture manufacturers, among the largest producers of precision ball bearing drawer slides and among the largest producers of medium-security cabinet locks. In 1997, CompX(TM) generated net sales of $108.7 million, a 22% increase from 1996. During 1997, ergonomic computer support systems, precision ball bearing drawer slides and medium-security mechanical locks accounted for approximately 34%, 39% and 26% of net sales, respectively.

OFFICE FURNITURE INDUSTRY DYNAMICS

Approximately 75% of the Company's products are sold to the office furniture manufacturing industry while the remainder (principally mechanical locks) are sold for use in other products, such as vending equipment, postal boxes, electromechanical enclosures and other non-office furniture and equipment. The U.S. office furniture market generated wholesale sales of approximately $11 billion in 1997, according to estimates by the Business and Institutional Furniture Manufacturer's Association ("BIFMA"). The dollar value of U.S. office furniture industry shipments has increased in 23 of the past 25 years and, according to BIFMA, is currently estimated to have grown at a compound annual rate of approximately 8.4% over the four year period ended December 31, 1997. BIFMA currently estimates that office furniture sales over the next two years will grow at a compound annual rate of approximately 7%. The rate of growth in this industry ultimately will be affected by certain macroeconomic conditions such as service industry employment levels, corporate cash flow and non-residential construction levels. CompX(TM) management believes that sales of its ergonomic computer support systems are experiencing substantially higher rates of growth than the office furniture industry as a whole.

The Company believes that fundamental shifts in technology, health considerations and work processes in the office workplace provide new growth opportunities in the office furniture industry. Increased use of technology has caused businesses to redesign their workspaces with greater emphasis on the space efficient integration of computers and other office technologies into the office workplace as well as the protection of computing equipment from damage and theft. Additionally, increased regulatory sensitivity to ergonomic concerns and heightened focus on the risks of repetitive stress injury have also influenced redesign of the office workplace. In 1996, California became the first state to adopt legislation relating to ergonomics in the workplace. Such legislation should have a direct effect on the demand for ergonomically designed office furniture products, which allow workers to adjust and re-arrange the orientation of office equipment and

supplies for greater comfort and productivity. Businesses increasingly are seeking changes in work processes to achieve more efficient workspace utilization, resulting in the creation of new office furniture designs that embrace office sharing concepts such as office "hoteling" and open office designs. The Company's products target manufacturers of new furniture designed to address these industry dynamics as well as customers that specialize in

retrofitting existing office furniture.

COMPETITIVE STRENGTHS

CompX(TM) believes that it is well positioned to realize continued growth in market share in its existing markets and to build on its strengths to expand into related product lines and markets.

Industry brand recognition and management experience. The Company's business traces its roots to 1903 when it began manufacturing cabinet locks. The Company is a supplier to major original equipment manufacturers ("OEMs") and believes its brand names are well recognized in the industry. CompX(TM) currently markets its drawer slides and ergonomic computer support systems under the Waterloo Furniture Components Limited(R) name and markets its medium-security locks under the National Cabinet Lock(R) name. The top seven executive management personnel have over 100 years of combined industry experience.

Emphasis on customer collaboration. CompX(TM) has been a leader in collaborating with customers to develop innovative customized solutions to their unique needs for product design, application, performance and cost. An important ingredient to this approach is the Company's full-time engineering staff of 25 and approximately $3 million in annual expenditures for product design, development and engineering. Management believes that the Company's responsiveness and commitment to work with customers has been critical to its success to date.

Efficient manufacturing base. CompX(TM) has established highly automated manufacturing systems and uses statistical process control techniques to achieve its demanding quality standards. The Company designs and custom modifies certain of the high-volume equipment it uses to improve the manufacturing and assembly of its products, and has invested substantial capital in manufacturing automation and vertical integration. The Company believes that these initiatives reduce the Company's costs and improve product quality, productivity and delivery response time.

Integrated information systems. The Company regularly invests in its information systems to reduce inventories, improve the efficiency of its manufacturing processes and reduce customer order fulfillment times. With recently installed systems upgrades both in Canada and the United States, CompX(TM) has fully integrated all stages of manufacturing process information and order fulfillment. These investments have allowed the Company to continually reduce order fulfillment times and increase the use of just-in-time supplier relationships.

Breadth of product line. CompX(TM) has a broad product line in its core product areas, which allows the Company to serve an increasing proportion of its customers' requirements. This provides several benefits to the Company, including the simplified logistics and reduced cost of shipping higher volumes of product to its customers, closer working relationships with its key customers and increased cross-selling opportunities.

GROWTH STRATEGY

The Company focuses on certain niche segments of the middle to high end of the office furniture market. To achieve its targeted growth rates, CompX(TM) intends to pursue several growth initiatives:

Continue to create innovative products. The Company intends to continue its focus on engineering and customer collaboration to develop and sell customized versions of its core product line and to develop new versions of existing product lines to meet the changing requirements of office furniture manufacturers. The Company will attempt to increase its share of the total OEM market for components such as electronic locking systems, a service workplace safety-oriented "Cushion-Close(TM)" drawer slide and a locking laptop computer drawer. CompX(TM) will also consider expanding its product line to include other furniture components with similar attributes such as one or more of the components used in the rapidly growing seating industry.

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Extend into non-furniture applications. The Company's precision ball bearing drawer slide products increasingly are designed for and used in applications other than traditional office furniture. For example, the Company has designed and currently sells precision ball bearing drawer slides to facilitate the movement of component parts in imaging machines, for professional tool storage cabinets and other uses. CompX(TM) will continue to explore alternative applications for its products based on core product design and manufacturing strengths.

Continue to make strategic acquisitions. In addition to internal growth, the Company intends to grow through selective acquisitions. The markets in which the Company competes have a large number of relatively small regional manufacturers and consequently offer potential consolidation opportunities. The Company seeks acquisitions that complement its existing products, manufacturing/design skills or customer base. The Company historically has been able to benefit from acquisitions through economies of scale in purchasing, manufacturing, marketing and distribution and through the application of the Company's manufacturing and management skills.

On March 3, 1998, the Company completed the purchase of all of the outstanding stock of Fort Lock Corporation, the net assets of Fortronics, Inc., an affiliate of Fort Lock Corporation by common ownership (collectively the "Fort Lock Group") and Fort Lock Group's manufacturing facility. The Fort Lock Group is a vertically integrated manufacturer of highly engineered mechanical locks for a diverse customer base of original equipment manufacturers and locksmith distributors. See "Recent Developments."

Promote alternative distribution programs. While office furniture OEMs are expected to remain the Company's primary customers, CompX(TM) also intends to explore new distribution arrangements for the Company's products. The Company's innovative STOCK LOCKS(R) distribution program, for example, offers a broad range of products that generally ship within 48 hours of order placement to customers that purchase the Company's locks in small quantities. Currently, approximately 30% of the Company's lock sales are made through this program. In 1992, the Company began to implement similar alternative distribution programs for its ergonomic computer support systems and precision ball bearing drawer slides to allow the Company to reach an expanded range of customers of these products on an economically attractive basis. Since their addition to the Company's distributor product line in 1992, sales of these products to the distributor market have increased and now represent approximately 10% of combined ergonomic computer support systems and precision ball bearing drawer slide net sales to the United States.

Expand into international markets. While CompX(TM) has historically focused on marketing its products in North America, the Company has a small but growing presence in international markets. The Company believes that there is significant potential demand for its quality, precision products in overseas markets, and intends to increase its international presence, particularly in Asia, Europe and Latin America, via expanded distributor relationships and, potentially, joint venture arrangements.

SECURITY OWNERSHIP

The Company is a wholly-owned subsidiary of Valcor, a wholly-owned subsidiary of Valhi, Inc., a publicly traded company. Contran Corporation owns, directly and through subsidiaries (Valhi Group, Inc.; National City Lines, Inc.;

NOA, Inc.; Dixie Rice Agricultural Corporation, Inc.; Dixie Holding Company and Southwest Louisiana Land Company, Inc.), approximately 93% of the outstanding stock of Valhi. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is the sole trustee. Mr. Simmons, the Chairman of the Board and Chief Executive Officer of each of the foregoing companies, may be deemed to control each of such companies and the Company. See "Security Ownership in the Company and its Affiliates."

RECENT DEVELOPMENTS

On December 12, 1997, the Company paid a $50 million dividend to Valcor in the form of a demand note payable (the "Valcor Note"). The Note was unsecured and bore interest at a fixed rate of 6% per annum.

On February 26, 1998, the Company entered into a new $100 million revolving bank credit facility (the "Revolving Senior Credit Facility"). The Revolving Senior Credit Facility is an unsecured five-year revolving facility. Borrowings are available for the Company's general corporate purposes, including potential acquisitions. On February 26, 1998, the Company utilized borrowings under the Revolving Senior Credit Facility to fully repay the Valcor Note. Such borrowings under the Revolving Senior Credit Facility are expected to be repaid with approximately $75 million of the net proceeds of the Offering.

On March 3, 1998, the Company completed the acquisition of the Fort Lock Group and its manufacturing facility for an aggregate purchase price of approximately $32.9 million (the "Fort Lock Acquisition"). The Fort Lock Group, a vertically integrated manufacturer of highly engineered mechanical locks for a diverse customer base of original equipment manufacturers and locksmith distributors, is headquartered in River Grove, Illinois. The Fort Lock Group has over 40 years experience supplying cam locks, switch locks and special purpose locks to a wide variety of industries which include personal computing, automotive products, security devices, office furniture, lockers, safes and coin operated devices. Fortronics, Inc. designs, manufactures and distributes electronic locking systems to customers throughout the United States. Similar to CompX(TM), the Fort Lock Group emphasizes customized engineering capabilities that permit collaboration with customers to develop innovative products designed to specifically address unique end product application requirements. The Company believes that the acquisition of the Fort Lock Group will enhance the Company's product offerings and provide synergies through the combined technical resources of both Companies. For its most recent fiscal year ended June 28, 1997, the Fort Lock Group reported net sales of approximately $26.8 million and net income of approximately $2.4 million. See historical consolidated combined financial statements of the Fort Lock Group presented elsewhere in this Prospectus.

The aggregate purchase price is subject to possible reduction pending the completion of a post closing audit and the outcome of certain contingencies for which the Company has been indemnified by the sellers. Funding of the Fort Lock Acquisition was provided by available cash on hand and borrowings under the Revolving Senior Credit Facility, which borrowings are expected to be repaid with a portion of the net proceeds of the Offering.

THE OFFERING

Class A Common Stock offered.....	5,200,000 shares
Common Stock to be outstanding after the Offering: (a)	
Class A Common Stock.....	5,364,880 shares
Class B Common Stock.....	10,000,000 shares
Total.....	15,364,880 shares
Use of Proceeds.....	Approximately $75 million of the net proceeds of the Offering will be used to repay borrowings incurred under the Revolving Senior Credit Facility to repay the Valcor Note and to consummate the Fort Lock Acquisition. The remainder will be available for the Company's general purposes.
Voting Rights.....	The Class A Common Stock and Class B Common Stock vote as a single class on all matters, except as otherwise required by law, with each share of Common Stock entitling its holder to one vote on all matters except the election of directors where each share of Class B Common Stock entitles its holder to ten votes. All of the shares of Class B Common Stock are owned by Valcor. Immediately after completion of the Offering, Valcor will beneficially own shares of Common Stock having approximately 65% of the combined voting power (95% for director elections) of the outstanding shares of Common Stock (approximately 62%, and 94%, respectively, if the Underwriters' over-allotment option is exercised in full).
Economic Interest.....	The shares of Class B Common Stock will represent approximately 65% of the economic interest in the Company (approximately 62% if the Underwriters' over-allotment option is exercised in full).
NYSE Symbol.....	CIX

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(a) Includes an aggregate of 164,880 shares of Class A Common Stock to be issued to certain executives and directors of the Company upon completion of the Offering (the Management Shares, as defined herein) and excludes approximately 1.3 million additional shares reserved for issuance under the Incentive Plan (as defined herein), including 440,000 shares of Class A Common Stock issuable upon the exercise of stock options which will be granted upon completion of the Offering to certain employees and directors

of the Company and Valhi at an exercise price equal to the initial public offering price. See "Management -- Incentive Compensation Plan."

RISK FACTORS

See "Risk Factors" beginning on page 7 for a discussion of certain factors that should be considered by prospective purchasers of the Class A Common Stock.

SUMMARY FINANCIAL INFORMATION

The summary historical financial data as of December 31, 1993 through 1997 and for each of the years in the five-year period ended December 31, 1997 have been derived from audited Consolidated Financial Statements of the Company. The following summary financial and other information should be read in conjunction with "Capitalization," "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Historical Consolidated Financial Statements and the Unaudited Pro Forma Condensed Consolidated Financial Statements of the Company appearing elsewhere in this Prospectus.

The Company's operations are comprised of a 52 or 53 week fiscal year. Each of the years ended December 31, 1993 through 1997 consisted of a 52 week year.

	YEARS ENDED DECEMBER 31,					PRO FORMA(b)
	1993	1994	1995	1996	1997	1997
	($ IN MILLIONS, EXCEPT PER SHARE DATA)					
INCOME STATEMENT DATA						
Net sales	$64.4	$70.0	$80.2	$88.7	$108.7	$137.9
Operating income	17.5	20.9	19.9	22.1	28.3	28.2
Income before income taxes	17.5	20.7	19.9	22.1	27.7	27.7
Income taxes	8.0	8.8	7.8	9.1	11.0	11.5
Minority interest in losses	--	--	--	--	--	.1
Net income	$ 9.5	$11.9	$12.1	$13.0	$ 16.7	$ 16.3
Net income per common share						$ 1.11
OTHER DATA						
Operating income margin	27%	30%	25%	25%	26%	20%
Cash flows from:						
Operating activities	$12.4	$ 9.7	$12.8	$10.4	$ 23.0	
Investing activities	(2.6)	(3.1)	(7.9)	(2.0)	(5.5)	
Financing activities	(4.6)	(4.4)	(6.3)	(6.3)	(5.9)	
Total	$ 5.2	$ 2.2	$(1.4)	$ 2.1	$ 11.6	
EBITDA(a)	$19.2	$22.5	$22.1	$24.6	$ 31.2	$ 33.1
Depreciation and amortization	1.6	1.7	2.2	2.5	2.8	4.9
Capital expenditures(c)	2.7	3.4	2.0	2.3	5.5	
Dividends on common shares(d)	4.4	4.6	6.0	6.2	6.1	

	DECEMBER 31, 1997

	ACTUAL	PRO FORMA(b)
	(IN MILLIONS)	
BALANCE SHEET DATA		
Cash and other current assets	$45.4	$ 65.2
Total assets	63.8	115.9
Current liabilities	64.4	17.3
Long-term debt, including current maturities	50.4	.8
Stockholders' equity (deficit)	(1.2)	96.3

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(a) EBITDA as presented represents operating income plus depreciation and amortization. EBITDA is presented because the Company believes it is a widely accepted financial indicator of a company's ability to incur and service debt, although the Company's calculation of EBITDA may differ from and therefore not be comparable to other companies' presentation of EBITDA. However, EBITDA should not be considered by an investor as an alternative to (i) operating income or net income as an indicator of a company's operating performance or (ii) cash flows from operating activities as a measure of a company's liquidity. Trends in EBITDA are generally consistent with trends in the Company's operating income. Pro forma EBITDA and depreciation and amortization for 1997 is presented to assist investors in an analysis of the Fort Lock Acquisition.

(b) Gives pro forma effect to (i) the Fort Lock Acquisition, (ii) repayment of the Valcor Note utilizing borrowings under the Revolving Senior Credit Facility, (iii) issuance of the Management Shares and (iv) the Offering and the application of the net proceeds therefrom. See "Pro Forma Condensed Consolidated Financial Statements."

(c) Assuming the Fort Lock Acquisition occurred January 1, 1997, capital expenditures on a pro forma basis are $7.8 million in 1997.

(d) The Company does not intend initially to declare and pay regular quarterly cash dividends following completion of the Offering. See "Dividend Policy." In addition, the Company's ability to pay future dividends is expected to be restricted by certain covenants contained in the Revolving Senior Credit Facility.

RISK FACTORS

Before making an investment decision, prospective purchasers of the Class A Common Stock offered hereby should consider carefully the following information, together with the other information set forth in this Prospectus.

Highly Competitive Industry. Each of the markets served by the Company is highly competitive, with a number of competitors offering similar products. The Company focuses its efforts on the middle- and high-end segment of the market, where product design, quality and durability are the primary competitive factors. Certain competitors have innovative proprietary products with strong acceptance in the marketplace. Future development of product designs that compete with the Company's proprietary products could give them a competitive advantage over the Company. The Company also faces significant price competition from its competitors and may encounter competition from new market entrants. In addition, certain of the Company's customers have significantly greater resources than the Company and there can be no assurance that these customers will not explore vertical integration opportunities to manufacture components that are currently purchased from the Company. There can be no assurance that the Company will be able to compete successfully in its markets in the future. See "Business -- Competition."

Risk of Customer Consolidation. The office furniture industry is very competitive and this environment has recently led to certain consolidation opportunities. Any such consolidation could result in the combination of one of the Company's customers with a customer of a competitor of the Company. Such a consolidation could result in changes in product purchasing or sourcing decisions or price erosion due to purchasing economies of scale and could result in the loss of all or a portion of current sales volumes to a customer, which could have a material adverse effect on the Company's financial condition and results of operations. There can be no assurance in such circumstances that any such lost sales that might occur as a result of industry consolidation could be replaced with sales to new customers.

Economic Factors Affecting the Company's Business. The future growth, if any, of the office furniture industry will be affected by a variety of macroeconomic factors, such as service industry employment levels, corporate cash flows and non-residential commercial construction, as well as industry factors such as corporate reengineering and restructuring, technology demands, ergonomic, health and safety concerns and corporate relocations. There can be no assurance that current or future economic or industry trends will not materially adversely affect the business of the Company. See "Business -- Industry Overview."

Risks Associated with Achieving and Managing Growth. Historically the Company's ability to provide value-added custom engineered products that address requirements of technology and space utilization has been a key element of the Company's success. The introduction of new products by the Company requires the coordination of the design, manufacturing and marketing of such products with office furniture OEMs. The ability to implement such coordination may be affected by factors beyond the Company's control. While the Company will continue to emphasize the introduction of innovative new products that target customer-specific opportunities, there can be no assurance that any new products introduced by the Company will achieve the same degree of success as that achieved by the Company's existing products.

Introduction of new products typically requires the Company to increase production volume on a timely basis while maintaining product quality. Manufacturers often encounter difficulties in increasing production volumes, including delays, quality control problems and shortages of qualified personnel. As it attempts to introduce new products in the future, there can be no assurance that the Company will be able to increase production volume without encountering these or other problems, which might, individually or in the aggregate, have a material adverse effect on the Company's financial condition or results of operations.

The Company also intends to pursue a growth strategy through acquisitions and internal development. The Company's ability to successfully grow through acquisitions will depend on many factors, including, among others, the Company's ability to identify suitable growth opportunities and to successfully integrate acquired businesses. There can be no assurance that the Company will anticipate all of the changing demands that expanding operations will impose on its management and management information systems. Any failure

by the Company to adapt its systems and procedures to those changing demands could have a material adverse effect on the Company's results of operations and financial condition.

Reliance on Key Personnel. The Company believes that the breadth of industry experience of key management individuals is integral to the Company's success in understanding and serving its customers' needs. The top seven executive management personnel have over 100 years of combined industry experience. The loss of one or more of these key personnel could, among other things, have an adverse effect upon the ability of the Company to develop and market new products and to maintain customer relationships.

Reliance on Patents and Other Intellectual Property. The Company owns a number of United States and foreign patents, trademarks and service marks in order to protect certain of its innovations and designs. In addition, the Company is a licensee of certain technology and possesses certain unpatented proprietary know-how and manufacturing techniques that are important to maintaining consistent quality. There can be no assurance that any patents, trademarks or service marks issued or licensed to the Company will not be challenged, invalidated, canceled, narrowed or circumvented, or that the rights granted thereunder will provide significant proprietary protection or competitive advantages to the Company.

The Company continually focuses its efforts on product innovation and design improvements that enhance existing products and stimulate development of new products. The Company's approach to custom engineered solutions may subject the Company to claims of patent infringement by competitors. There can be no assurance that any future successful assertion of patent infringement claims will not result in material legal, royalty or other costs to the Company.

Risk of Environmental Liabilities. The operations of the Company are subject to extensive and changing federal, state, local and foreign environmental laws and regulations, including those relating to the use, storage, handling, generation, transportation, treatment, emission, discharge, disposal and remediation of, and exposure to, hazardous and non-hazardous substances, materials and wastes. The nature of the Company's operations exposes the Company to the risk of liabilities, claims and pollution control requirements for a wide variety of environmental matters, including on-site and off-site releases and emissions of hazardous substances, materials and wastes. There can be no assurance that environmental matters will not have a material adverse effect on the Company's business, results of operations or financial condition. See "Business -- Environmental Matters."

Exchange Rate Fluctuation. The Company has significant operations in Canada. During 1997, about three-fourths of the Company's total net sales were generated by its Canadian operations, of which about 60% are denominated in U.S. dollars with the remainder denominated in various foreign currencies, principally the Canadian dollar. Substantially all of the operating expenses related to the Company's Canadian operations are incurred in Canadian dollars. As a result, fluctuations in the value of the U.S. dollar relative to the Canadian dollar can impact the Company's reported operating results. There can be no assurance that any future exchange rate fluctuations would not materially adversely impact the Company's future operating results.

Fluctuations in Quarterly Operating Results. The Company's quarterly operating results may fluctuate due to factors such as the timing of new product announcements and introductions by the Company, its major customers or its competitors, delays in new product introductions by the Company, market acceptance of new or enhanced versions of the Company's products, changes in the product or customer mix of sales, changes in the level of operating expenses, competitive pricing pressures, the gain or loss of significant customers, increased research and development and sales and marketing expenses associated with new product introductions, and general economic conditions. All the above factors are difficult for the Company to forecast, and these or other factors can materially adversely affect the Company's business, financial condition and results of operations for one quarter or a series of quarters.

Control by Principal Stockholder; Anti-takeover Effects. The holders of Common Stock are entitled to one vote per share on all matters except the election of directors, on which the holders of Class B Common Stock are entitled to ten votes per share. Holders of Class A Common Stock are generally entitled to vote with holders of the Class B Common Stock as one class on all matters as to which the stockholders of the Company are entitled to vote. Immediately after consummation of the Offering, Valcor, an indirect subsidiary of

Contran, will own all the outstanding 10,000,000 shares of Class B Common Stock, which will represent approximately 65% of the combined voting power (95% for the election of directors) of the outstanding shares of Common Stock (approximately 62% and 94%, respectively, if the over-allotment option is exercised in full). Transfer of the shares of Class B Common Stock owned by any member of the Contran Corporation Control Group (as hereafter defined), except for transfers between members of the Contran Corporation Control Group or transfers made in connection with a Tax-Free Spin-Off (as hereinafter defined) will result in the automatic conversion of such shares of Class B Common Stock into shares of Class A Common Stock. See "Description of Capital Stock -- Common Stock."

All of Valcor's common stock is owned by Valhi. Approximately 93% of Valhi's common stock is beneficially owned, directly or indirectly, by Contran. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain of Mr. Harold Simmons' children and grandchildren. As sole trustee of these trusts, Mr. Harold Simmons has the power to vote and direct the disposition of the shares of Contran stock held by the trusts even though Mr. Harold Simmons disclaims beneficial ownership thereof. As trustee, Mr. Harold Simmons has the power to elect the majority of the directors of Contran and effectively control the Board of Directors of the Company and all stockholders' decisions of the Company, and in general, determine (without the consent of the Company's other stockholders) the outcome of any corporate transaction or other matter submitted to the stockholders for approval, including mergers, consolidations and the sale of all or substantially all of the Company's assets. In addition, Mr. Harold Simmons has the power to prevent or cause a change in control of the Company. See "Description of Capital Stock," "Security Ownership in the Company and its Affiliates," and "Certain Relationships and Related Transactions."

In addition, the Company's Certificate of Incorporation currently authorizes the issuance of 1,000 shares of Preferred Stock. The Board of Directors has the power to issue any or all of these additional shares without stockholder approval, and such shares can be issued with such rights, preferences and limitations as may be determined by the Board. The rights of the holders of Class A Common Stock will be subject to, and may be adversely affected by, the rights of any holders of Preferred Stock that may be issued in the future. The Company presently has no commitments or contracts to issue any shares of Preferred Stock. Authorized and unissued Preferred Stock could delay, discourage, hinder or preclude an unsolicited acquisition of the Company, could make it less likely that stockholders receive a premium for their shares as a result of any such attempt and could adversely affect the market price of and the voting and other rights of the holders of outstanding shares of Common Stock.

Absence of Dividends. The Company does not anticipate paying any cash dividends on the Class A or Class B Common Stock in the foreseeable future. See "Dividend Policy."

Restrictions Imposed by Terms of the Company's Indebtedness. The terms of the Revolving Senior Credit Facility impose operating and financial restrictions on the Company. As a result, the ability of the Company to respond to changing business and economic conditions and to secure additional financing, if needed, may be significantly restricted, and the Company may be prevented from engaging in transactions that might further its growth strategy or otherwise be considered beneficial to the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

Effect of No Prior Public Trading Market. Prior to the Offering, there has been no public trading market for the Class A Common Stock. The public offering price for the Class A Common Stock has been determined by negotiations between

the Company and the Underwriters based upon several factors and does not necessarily bear any relationship to the Company's assets, book value, results of operations or net worth or any other generally accepted criteria of value, and should not be considered as indicative of the actual value of the Company. Therefore, the market price of the Class A Common Stock may fall below the public offering price of the Class A Common Stock at any time following the Offering. See "Underwriting."

Although the Company's Class A Common Stock has been approved for listing on the NYSE, there can be no assurance that an active trading market will develop. To the extent an active trading market does develop, factors such as quarterly variations in the Company's financial results, public announcements by the

Company or others, general market conditions or certain regulatory pronouncements may cause the market price of the Class A Common Stock to fluctuate substantially.

Effect of Sales of Substantial Amounts of Common Stock. Immediately after consummation of the Offerings, Valcor will beneficially own all the outstanding 10,000,000 shares of Class B Common Stock, which will represent approximately 65% of the combined voting power (95% for election of directors) of the outstanding shares of Common Stock (approximately 62% and 94%, respectively, if the Underwriters' over-allotment option is exercised in full). Subject to applicable law and the terms of the Class B Common Stock, Valcor could sell all or some of the shares of Class B Common Stock owned by it from time to time for any reason. The Company cannot predict the effect, if any, that future sales of outstanding Common Stock or the availability of Common Stock for sale will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock in the public market following the Offering, or the perception that such sales could occur, could adversely affect prevailing market prices of the Class A Common Stock.

Each of the Company, Valcor, and executive officers and directors thereof has agreed that, for a period of 180 days following the date of this Prospectus, it will not issue or sell any shares of Class A Common Stock or securities convertible into or exercisable for such stock, held by it now or in the future without the prior written consent of the Underwriters. See "Shares Eligible for Future Sale" and "Security Ownership in the Company and its Affiliates."

Forward-looking Statements. This Prospectus includes forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995 (the "Reform Act")). The "safe-harbor" protections of the Reform Act are not available to initial public offerings, including this Offering. These forward looking statements include, but are not limited to, statements regarding, among other items, (i) the Company's anticipated growth strategies, (ii) the Company's intention to introduce new products, (iii) anticipated trends in the Company's businesses, including trends in the market for office furniture and corporate concerns for worker health and safety, (iv) future expenditures for capital projects and (v) the Company's ability to continue to control costs and maintain quality. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. Actual results could differ materially from these forward-looking statements as a result of many factors, including, but not limited to, the factors described in "Prospectus Summary," "Risk Factors" and "Business" including, among other things, (i) changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors, and (ii) changes in market trends for office furniture, including changes in service industry employment. Other

factors that materially affect actual results include, among others, the following: general economic and business conditions; industry capacity; changes in customer preferences; demographic changes; competition; changes in methods of marketing and in technology; changes in political, social and economic conditions; regulatory factors and various other factors beyond the Company's control. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Prospectus will in fact transpire.

Recent Acquisition. On March 3, 1998, the Company completed the acquisition of the Fort Lock Group and its manufacturing facility. See "Recent Developments". There can be no assurance that the operations of Fort Lock Group can be successfully integrated into the Company's current business.

Dilution Incurred by Investors. The per share price to the public of the Class A Common Stock is substantially higher than the net tangible book value per share of the Common Stock at December 31, 1997. Accordingly, at such date, investors purchasing the Class A Common Stock offered hereby would have incurred immediate, substantial dilution in the amount of $13.73 per share, after giving pro forma effect to issuance of the Management Shares. Giving additional pro forma effect to the Fort Lock Acquisition results in additional dilution to investors purchasing the Class A Common Stock offered hereby of $1.42 per share.

USE OF PROCEEDS

The net proceeds to the Company from the Offering will be approximately $96.2 million. The Company will utilize approximately $75 million of the net proceeds to repay the outstanding balance under the Revolving Senior Credit Facility. Of the $75 million outstanding balance under the Revolving Senior Credit Facility, approximately $50 million was borrowed to repay the Valcor Note which was paid as a dividend to Valcor in December of 1997. The balance of the outstanding amount under the Revolving Senior Credit Facility was used to complete the Fort Lock Acquisition. The Revolving Senior Credit Facility is an unsecured five year revolving facility bearing interest at LIBOR plus 30 to 102.5 basis points, depending upon certain financial covenant ratios.

The remaining net proceeds of the Offering, together with the borrowing availability under the Revolving Senior Credit Facility, will be available for the Company's general corporate purposes.

NationsBank, N.A., an affiliate of NationsBanc Montgomery Securities LLC, and First Union National Bank, an affiliate of Wheat First Securities, Inc., will receive repayment of amounts outstanding under the Revolving Credit Facility from the net proceeds of the Offering that are, in the aggregate, more than 10% of the net proceeds of the Offering. See "Underwriting."

DIVIDEND POLICY

As a subsidiary of Valcor, the Company has historically been managed with a focus on generating cash flow to pay dividends to Valcor. After the Offering, the Company intends to seek to maximize stockholder value through growth. As a

result, following the Offering, the Company does not intend initially to declare and pay regular quarterly cash dividends but intends, instead, to utilize available cash to fund additional acquisition and expansion opportunities. Determinations to pay cash dividends in the future will be made at the discretion of the Board of Directors, and any payment of dividends in the future will depend upon the Company's results of operations, earnings, capital requirements and contractual restrictions and upon other factors deemed relevant by the Company's Board of Directors. The Company's ability to pay future dividends is restricted by certain covenants contained in the Revolving Senior Credit Facility. See "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," "Description of Capital Stock" and the Historical Consolidated Financial Statements included in this Prospectus.

The Company paid dividends to Valcor aggregating $4.4 million in 1993, $4.6 million in 1994, $6.0 million in 1995, $6.2 million in 1996, $6.1 million in 1997 and $1.8 million in February 1998. In addition, on December 12, 1997, the Company paid a $50 million dividend to Valcor in the form of the Valcor Note. The Company utilized borrowings under the Revolving Senior Credit Facility to repay the Valcor Note. Approximately $75 million of the proceeds of the Offering will be used to repay outstanding borrowings under the Revolving Senior Credit Facility. See "Use of Proceeds."

CAPITALIZATION

The following table sets forth as of December 31, 1997 (i) the historical consolidated capitalization of the Company and (ii) as adjusted to reflect (w) repayment of the Valcor Note from borrowings under the Revolving Senior Credit Facility, (x) issuance of the Management Shares, (y) the Offering with net proceeds to the Company of $96.2 million and the application of such net proceeds and (z) the Fort Lock Acquisition. See "Use of Proceeds" and "Pro Forma Condensed Consolidated Financial Statements."

	ACTUAL	AS ADJUSTED
	($ IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	
Long-term debt:		
Revolving Senior Credit Facility(a)	$ --	$ --
Demand note payable to Valcor	50.0	--
Other	.4	.8
Total long-term debt, including current maturities	50.4	.8
Less current maturities	50.1	.2
Total long-term debt	.3	.6
Stockholders' equity (deficit):		
Preferred stock, $.01 par value; 1,000 shares authorized, none issued	--	--
Class A Common Stock, $.01 par value; 20,000,000 shares		

authorized; 5,364,880 shares issued and outstanding(b)	--	.1
Class B Common Stock, $.01 par value; 10,000,000 shares authorized, issued and outstanding	.1	.1
Additional paid in capital	4.4	103.8
Retained earnings (deficit)	(4.6)	(6.6)
Currency translation adjustment	(1.1)	(1.1)
Total stockholders' equity (deficit)	(1.2)	96.3
Total capitalization	$ (.9)	$96.9

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(a) On February 26, 1998, the Company entered into a new $100 million Revolving Senior Credit Facility. See "Recent Developments." As adjusted, the Company would have $100 million of borrowing availability under this facility.

(b) Excludes approximately 1.3 million shares reserved for issuance under the Incentive Plan (as defined herein), including 440,000 shares of Class A Common Stock issuable upon the exercise of stock options which will be granted upon the completion of the Offering to certain employees and directors of the Company and Valhi at an exercise price equal to the initial public offering price of the Class A Common Stock, and includes the Management Shares. See "Management -- Incentive Compensation Plan."

DILUTION

Dilution is the amount by which the initial public offering price per share paid by the purchasers of shares of Class A Common Stock in the Offering exceeds the net tangible book value per share of Common Stock after the Offering. The net tangible book value per share of Common Stock is determined by subtracting the book value of total liabilities and intangible assets (consisting of deferred costs) of the Company from the total book value of the total assets of the Company and dividing the difference by the number of shares of Common Stock outstanding on the date as of which such book value is determined.

The adjusted net tangible book value of the Company at December 31, 1997 was a deficit of approximately $1.2 million, or $(.12) per share of Common Stock. After giving effect to (y) the sale of shares of Class A Common Stock by the Company in the Offering and the application of the estimated net proceeds therefrom and (z) issuance of the Management Shares, the net tangible book value of the Company as of December 31, 1997 would have been $96.3 million, or $6.27 per share. This represents an immediate increase in net adjusted tangible book value of $6.39 per share to the holder of Class B Common Stock and an immediate dilution in net tangible book value of $13.73 per share to purchasers of Class A Common Stock in the Offering, as illustrated in the following table:

Assumed public offering price per share	$20.00
Adjusted net tangible book value per share at December 31, 1997	$(.12)

Increase per share attributable to new investors.....	6.39	
Pro forma net tangible book value per share.....		6.27
Net tangible book value dilution per share to new investors.....		$13.73

If the over-allotment option is exercised in full, the pro forma net tangible book value per share of Class A Common Stock after giving effect to the transaction described above would be $6.86 per share, the increase in the net tangible book value per share would be $6.98 and the dilution to persons who purchase shares of Class A Common Stock in the Offering would be $13.14 per share.

In addition, after giving pro forma effect to the Fort Lock Acquisition, the net tangible book value per share of Class A Common Stock, the increase in the net tangible book value per share as a result of this Offering to holders of Class B Common Stock and the dilution per share to purchasers of Class A Common Stock in the Offering would be $4.85, $4.97 and $15.15, respectively ($5.51, $5.63 and $14.49, respectively, if the over-allotment option is exercised in full).

COMPX INTERNATIONAL INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma condensed consolidated financial statements set forth the Company's pro forma condensed consolidated balance sheet as of December 31, 1997, and the pro forma condensed consolidated statement of income for the year ended December 31, 1997. These pro forma financial statements are presented to illustrate the effect of certain adjustments to the Company's Historical Consolidated Financial Statements included in this Prospectus and reflect (i) repayment of a $50 million demand note payable to Valcor utilizing borrowings under the Revolving Senior Credit Facility, (ii) the Offering and repayment of the Revolving Senior Credit Facility (iii) issuance of the Management Shares and (iv) the Fort Lock Acquisition, as if such transactions had occurred on December 31, 1997 for purposes of the unaudited pro forma condensed consolidated balance sheet and on January 1, 1997 for purposes of the unaudited pro forma condensed consolidated income statements. The Fort Lock Acquisition will be accounted for by the purchase method of accounting and consolidated in the Company's historical financial statements effective the date of consummation.

The accompanying unaudited pro forma condensed consolidated financial statements should be read in conjunction with the Company's and the Fort Lock Group's historical consolidated financial statements and notes thereto included elsewhere in the Prospectus. The pro forma condensed consolidated financial statements are presented for information purposes only and do not purport to be indicative of actual results had the transactions reflected therein occurred at the dates indicated, nor do they purport to represent results of future operations of the Company.

COMPX INTERNATIONAL INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1997
(UNAUDITED)
(IN MILLIONS)

ASSETS

	HISTORICAL		PRO FORMA ADJUSTMENTS				
			SENIOR CREDIT FACILITY, STOCK OFFERING AND MANAGEMENT SHARES		FORT LOCK ACQUISITION		
	COMPX	FORT LOCK GROUP	NOTE 1	ADJUSTMENTS	NOTE 1	ADJUSTMENTS	PRO FORMA
Current assets:							
Cash and cash equivalents	$19.2	$ .1	(b)	$ 46.2	(d)	$(30.7)	
					(e)	(2.4)	$ 32.4
Accounts receivable	14.6	2.3		--		--	16.9
Inventories	11.1	4.0		--		--	15.1
Deferred income taxes	.4	.2		--		--	.6
Other current assets	.1	.1		--		--	.2
Total current assets	45.4	6.7		46.2		(33.1)	65.2
Goodwill	--	--		--	(f)	21.8	21.8
Other assets	.2	.2		--		--	.4
Property and equipment, net	18.2	5.4		--	(e)	2.4	
					(f)	2.5	28.5
	$63.8	$12.3		$ 46.2		$ (6.4)	$115.9
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current liabilities:							
Demand note payable to Valcor	$50.0	$ --	(a)	$(50.0)		$ --	$ --
Notes payable and current maturities of long-term debt	.1	1.5		--	(f)	(1.4)	.2
Accounts payable and accrued liabilities	11.7	4.1	(c)	(1.3)		--	14.5
Income taxes	2.6	--		--		--	2.6
	64.4	5.6		(51.3)		(1.4)	17.3
Noncurrent liabilities:							
Long-term debt	.3	1.4	(a)	50.0			
			(b)	(50.0)	(f)	(1.1)	.6
Deferred income taxes	.1	.2			(f)	1.0	1.3
Other	.2	--		--		--	.2
	.6	1.6		--		(.1)	2.1
Minority interest	--	.2		--		--	.2
Stockholders' equity (deficit)	(1.2)	4.9	(b)	96.2			
			(c)	1.3	(f)	(4.9)	96.3
	$63.8	$12.3		$ 46.2		$ (6.4)	$115.9

COMPX INTERNATIONAL INC.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(UNAUDITED)

NOTE 1 -- PRO FORMA ADJUSTMENTS:

Pro forma adjustments described below reflect (i) repayment of a $50 million demand note payable to Valcor utilizing borrowings under the Revolving Senior Credit Facility, (ii) the Offering and repayment of the Revolving Senior Credit Facility, (iii) issuance of the Management Shares and (iv) the Fort Lock Acquisition, as if such transactions had occurred on December 31, 1997. These transactions are more fully described elsewhere in this Prospectus.

Senior Credit Facility and Stock Offering:

(a) Repayment of the demand note payable to Valcor from borrowings pursuant to the Revolving Senior Credit Facility.

	AMOUNT (IN MILLIONS)
(b) Proceeds of the Offering:	
Issuance of 5,200,000 Class A Common Stock at the Offering price of $20.00 per share	$104.0
Less underwriting discount	(7.3)
Less estimated expenses of the Offering	(.5)
	96.2
Repayment of borrowings under the Revolving Senior Credit Facility	(50.0)
Net cash	$ 46.2

Issuance of the Management Shares:

(c) Issuance of an aggregate of 164,880 shares of Class A Common Stock to certain officers of the Company at an aggregate value of $3.3 million (based on the Offering price of $20.00 per share), less a $1.3 million current tax benefit at an effective federal and state tax rate of 39%.

The Fort Lock Acquisition:

(d) The Company (i) acquires 100% of the outstanding stock of Fort Lock Corporation for $30 million cash and acquires the net assets of Fortronics, Inc., an affiliate of Fort Lock Corporation by common ownership, for $.5 million cash (collectively the "Fort Lock Group") and (ii) incurs $200,000 in acquisition related costs.

(e) The Company purchases Fort Lock Corporation's manufacturing building owned by a shareholder of Fort Lock Corporation for $2.4 million cash. The acquisition of the Fort Lock Group and the purchase of such building is referred to as the "Fort Lock Acquisition."

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET -- (CONTINUED)

(f) Allocate Fort Lock Group purchase price as follows.

	AMOUNT (IN MILLIONS)
Purchase price to be allocated:	
Cash paid to acquire the Fort Lock Group.....	$30.5
Transaction costs.....	.2
	30.7
Historical Fort Lock Group common equity.....	4.9
	$25.8
Purchase price allocation:	
Adjust the carrying value of the acquired property, plant and equipment to estimated fair value.....	$ 2.5
Deferred income tax consequences of the above adjustment, at effective federal and state tax rate of 39%.....	(1.0)
Elimination of indebtedness not assumed.....	2.5
Goodwill.....	21.8
	$25.8

Approximately $2.5 million of the Fort Lock Group bank indebtedness and the Fort Lock Group loans from its shareholders was repaid by the sellers out of the purchase price and will not become obligations of CompX(TM).

COMPX INTERNATIONAL INC.

UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1997
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	HISTORICAL		PRO FORMA ADJUSTMENTS		
	COMPX	FORT LOCK GROUP	NOTE 1	AMOUNT	PRO FORMA CONSOLIDATED
Total revenues.....	$109.5	$29.2		$ --	$ 138.7
Costs and expenses:					
Cost of goods sold.....	70.6	20.3	(a)	.3	91.2
Selling, general and administrative.....	11.0	4.3	(b)	1.1	
			(g)	3.3	19.7
Interest.....	.2	.3	(c)	(.2)	
			(e)	(.2)	.1
	81.8	24.9		4.3	111.0

Income before income taxes.....	27.7	4.3		(4.3)	27.7
Provision for income taxes.....	11.0	1.7	(d)	--	
			(f)	.1	
			(h)	(1.3)	11.5
Minority interest in net loss.....	--	.1		--	.1
Net income.....	$ 16.7	$ 2.7		$(3.1)	$ 16.3
Basic and diluted net income per common share.....					$ 1.11
Weighted average common shares outstanding...					14,646
Other data:					
Operating income.....	$ 28.3				$ 28.2
EBITDA.....	31.2				33.1

COMPX INTERNATIONAL INC.

NOTES TO UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1997

NOTE 1 -- BASIS OF PRESENTATION:

The Unaudited Pro Forma Condensed Consolidated Statement of Income for the year ended December 31, 1997 has been prepared to reflect (i) repayment of a $50 million demand note payable to Valcor utilizing borrowings under the Revolving Senior Credit Facility, (ii) the Offering and repayment of the Revolving Senior Credit Facility, (iii) issuance of the Management Shares and (iv) the Fort Lock Acquisition, as if such transactions had occurred on January 1, 1997. These transactions are more fully described elsewhere in this Prospectus.

Amounts reflected for the year-ended December 31, 1997 for the Fort Lock Group are derived from the amounts reflected in the fiscal year end audited financial statements of the Fort Lock Group for the fiscal year ended June 28, 1997 and the unaudited financial statements for the 26 week periods ended December 1996 and 1997 presented elsewhere in this Prospectus.

Adjustments relating to the Fort Lock Acquisition:

(a) Increase in depreciation expense resulting from amortization of purchase accounting basis differences over average remaining life of 10 years.

(b) Amortization of goodwill related to the acquisition of the Fort Lock Group by the straight-line method over 20 years.

(c) Eliminate interest expense associated with the Fort Lock Group bank indebtedness not assumed by the Company.

(d) Income tax expense of pro forma adjustment (a) and (c), at assumed federal and state tax rate of 39%.

Adjustments relating to repayment of the $50 million note payable to Valcor:

(e) Eliminate interest expense associated with the Valcor Note.

(f) Income tax expense of pro forma adjustment (e) at assumed federal and state tax rate of 39%.

Adjustments relating to the issuance of the Management Shares:

(g) Issuance of an aggregate of 164,880 Management Shares at an aggregate value of $3.3 million.

(h) Income tax benefit of pro forma adjustment (g) at assumed federal and state tax rate of 39%.

The historical statement of income for the Fort Lock Group includes rental expense pursuant to a lease of the manufacturing building currently owned by a shareholder of Fort Lock Corporation. No pro forma adjustment is required to reflect the Company's purchase of such building as depreciation expense with respect to the building would approximate the historical lease expense. No pro forma adjustment is required to reflect interest expense under the Revolving Senior Credit Facility because borrowings under such facility will be repaid using a portion of the net proceeds from the Offering.

The shares used in the calculation of pro forma basic and diluted earnings per share uses the Offering price to the public of $20.00 per share and is based upon (i) 10,000,000 shares of the Company's Class B Common Stock outstanding, (ii) 4,481,000 shares of Class A Common Stock to be issued in the Offering, the net proceeds of which, along with available cash on hand, are sufficient to fund repayment of the Revolving Senior Credit Facility and to consummate the Fort Lock Group Acquisition, and (iii) issuance of 164,880 Management Shares.

NOTE 2 -- OTHER DATA:

EBITDA as presented represents operating income plus depreciation and amortization. EBITDA is presented because the Company believes it is a widely accepted financial indicator of a company's ability to incur and service debt, although the Company's calculation of EBITDA may differ from and therefore not be comparable to other companies' presentation of EBITDA. EBITDA should not be considered by an investor as an alternative to (i) operating income or net income as an indicator of a company's operating performance or (ii) cash flows from operating activities as a measure of a company's liquidity. Trends in EBITDA are generally consistent with trends in the Company's operating income. Pro forma EBITDA and depreciation and amortization for 1997 are presented to assist investors in an analysis of the Fort Lock Acquisition.

SELECTED FINANCIAL DATA

The historical selected financial data as of December 31, 1993 through 1997, and for each of the years in the five-year period ended December 31, 1997, have been derived from audited Consolidated Financial Statements of the Company. The following selected financial and other data should be read in conjunction with "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Historical Consolidated Financial

Statements of the Company included in this Prospectus.

The Company's operations are comprised of a 52 or 53 week fiscal year. Each of the years ended December 31, 1993 through 1997 consisted of a 52 week year.

	YEARS ENDED DECEMBER 31,					
	1993	1994	1995	1996	1997	PRO FORMA 1997(B)
	($ IN MILLIONS, EXCEPT PER SHARE DATA)					
INCOME STATEMENT DATA						
Net sales	$64.4	$70.0	$80.2	$88.7	$108.7	$137.9
Operating income	17.5	20.9	19.9	22.1	28.3	28.2
Income before income taxes	17.5	20.7	19.9	22.1	27.7	27.7
Income taxes	8.0	8.8	7.8	9.1	11.0	11.5
Minority interest in losses	--	--	--	--	--	.1
Net income	$ 9.5	$11.9	$12.1	$13.0	$ 16.7	$ 16.3
Net income per common share						$ 1.11
OTHER DATA						
Operating income margin	27%	30%	25%	25%	26%	20%
Cash flows from:						
Operating activities	$12.4	$ 9.7	$12.8	$10.4	$ 23.0	
Investing activities	(2.6)	(3.1)	(7.9)	(2.0)	(5.5)	
Financing activities	(4.6)	(4.4)	(6.3)	(6.3)	(5.9)	
Total	$ 5.2	$ 2.2	$(1.4)	$ 2.1	$ 11.6	
EBITDA (a)	$19.2	$22.5	$22.1	$24.6	$ 31.2	$ 33.1
Depreciation and amortization	1.6	1.7	2.2	2.5	2.8	4.9
Capital expenditures (c)	2.7	3.4	2.0	2.3	5.5	
Dividends on Common Stock (d)	4.4	4.6	6.0	6.2	6.1	
BALANCE SHEET DATA (AT PERIOD END)						
Cash and other current assets	$20.6	$25.9	$27.7	$32.2	$ 45.4	$ 65.2
Total assets	31.3	37.8	44.4	48.5	63.8	115.9
Current liabilities	9.5	8.9	9.6	8.1	64.4	17.3
Long-term debt, including current maturities	.2	.1	.1	.2	50.4	.8
Stockholders' equity (deficit)	19.4	26.2	32.6	39.2	(1.2)	96.3

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(a) EBITDA as presented represents operating income plus depreciation and amortization. EBITDA is presented because the Company believes it is a widely accepted financial indicator of a company's ability to incur and service debt, although the Company's calculation of EBITDA may differ from and therefore not be comparable to other companies' presentation of EBITDA. EBITDA should not be considered by an investor as an alternative to (i) operating income or net income as an indicator of a company's operating performance or (ii) cash flows from operating activities as a measure of a company's liquidity. Trends in EBITDA are generally consistent with trends in the Company's operating income. Pro forma EBITDA and depreciation and amortization for 1997 are presented to assist investors in an analysis of the Fort Lock Acquisition.

(b) Gives pro forma effect to (i) the Fort Lock Acquisition, (ii) repayment of the Valcor Note utilizing borrowings under the Revolving Senior Credit Facility, (iii) issuance of the Management Shares and (iv) the Offering and the application of the net proceeds therefrom. See "Pro Forma Condensed Consolidated Financial Statements."

(c) Assuming the Fort Lock Acquisition occurred January 1, 1997, capital expenditures on a pro forma basis are $7.8 million in 1997.

(d) The Company does not intend initially to declare and pay regular quarterly cash dividends following completion of the Offering. See "Dividend Policy". In addition, the Company's ability to pay future dividends is expected to be restricted by certain covenants contained in the Revolving Senior Credit Facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Historical Consolidated Financial Statements of the Company and the notes thereto appearing elsewhere in this Prospectus. Certain statements in the following discussion are forward-looking statements or discussion of trends which by their nature involve substantial risks and uncertainties that could significantly affect expected results. Actual future results and trends may differ materially from those described below depending on a variety of factors, including those detailed under the caption "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

The Company sells ergonomic computer support systems and precision ball bearing drawer slides which are manufactured in two facilities located in Kitchener, Ontario and medium-security mechanical locks which are manufactured in a facility in Mauldin, South Carolina. The Company is a wholly-owned subsidiary of Valcor, a wholly-owned subsidiary of Valhi. In 1993, Valhi formed National Cabinet Lock, Inc. and contributed the assets of its Cabinet Lock Division and the stock of Waterloo Furniture Components Limited. In 1996, National Cabinet Lock, Inc. changed its name to CompX International Inc.

Approximately 75% of the Company's products are sold to the office furniture manufacturing industry while the remainder (principally mechanical locks) are sold for use in other products, such as vending equipment, postal boxes, electromechanical enclosures and other furniture and equipment. According to BIFMA, the dollar value of U.S. office furniture industry shipments has grown in 23 of the past 25 years and is currently estimated to have grown at a compound annual rate of approximately 8.4% over the four year period ended December 31, 1997. Over the same period the Company's total net sales increased at a compound annual rate of approximately 14%, and net sales in 1997 were 22% higher compared to 1996. Management believes that the market for the Company's ergonomic computer support systems is experiencing substantially higher rates of growth than the office furniture industry as a whole. In 1997, ergonomic computer support systems represented 34% of total net sales compared to 26% in 1994.

The Company does not expect net sales from its existing medium-security cabinet lock business to achieve growth rates comparable to its ergonomic computer support systems and precision ball bearing drawer slides. The Company intends to pursue potential acquisition opportunities to provide future growth in its medium-security cabinet lock business. On March 3, 1998, the Company completed the Fort Lock Acquisition. See "Recent Developments."

The Company's products are sold primarily to OEMs in the United States and Canada. The ten largest customers accounted for approximately one-third of sales during each of the past three years with at least five of such customers in each year located in the United States.

In August 1995, the Company acquired the assets of a Canadian competitor.

The acquired operations contributed approximately $3 million in sales in 1995, $6 million in 1996 and $6 million in 1997. Through the elimination of unprofitable product lines and the integration of manufacturing operations, the operating contribution from these operations improved from a slight loss in 1995 to operating margins in 1997 consistent with the Company's existing ergonomic computer support systems and precision ball bearing drawer slide products, contributing to the majority of the improvement in operating margins 1997 compared to 1996.

A portion of the Company's sales are made pursuant to a government contract. In the first quarter of 1995, the Company completed shipments of medium-security locks pursuant to a 1992 government contract. This contract was not renewed until the end of 1996 due to excess supply and contributed to a $.9 million decline in sales of medium-security cabinet locks in 1996 compared to 1995. The Company signed a new $650,000 contract for medium-security locks with the same government agency in December 1996, under which all shipments were made in 1997.

The Company's profitability depends on its ability to utilize its production capacity effectively, which is affected by, among other things, the demand for its products, and its ability to control its manufacturing costs, primarily comprised of raw materials such as zinc, copper, coiled steel and plastic resins and of labor costs. Raw material costs represent approximately 45% of the Company's total cost of sales. Beginning in

August 1997, the Company's steel prices have increased approximately 4% per pound, resulting in an overall increase in the Company's steel raw material cost of approximately 2% in 1997 compared to 1996. The Company occasionally enters into raw material arrangements to mitigate the short-term impact of future increases in raw material costs. While these arrangements do not commit the Company to a minimum volume of purchases, they generally provide for stated unit prices based upon achievement of specified volume purchase levels. This allows the Company to stabilize raw material purchase prices provided the specified minimum monthly purchase quantities are met. The Company currently anticipates entering into such arrangements for zinc, coiled steel and plastic resins for 1998 and does not anticipate significant changes in the cost of these materials from their current levels. Materials purchased on the spot market are sometimes subject to unanticipated and sudden price increases. Due to the competitive nature of the markets served by the Company's products, it is often difficult to recover such increases in raw material costs through increased product selling prices and consequently overall operating margins can be affected by such raw material cost pressures.

Labor costs represent approximately 14% of the Company's total cost of sales. The Company's U.S. employees are not represented by bargaining units and wage increases historically have been in line with overall inflation indices. Approximately two-thirds of the Company's Canadian employees are covered by a three year collective bargaining agreement that expires in January 2000 and provides for annual wage increases of 2-3%. Wage increases for these employees historically have been in line with overall inflation indices.

Selling, general and administrative costs have been consistent as a percentage of net sales and consist primarily of salaries, commissions and advertising directly related to product sales.

The Company obtains certain management, financial and administrative services on a fee basis from Valhi pursuant to an Intercorporate Services Agreement. The Company believes such arrangements have been cost beneficial compared to the cost of dedicated staff or consulting arrangements to otherwise provide such services. Fees pursuant to these agreements were $284,000 in 1995, $300,000 in 1996, and $260,000 in 1997. The Company intends to continue to receive similar services from Valhi on a fee basis following the Offering.

Certain employees of the Company have been granted options to purchase Valhi common stock under the terms of Valhi's stock option plans. The Company pays Valhi the aggregate difference between the option price and the market value of Valhi's common stock on the exercise date of such options. For financial reporting purposes, the Company accounts for the related expense (credit) of $(12,000) in 1995, $9,000 in 1996 and $472,000 for 1997 in a manner similar to accounting for stock appreciation rights. To the extent employees of the Company continue to have options outstanding to purchase Valhi shares, future changes in the market price of Valhi shares will result in additional expense or credits to the Company's operating results. At December 31, 1997, employees of the Company held options to purchase 204,000 Valhi shares at prices ranging from $4.76 to $14.66 per share (185,000 shares at prices lower than the December 31, 1997 quoted market price of $9.44 per share).

Upon completion of the Offering, five of the Company's officers and directors will be awarded an aggregate of 164,880 shares of Class A Common Stock under the Incentive Plan (as defined herein) for their services in connection with the Offering. The Company will value all of such Class A shares awarded at the Price to Public, and the aggregate value of the Class A shares awarded will be approximately $3.3 million. The Company will recognize a charge, at the time of the completion of the Offering, equal to the aggregate value of the Class A shares awarded.

About three-fourths of the Company's net sales are generated by its Canadian operations. About 60% of these Canadian-produced sales are denominated in U.S. dollars while substantially all of the related costs are incurred in Canadian dollars. Consequently, relative changes in the U.S. dollar/Canadian dollar exchange rate affect operating results. Since U.S. dollar/Canadian dollar exchange rates have not fluctuated significantly since 1993, the impact on operating income of fluctuations in the value of the U.S. dollar relative to the Canadian dollar since 1993 has not been material.

The Company is included in the consolidated U.S. federal income tax return of Contran, and a tax sharing agreement provides for allocation of tax liabilities and benefits to the Company, in general, as though it filed a separate U.S. federal income tax return. The principal reasons for the difference between the U.S.

federal statutory income tax rate and the Company's effective income tax rates are explained in Note 8 to the Company's Historical Consolidated Financial Statements included in this Prospectus. Upon completion of the Offering, the Company will no longer be included in the consolidated U.S. federal income tax return of Contran.

RESULTS OF OPERATIONS

The table set forth below summarizes the Company's operating expenses as a percentage of net sales:

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Net sales	100%	100%	100%
Cost of sales	65	65	65
Gross profit	35	35	35
Selling, general and administrative	10	10	9

Operating income	25	25	26

Year ended December 31, 1997 compared to year ended December 31, 1996

Net Sales. Net sales increased $20.0 million, or 22%, to $108.7 million for the year ended December 31, 1997 from $88.7 million for the year ended December 31, 1996. The increase was primarily due to increased volume in ergonomic computer support systems, precision ball bearing drawer slides and medium-security cabinet locks. Combined net sales from the Company's ergonomic computer support systems and precision ball bearing drawer slide products increased $15.8 million, or 25%, based on higher unit volumes and relatively stable prices. Medium-security cabinet lock sales increased $3.6 million, or 15% based primarily on higher unit volumes and to a lesser degree on certain price increases instituted at the beginning of 1997.

Operating income. Operating income increased $6.2 million, or 28%, to $28.3 million for the year ended December 31, 1997 from $22.1 million for the year ended December 31, 1996, due primarily to increases in sales volumes. Operating income margin improvement in 1997 was primarily influenced by the elimination of certain unprofitable or low-margin product lines acquired in 1995 and increased sales of higher margin ergonomic computer support systems and precision ball bearing drawer slides. These improvements were partially offset by higher raw material prices, primarily steel. Beginning in August 1997 steel prices have increased approximately 4% per pound, resulting in an overall increase in raw material cost of approximately 2% in 1997 compared to 1996.

On March 3, 1998, the Company completed the Fort Lock Acquisition. On a pro forma basis, assuming that both the completion of the Fort Lock Acquisition and the issuance of the Management Shares had occurred on January 1, 1997, the Company's net sales in 1997 would have been $137.9 million and operating income in 1997 would have been $28.2 million. See "Recent Developments" and Pro Forma Condensed Consolidated Financial Statements presented elsewhere in this Prospectus.

Year ended December 31, 1996 compared to year ended December 31, 1995

Net sales. Net sales increased $8.5 million, or 11%, to $88.7 million for the year ended December 31, 1996 from $80.2 million for the year ended December 31, 1995. The increase was primarily due to increased volumes in ergonomic computer support systems and precision ball bearing drawer slides. Combined net sales from the Company's ergonomic computer support systems and precision ball bearing drawer slide products increased $8.8 million, or 16%, based on higher unit volumes and relatively stable prices. Medium-security cabinet lock sales decreased $.9 million, or 4%, as an increase in sales of the Company's proprietary KeSet(R) locks was more than offset by lower sales volumes from a government contract that was completed in early 1995.

Operating income. Operating income increased $2.2 million, or 11%, to $22.1 million for the year ended December 31, 1996 from $19.9 million for the year ended December 31, 1995, due primarily to increases in

sales volumes in ergonomic computer support systems and precision ball bearing drawer slides. Operating income margins for the Company's cabinet lock sales improved slightly in 1996 primarily due to cost savings and efficiencies from the consolidation of certain Canadian lock operations acquired in 1992. The improvement in operating income margins for cabinet locks was offset by slight declines in operating income margins of ergonomic computer support systems and

precision ball bearing drawer slides due in part to the adverse effect of certain unprofitable or low-margin product lines acquired in August 1995.

Year 2000 Issue

As a result of certain computer programs being written using two digits rather than four to define the applicable year, certain computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000 (the "Year 2000 Issue"). This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices or engage in normal business activities.

The Company's recently installed information systems upgrades for both its U.S. and Canadian facilities contained, among many other features, software compatibility with the Year 2000 Issue. The Company does not currently anticipate spending significant additional funds to address software compatibility with the Year 2000 Issue with respect to its own internal systems.

The Company intends to initiate formal communications with its significant suppliers and large customers to determine the extent to which the Company may be vulnerable to those third parties' failure to eliminate their own Year 2000 Issue. There can be no assurance that the systems of other companies on which the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company. Because the Company has not completed the evaluation of its Year 2000 Issue with respect to such third parties, it is not able to quantify the costs that the Company may incur with respect to the Year 2000 Issue of such third parties.

Impact of accounting standards not yet adopted

See Note 2 to the Company's Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

Operating activities. Trends in cash flows from operating activities, excluding changes in assets and liabilities, for 1995, 1996 and 1997, are generally similar to the trends in the Company's earnings. Cash flow provided by operating activities totaled $12.8 million, $10.5 million and $23.0 million for the years ended December 31, 1995, 1996 and 1997, respectively, compared to net income of $12.1 million, $13.0 million, and $16.7 million, respectively. Depreciation and amortization increased in 1996 in part due to higher depreciation associated with the August 1995 business acquisition discussed above and increased in 1997 due to higher levels of capital expenditures discussed below.

Changes in assets and liabilities result primarily from the timing of production, sales and purchases. Such changes in assets and liabilities generally tend to even out over time and result in trends in cash flows from operating activities generally reflecting earnings trends.

Investing activities. Net cash used by investing activities totaled $8.0 million, $2.0 million and $5.5 million for the years ended December 31, 1995, 1996 and 1997, respectively. Capital expenditures in the past three years emphasized manufacturing equipment which utilizes new technologies and increases automation of the manufacturing process to provide for increased productivity and efficiency. The increase in capital expenditures in 1997 relates primarily to the additions of a third plating line and office building additions at the Company's Kitchener facility. Net cash used by investing activities in 1995 includes $6.0 million related to the business acquisition discussed above.

Capital expenditures for 1998 are estimated at approximately $8 million, (approximately $10 million including Fort Lock) the majority of which relate to projects that emphasize improved production efficiency and increase production capacity. Firm purchase commitments for capital projects not commenced at December 31, 1997 were not material.

Financing activities. Net cash used by financing activities totaled $6.3 million, $6.3 million and $5.9 million for the years ended December 31, 1995, 1996 and 1997, respectively. The Company paid dividends to its parent company aggregating $6.0 million in 1995, $6.2 million in 1996 and $6.1 million in 1997.

Other

At December 31, 1997, approximately 70% of the Company's consolidated cash and equivalents were invested in A1 or P1-grade commercial paper issued by various third parties having a maturity of three months or less.

On December 12, 1997, the Company paid a $50 million dividend to Valcor in the form of the Valcor Note. The Valcor Note was unsecured and bore interest at a fixed rate of 6%.

On February 26, 1998, the Company entered into a new $100 million Revolving Senior Credit Facility and utilized borrowings thereunder to repay the Valcor Note. The Revolving Senior Credit Facility is an unsecured five-year revolving facility. Borrowings are available for the Company's general corporate purposes, including potential acquisitions. The Revolving Senior Credit Facility contains provisions which, among other things, would require the maintenance of minimum levels of net worth, require the maintenance of certain financial ratios, limit dividends and additional indebtedness and contain other provisions and restrictive covenants customary in lending transactions of this type. On February 26, 1998, the Company repaid the Valcor Note with borrowings under the Revolving Senior Credit Facility.

On March 3, 1998, the Company completed the Fort Lock Acquisition for an aggregate purchase price of approximately $32.9 million (the "Fort Lock Acquisition"). See "Recent Developments". The aggregate purchase price is subject to possible reduction pending completion of a post closing audit and the outcome of certain contingencies for which the Company has been indemnified. Funding of the Fort Lock Acquisition was provided by available cash on hand and borrowings under the Revolving Senior Credit Facility, which borrowings will be repaid with a portion of the net proceeds of the Offering.

The net proceeds to the Company from the Offering will be approximately $96.2 million. Approximately $75 million of such net proceeds will be utilized to repay borrowings under the Revolving Senior Credit Facility.

Management believes that the net proceeds to the Company from the Offering, after repayment of borrowings under the Revolving Senior Credit Facility, together with cash generated from operations and borrowing availability under the Revolving Senior Credit Facility, will be sufficient to meet the Company's liquidity needs for working capital, capital expenditures and debt service. See also "Dividend Policy."

GENERAL

CompX(TM) is a leading manufacturer of ergonomic computer support systems, precision ball bearing drawer slides and medium-security mechanical locks for office furniture and a variety of other applications. The Company's products are principally designed for use in medium- to high-end applications, where product design, quality and durability are critical to the Company's customers. CompX(TM) believes that, in the North American market, it is among the largest producers of ergonomic computer support systems for office furniture manufacturers, among the largest producers of precision ball bearing drawer slides and among the largest producers of medium-security cabinet locks. In 1997, CompX(TM) generated net sales of $108.7 million, a 22% increase from the corresponding prior-year period. In 1997, ergonomic computer support systems, precision ball bearing drawer slides and medium-security mechanical locks accounted for approximately 34%, 39% and 26% of net sales, respectively.

OFFICE FURNITURE INDUSTRY DYNAMICS

Approximately 75% of the Company's products are sold to the office furniture manufacturing industry while the remainder (principally mechanical locks) are sold for use in other products, such as vending equipment, postal boxes, electromechanical enclosures and other non-office furniture and equipment. The U.S. office furniture market generated wholesale sales of approximately $10.0 billion in 1996, according to estimates by BIFMA. The dollar value of U.S. office furniture industry shipments has increased in 23 of the past 25 years and, according to BIFMA, is estimated to have grown at a compound annual rate of approximately 8.4% over the four year period ended December 31, 1997. BIFMA currently estimates that office furniture sales over the next two years will grow at a compound annual rate of approximately 7%. The rate of growth in this industry ultimately will be affected by certain macroeconomic conditions such as service industry employment levels, corporate cash flow and non-residential construction levels. CompX(TM) management believes that the sales of its ergonomic computer support systems are experiencing substantially higher rates of growth than the office furniture industry as a whole.

The Company believes that fundamental shifts in technology, health considerations and work processes in the office workplace provide new growth opportunities in the office furniture industry. Increased use of technology has caused businesses to redesign their workspaces with greater emphasis on the space efficient integration of computers and other office technologies into the office workplace as well as the protection of computing equipment from damage and theft. Additionally, increased regulatory sensitivity to ergonomic concerns and heightened focus on the risks of repetitive stress injury have also influenced redesign of the office workplace. In 1996, California became the first state to adopt legislation relating to ergonomics in the workplace. Such legislation should have a direct effect on the demand for ergonomically designed office furniture products, which allow workers to adjust and re-arrange the orientation of office equipment and supplies for greater comfort and productivity. Businesses increasingly are seeking changes in work processes to achieve more efficient workspace utilization, resulting in the creation of new office furniture designs that embrace office sharing concepts such as office "hoteling" and open office designs. The Company's products target manufacturers of new furniture designed to address these industry dynamics as well as customers that specialize in retrofitting existing office furniture.

The Company manufactures locks for a wide variety of enclosures, excluding vehicles and homes. In addition to locks used by furniture manufacturers, the Company's locks are used for postal boxes, vending equipment and parking meters. These products are sold to markets which include institutional cabinets for school and laboratory construction, household furniture and appliances, industrial tool boxes, vending equipment, electromechanical imaging equipment, locking electrical enclosures, banking equipment and mail boxes. The Company also distributes approximately 30% of its lock sales through its innovative STOCK LOCKS(R) programs which distribute locks to locksmith and small manufacturer markets.

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COMPETITIVE STRENGTHS

CompX(TM) believes that it is well positioned to realize continued growth in market share in its existing markets and to build on its strengths to expand into related product lines and markets.

Industry brand recognition and management experience. The Company's business traces its roots to 1903 when it began manufacturing cabinet locks. The Company is a supplier to major OEMs and believes its brand names are well recognized in the industry. CompX(TM) currently markets its drawer slides and ergonomic computer support systems under the Waterloo Furniture Components Limited(R) name and markets its medium-security locks under the National Cabinet Lock(R) name. The top seven executive management personnel have over 100 years of combined industry experience.

Emphasis on customer collaboration. CompX(TM) has been a leader in collaborating with customers to develop innovative customized solutions to their unique needs for product design, application, performance and cost. An important ingredient to this approach is the Company's full-time engineering staff of 25 individuals and approximately $3 million in annual expenditures for product design, development and engineering. Management believes that the Company's responsiveness and commitment to work with customers has been critical to its success to date.

Efficient manufacturing base. CompX(TM) has established highly automated manufacturing systems and uses statistical process control techniques to achieve its demanding quality standards. The Company designs and custom modifies certain of the high-volume equipment it uses to improve the manufacturing and assembly of its products, and has invested substantial capital in manufacturing automation and vertical integration. The Company believes that these initiatives reduce the Company's costs and improve product quality, productivity and delivery response time.

Integrated information systems. The Company regularly invests in its information systems to reduce inventories, improve the efficiency of its manufacturing processes and reduce customer order fulfillment times. With recently installed systems upgrades both in Canada and the United States, CompX(TM) has fully integrated all stages of manufacturing process information and order fulfillment. These investments have allowed the Company to continually reduce order fulfillment times and increase the use of just-in-time supplier relationships.

Breadth of product line. CompX(TM) has a broad product line in its core product areas, which allows the Company to serve an increasing proportion of its customers' requirements. This provides several benefits to the Company, including the simplified logistics and reduced cost of shipping higher volumes of product to its customers, closer working relationships with its key customers and increased cross-selling opportunities.

GROWTH STRATEGY

The Company focuses on certain niche segments of the middle to high end of the office furniture market. To achieve its targeted growth rates, CompX(TM) intends to pursue several growth initiatives:

Continue to create innovative products. The Company intends to continue its focus on engineering and customer collaboration to develop and sell customized versions of its core product line and to develop new versions of existing product lines to meet the changing requirements of office furniture manufacturers. The Company will attempt to increase its share of the total OEM market for components such as electronic locking systems, a service workplace safety-oriented "Cushion-Close(TM)" drawer slide and a locking laptop computer drawer. CompX(TM) will also consider expanding its product line to include other

furniture components with similar attributes such as one or more of the components used in the rapidly growing seating industry.

Extend into non-furniture applications. The Company's precision ball bearing drawer slide products increasingly are designed for and used in applications other than traditional office furniture. For example, the Company has designed and currently sells precision ball bearing drawer slides to facilitate the movement of component parts in imaging machines, for professional tool storage cabinets and other uses. CompX(TM) will continue to explore alternative applications for its products based on core product design and manufacturing strengths.

Continue to make strategic acquisitions. In addition to internal growth, the Company intends to grow through selective acquisitions. The markets in which the Company competes have a large number of relatively small regional manufacturers and consequently offer potential consolidation opportunities. The Company seeks acquisitions that complement its existing products, manufacturing/design skills or customer base. The Company historically has been able to benefit from acquisitions through economies of scale in purchasing, manufacturing, marketing and distribution and through the application of the Company's manufacturing and management skills. On March 3, 1998, the Company completed the Fort Lock Acquisition. The Fort Lock Group is a vertically integrated manufacturer of highly engineered mechanical locks for a diverse customer base of original equipment manufacturers and locksmith distributors. See "Recent Developments."

Promote alternative distribution programs. While office furniture OEMs are expected to remain the Company's primary customers, CompX(TM) also intends to explore new distribution arrangements for the Company's products. The Company's innovative STOCK LOCKS(R) distribution program, for example, offers a broad range of products that generally ship within 48 hours of order placement to customers that purchase the Company's locks in small quantities. Currently, approximately 30% of the Company's lock sales are made through this program. In 1992, the Company began to implement similar alternative distribution programs for its ergonomic computer support systems and precision ball bearing drawer slides to allow the Company to reach an expanded range of customers of these products on an economically attractive basis. Since their addition to the Company's distributor product line in 1992, sales of these products to the distributor market have increased and now represent approximately 10% of combined ergonomic computer support systems and precision ball bearing drawer slide net sales to the United States.

Expand into international markets. While CompX(TM) has historically focused on marketing its products in North America, the Company has a small but growing presence in international markets. The Company believes that there is significant demand for its quality, precision products in overseas markets, and intends to increase its international presence, particularly in Asia, Europe and Latin America, via expanded distributor relationships and, potentially, joint venture arrangements.

The Company was incorporated in Delaware in 1993. Its principal corporate offices are located at 200 Old Mill Road, Mauldin, South Carolina 29662 and its telephone number is (864) 297-6655.

PRODUCTS

CompX(TM) manufactures and sells components in three major product lines: ergonomic computer support systems, precision ball bearing drawer slides and

medium-security cabinet locks. The Company's ergonomic computer support systems and precision ball bearing drawer slides are sold under the Waterloo Furniture Components Limited(R) name and the Company's medium-security cabinet locks are sold under the National Cabinet Lock(R) name. The Company believes that its brand names are well recognized in the industry.

Ergonomic computer support systems. CompX(TM) is a leading manufacturer and innovator in ergonomic computer support systems for office furniture. Unlike products targeting the residential market, which is more price sensitive with less emphasis on quality, the CompX(TM) line consists of more highly engineered products designed to provide ergonomic benefits for business and sophisticated retail users.

The Company's ergonomic computer support systems include adjustable computer keyboard support arms. These devices are designed to attach to office desks in workplace environments where there exists a need to permit computer users to adjust their computer keyboard to various heights and positions to alleviate possible strains and stress which may result from repetitive activities, such as typing. These products also maximize usable workspace and permit the storage of the keyboard underneath the desk. CompX(TM) introduced its first ergonomic keyboard arm in 1983 and the Leverlock(R) adjustment mechanism in 1989, which is designed to make the adjustment of the keyboard arm easier for all (including impaired) users.

Adjustable computer table mechanisms address the need for flexibility and adjustability in work surfaces. The Company's adjustable table mechanisms provide adjustable workspace heights that permit users to stand or sit and that can be easily adjusted for different user needs.

The prevalence of computers in the workplace has also created a need for safe and convenient storage solutions for the central processor unit ("CPU") case. In 1997, the Company introduced a CPU storage device that can be mounted under a work surface or on the side of desk panels to store the CPU case off the floor to minimize the adverse effects of dust and moisture or damage from accidental impact. The unit operates on a slide mechanism that also pivots to provide ease of access to peripheral connections while allowing convenient, unobtrusive storage.

CompX(TM) also offers a number of complementary accessories to its main products. These include ergonomic wrist rest aids, mouse pad supports and computer monitor support arms, such as the Monitor Master for the adjustment of heavy monitors to reduce eye strain.

Precision ball bearing drawer slides. CompX(TM) manufactures a complete line of precision ball bearing drawer slides for use in moving containers and drawers both in office furniture as well as other applications. Precision ball bearing drawer slides are manufactured to stringent industry standards and are designed in conjunction with office furniture OEMs to meet the needs of end users with respect to weight support capabilities and ease of movement.

In addition to its basic product line, an increasing proportion of the Company's sales is based on patented innovations. In 1994, CompX(TM) introduced the Butterfly(TM) Take Apart System, which is designed to easily disengage drawers from filing cabinets. The following year, the Company began selling its Integrated Slide Lock ("ISL(TM)"), with which a file cabinet manufacturer can reduce the possibility of multiple drawers being opened by the user at the same time, significantly reducing the risk of injury from a falling cabinet. The Company's patented concept affords the cabinet OEMs cost savings advantages in production, since the ISL(TM) is designed as an integral part of the drawer slide, compared to custom fabricated add-on solutions previously utilized by most manufacturers.

In recent years, applications other than office furniture have represented a rapidly growing source of demand for the Company's precision ball bearing

drawer slides. Recently, new opportunities in heavy-duty applications such as tool storage cabinets and electromechanical applications have created new market opportunities. As a result of the design efforts focused on these markets, CompX(TM) created the Ball Lock(TM) to prevent heavily filled drawers, such as auto mechanic tool boxes, from opening while cabinets are moved during routine use in the field. The Company's products are used extensively in professional toolboxes and, increasingly, in electromechanical imaging equipment to facilitate the movement of machine components in the document reproduction process.

Cabinet locks. The Company believes that it is among the largest North American manufacturers of medium-security cabinet locks. The Company manufactures lock mechanisms that generally fall into three categories: disc tumbler locks, pin tumbler locks and KeSet(R) high security locks. The Fort Lock Acquisition expands the Company's offering of lock-mechanisms to include tubular locks and locks for motorcycles.

Disc tumbler locks, also called wafer tumbler or plate tumbler, derive their keying from a series of flat tumblers with a hole in the middle through which the key passes to open the lock. This type of lock is normally limited to two levels of keying, a passkey and one master key. A disc tumbler lock is the least secure of the medium-security cabinet locks manufactured by the Company and also represents the lowest cost to produce, resulting in lower selling prices to customers.

Pin tumbler locks are keyed with a series of small pins manufactured on automatic screw machines. A stack of four or five pins is required for each cut in a key. Due to the increased number of parts, this type of lock is more costly to manufacture than disc tumbler locks, but is also more secure and offers increased variety in keying with more than one level of master keying.

The Company's patented high security KeSet(R) security system, introduced in 1980, is another version of a pin tumbler lock. However, parts are manufactured with hardened steel components to prevent forced entry. A significant feature of the product line is the ability to change the keying on a single lock 64 times without removing the lock from its enclosure. This product is used primarily to protect money in applications such as soft drink vending machines, gaming machines and parking meters.

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The Company's industrial sales are primarily to manufacturers of cabinet enclosures, from office furniture to electrical circuit panels to vending machines. CompX(TM), like most cabinet lock companies, has a standardized product line suitable for many customers. However, a substantial portion of the Company's volume involves specialized adaptations to individual manufacturer's enclosure specifications.

Each of the industries served with cabinet locks has a distribution segment for replacement needs or for supply to small shops whose volume is not substantial enough to buy direct from a lock manufacturer. CompX(TM) has met this need in part with its industry-unique STOCK LOCKS(R) inventory program. Partially as a result of this program, the Company believes it holds the largest cabinet lock market share in both locksmith and hardware component distribution.

The Company's STOCK LOCKS(R) distribution program represents 30% of its cabinet lock sales. This program is comprised of over 900 stock keeping units (also referred to as SKUs) of standardized locking products. This program plans, manufactures and packages locks to inventory with a variety of keying and finishes for shipment to customers generally within 48 hours of receipt of the customer order.

Sales under this program are made both to a North American distribution network as well as to large OEMs when special needs require either smaller

quantities or non-special products other than their normal volume requirements. The distribution network supplies the Company's products both to after-market replacement markets and to smaller cabinet shop manufacturers who do not purchase direct from the Company due to their smaller size.

The established distributor network for STOCK LOCKS(R) has been used to develop a standardized product line in other segments of the Company's products. Currently both ergonomic computer support systems and, to a limited extent, precision ball bearing drawer slides, are enjoying growing marketing success through these and new ergonomic distribution channels.

PRODUCT DESIGN AND DEVELOPMENT

CompX(TM) believes its ability to provide customized engineering to respond to specific customer application requirements provides it a competitive advantage, especially in middle- to high-end applications. A dedicated and knowledgeable engineering and marketing staff continually collaborates with the Company's customers to identify and solve production and marketing issues. The Company's commitment to precision design and engineering to specific customer tolerances is a key element to its ability to serve effectively the niche markets for its products. CompX(TM) has 25 full time engineers on staff and expends approximately $3 million annually for product engineering, design and development to enhance and expand product capabilities.

Customer product development needs and changing market characteristics are the key drivers influencing the Company's product development efforts. Once a customer has identified a concept, development engineers design solutions to address the application requirements. Normally, several generations are evaluated on the Company's CAD system. During this process, CompX(TM) engineers regularly communicate with the targeted customer to ensure that the design meets the customer's specific needs. If the product is being developed as a general line product, the basic design work is accomplished through consultation between the Company's engineering, marketing and manufacturing departments as well as from market intelligence derived from target customers.

In order to ensure that the product design is workable, a prototype sample is produced for use during an initial market evaluation of the product's functionality. The Company's engineers may make modifications of the initial design at this stage to ensure proper aesthetics or functional capabilities. Once the component design is finalized, the Company's engineers design tools to manufacture the components. Depending on the type of tools, production time can be as little as a few weeks to as much as six months.

As one of the initial developers of ergonomic computer support systems in the mid 1980s, CompX(TM) has on numerous occasions introduced new and unique products which have led the industry. Examples include the initial introduction of the Model 4100 keyboard arm in 1983, the Leverlock(R), which simplifies the adjustment of the keyboard arm, the Monitor Master, which facilitates the adjustment of heavy monitors so as

to reduce eye strain, and various types of accessories such as mouse trays and pads of a unique and proprietary nature. In 1997, the Company introduced a CPU storage device that can be mounted off the floor either under a work surface or on the side of desk panels to minimize dust contamination or damage from accidental impact. The Company is currently working on several new generations of ergonomic products such as a new version of easily adjustable keyboard arms, including aesthetic improvements. In response to the increased use of laptop computers, a new product is in the design process to address ease of use and security for these computers.

During the 1990's, CompX(TM) emerged as one of the more innovative companies in the design and manufacture of precision ball bearing drawer slides.

The Company has designed and currently sells precision ball bearing drawer slides to facilitate the movement of component parts in imaging machines, for professional tool storage cabinets and other uses. Examples of other innovative products include the patented ISL(TM) and the patented Ball Lock(TM). Development continues on a new "Cushion Close(TM)" drawer slide to aid in the safe operation of overhead storage bin doors, and introduction of this new product is expected in mid-1998.

In 1980, the Company introduced the patented KeSet(R) Security System which has since gained acceptance as a cost effective product in the vending industry where protection of money collection is paramount. While many of the product development efforts in the cabinet lock industry are adaptations of existing products in the pin tumbler or disc tumbler product line, products introduced in the past few years include the pin tumbler "Advantage Plus(TM) System" allowing easy removal of the cylinder for re-keying in the field without removing the lock from the original installation. A new patented Snap-in locking system for institutional furniture allows either pin tumbler or disc tumbler keying to be determined after installation, which reduces customer inventories and allows improved delivery speed of their products. In late 1997, the Company commenced customer field testing of an electronic locking system and the product is experiencing good operating results in its original test site.

SALES, MARKETING AND DISTRIBUTION

CompX(TM) sells components to OEMs and to distributors through a specialized sales force. The majority of the Company's sales is to OEMs, while the balance represents standardized products sold through distribution channels.

Sales to large OEM customers are made through the efforts of factory-based sales and marketing professionals and engineers working in concert with salaried field salespeople and independent manufacturer's representatives. Manufacturers' representatives are selected based on special skills in certain markets or with current or potential customers. Cabinet locks are sold by a separate network of Company-employed salespeople and manufacturers' representatives as well as factory-based national account managers.

A significant portion of the Company's cabinet lock sales and a growing portion of ergonomic computer support systems and precision ball bearing drawer slides sales are made through hardware component distributors. The Company also has a significant market share of cabinet lock sales to the locksmith distribution channel. CompX(TM) supports its distributor sales with a line of standardized products used by the largest segments of the marketplace. These products are packaged and merchandised for easy availability and handling by distributors and the end user. Based on the Company's successful STOCK LOCKS(R) inventory program, similar programs have been implemented for distributor sales of ergonomic computer support systems and to some extent precision ball bearing drawer slides. Since their addition to the Company's distributor product line in 1992, sales of these products to the distributor market have grown to represent approximately 10% of combined ergonomic computer support systems and precision ball bearing drawer slide net sales to the United States.

To afford a competitive advantage to the Company as well as to customers, ergonomic computer support system and precision ball bearing drawer slides are delivered primarily by means of a Company-owned tractor/trailer fleet. This satellite-monitored fleet improves the timely and economic delivery of products to customers. Another important economic advantage to the Company's customers of an in-house trucking fleet is that it allows the shipment of many products in returnable metal baskets (in lieu of corrugated paper cartons), which avoids both the environmental and economic burden of disposal.

The Company does not believe it is dependent upon one or a few customers, the loss of which would have a material adverse effect on its component products

operations. The ten largest customers accounted for about one-third of component products sales in each of the past three years, with the largest customer less than 10% in each year. In 1996, five of the ten largest customers were located in the United States with four located in Canada. Of such customers, all were primarily purchasers of slides and ergonomic computer support system components.

ACQUISITION STRATEGY

In addition to pursuing internal growth opportunities, the Company intends to grow through acquisitions. The markets in which the Company competes have a large number of relatively small regional manufacturers and consequently offer potential consolidation opportunities. The Company seeks acquisitions that complement its existing product lines, provide access to new market segments or expand the offering of proprietary products. The Company believes that it has been able to achieve synergies from acquisitions through economies of scale in purchasing, manufacturing, marketing and distribution and through the application of the Company's manufacturing and management skills.

Since 1990, the Company has utilized cash flow from operations to complete two acquisitions. In 1992 the Company acquired in a bankruptcy liquidation the assets of a Canadian manufacturer of precision ball bearing drawer slides and cabinet locks for $1.2 million. At the time of acquisition the operations had sales of approximately $2.5 million and operated at break-even operating profit. In 1995 the Company acquired the assets of another Canadian manufacturer of precision ball bearing drawer slides and ergonomic products for $6 million. At the time of acquisition the operations had sales of approximately $5.6 million and operated at a slight operating loss. As a result of integrating these operations into the Company's operations and eliminating unprofitable product lines, the Company believes these operations currently contribute approximately $8 million in net sales and $2 million in operating income annually.

On March 3, 1998, the Company completed the Fort Lock Acquisition for an aggregate purchase price of approximately $32.9 million. See "Recent Developments" and "Management's Discussions and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

MANUFACTURING AND OPERATIONS

CompX(TM) operates three manufacturing facilities which it owns and leases one facility as a distribution center. The following table sets forth the location, size and general product types produced for each of these facilities.

FACILITY NAME	LOCATION	SIZE (SQUARE FEET)	PRODUCTS PRODUCED
Manitou	Kitchener, Ontario	208,200	Ergonomic products, slides
Trillium	Kitchener, Ontario	116,000	Ergonomic products, slides
Mauldin	Mauldin, SC	159,200	Locks
Distribution Center	Chino, CA	6,000	Product Distribution

The Manitou and Mauldin facilities are ISO-9001 registered. ISO-9001 registration of the Trillium facility is anticipated in 1998. The Company believes that all its facilities are well maintained and satisfactory for their intended purposes.

The Company's facilities currently operate approximately two shifts per day, five to six days per week.

CompX(TM) has focused on its operating cost structure and timely capital investment in equipment and processes. This investment has allowed the Company

to reduce lead times to its customers and to implement "just-in-time" production methods to improve inventory turns. For example, the Company has reduced the lead time for STOCK LOCKS(R) shipments from two weeks to 48 hours through investments that focus on enhancing automation and management information systems. With the recently installed information systems upgrades, CompX(TM) has fully integrated all stages of manufacturing process information.

Continued investment in automation should allow the Company to remain price competitive in the marketplace and should also ensure consistent quality of the products being produced. As speed of delivery continues to gain importance with all OEM customers, automation provides production speed and the flexibility to quickly react to sudden changes in customer demand.

RAW MATERIALS

Coiled steel is the major raw material used in the manufacture of precision ball bearing drawer slides and ergonomic computer support systems. Plastic resins for injection molded plastics are also an integral material for ergonomic computer support systems. Purchased components, including zinc castings, are the principal raw materials used in the manufacture of medium-security cabinet locks. These raw materials are purchased from several suppliers and readily available from numerous sources.

The Company occasionally enters into raw material arrangements to mitigate the short-term impact of future increases in raw material costs. While these arrangements do not commit the Company to a minimum volume of purchases, they generally provide for stated unit prices based upon achievement of specified volume purchase levels. This allows the Company to stabilize raw material purchase prices provided the specified minimum monthly purchase quantities are met. The Company currently anticipates entering into such arrangements for zinc, coiled steel and plastic resins for 1998 and does not anticipate significant changes in cost of these materials from their current levels. Materials purchased on the spot market are sometimes subject to unanticipated and sudden price increases. Due to the competitive nature of the markets served by the Company's products, it is often difficult to recover such increases in raw material costs through increased product selling prices and consequently overall operating margins can be affected by such raw material cost pressures.

COMPETITION

The office furniture market is highly competitive. Suppliers to office furniture OEMs compete on the basis of (i) product design, including ergonomic and aesthetic factors, (ii) product quality and durability, (iii) price (primarily in the middle and budget segments), (iv) on-time delivery and (v) service and technical support. The Company focuses its efforts on the middle- and high-end segments of the market, where product design, quality and durability are placed at a premium.

The cabinet lock market is also highly competitive. This market is highly fragmented with a number of small- to medium-sized manufacturers that supply the market. Cabinet lock manufacturers compete on the basis of (i) product design, (ii) custom engineering capability, (iii) price and (iv) order fulfillment lead times.

The Company believes it derives a significant competitive advantage as a result of its focus on (i) a collaborative approach to product design and engineering, (ii) increased manufacturing and assembly automation and (iii) implementation of distribution programs that reduce order fulfillment times.

The Company competes in its ergonomic computer support systems with a small number of manufacturers that compete primarily on the basis of product quality and features. The Company competes in the precision ball bearing drawer slide market with one large manufacturer and a number of smaller manufacturers that

compete primarily on the basis of product quality and price. The Company's medium-security cabinet locks compete with a variety of relatively small competitors, which makes significant price increases difficult.

Certain of the Company's competitors may have greater financial, marketing, manufacturing and technical resources than those of the Company. Although the Company believes that it has been able to compete successfully in its markets to date, there can be no assurance that it will be able to continue to do so in the future. See "Risk Factors -- Highly Competitive Industry."

PATENTS AND TRADEMARKS

CompX(TM) holds a number of patents relating to its component products operations, none of which by itself is considered significant, and owns a number of trademarks, including National Cabinet Lock(R), STOCK

LOCKS(R) and Fort Lock Corp.(R), Fortronics(R) and Waterloo Furniture Components Limited(R), which the Company believes are well recognized in the component products industry.

ENVIRONMENTAL MATTERS

The Company's operations are subject to federal, state, local and foreign laws and regulations relating to the use, storage, handling, generation, transportation, treatment, emission, discharge, disposal and remediation of, and exposure to, hazardous and non-hazardous substances, materials and wastes ("Environmental Laws"). The Company's operations also are subject to federal, state, local and foreign laws and regulations relating to worker health and safety. The Company believes that it is in substantial compliance with all such laws and regulations. The costs of maintaining compliance with such laws and regulations has not significantly impacted the Company to date, and the Company has no significant planned costs or expenses relating to such matters. There can be no assurance, however, that compliance with future Environmental Laws or with future laws and regulations governing worker health and safety will not require the Company to incur significant additional expenditures, or that such additional costs would not have a material adverse effect on the Company's business, results of operations, or financial condition.

EMPLOYEES

As of December 31, 1997, the Company employed approximately 950 employees, including 270 in the United States and 680 in Canada. Approximately 80% of the Company's employees in Canada are represented by the United Steel Workers of America labor union. The Company's collective bargaining agreement with such union expires in January 2000. The Company believes that its labor relations are satisfactory.

LEGAL PROCEEDINGS

The Company is involved, from time to time, in various environmental, contractual, product liability and other claims and disputes incidental to its business. Currently no environmental or other material litigation is pending or, to the knowledge of the Company, threatened. The Company currently believes that the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY PERSONNEL

Set forth below is certain information (ages as of March 3, 1998) relating to the current directors, executive officers and key personnel of the Company.

NAME	AGE	POSITION(S)
Joseph S. Compofelice.....	48	Chief Executive Officer and Chairman of the Board
David A. Bowers.....	60	President and Director
Glenn R. Simmons.....	70	Director
Robert W. Singer.....	61	Director
Edward J. Hardin.....	55	Director
Paul M. Bass, Jr.....	62	Director
Ronald J. Simmons.....	59	Vice President; President, Waterloo Furniture Components Limited
Neil W. Poag.....	57	Vice President -- Finance, Waterloo Furniture Components Limited
Robert J. Ward.....	45	Vice President -- Manufacturing, Waterloo Furniture Components Limited
David A. Carter.....	43	Vice President -- Sales & Marketing, Waterloo Furniture Components Limited
Scott C. James.....	32	Vice President -- Sales & Marketing, National Cabinet Lock
Emory E. Hodges.....	35	Vice President -- Operations, National Cabinet Lock
J. Mark Hollingsworth.....	46	General Counsel
Bobby D. O'Brien.....	40	Vice President and Treasurer
William J. Lindquist.....	40	Vice President and Tax Director
Steven L. Watson.....	47	Vice President and Secretary

JOSEPH S. COMPOFELICE has served as Chief Executive Officer and Chairman of the Board since February 13, 1998 and prior to that as Executive Vice President and director of the Company since December 1997. Mr. Compofelice has also served as Executive Vice President of Valhi since 1994, a director of NL Industries, Inc. ("NL"), Valhi's majority-owned titanium dioxide pigments subsidiary since 1995 and, except for a period during 1996, a director of Titanium Metals Corporation ("TIMET"), Tremont Corporation's 30% owned principal operating affiliate, since 1994. Tremont, a less than majority-owned affiliate of Contran, is a holding company engaged in the titanium metals and chemicals industries. Until February 1998, Mr. Compofelice had also served as Vice President and Chief Financial Officer of NL and Tremont since 1994, and since 1996 as Vice President and Chief Financial Officer of TIMET. From prior to 1993 to 1994, Mr. Compofelice was the Vice President and Chief Financial Officer of Baroid Corporation, a company engaged in the petroleum services industry that Dresser Industries, Inc. acquired in 1994. Mr. Compofelice has served as an executive officer or director of various companies related to Valhi and Contran since 1988.

DAVID A. BOWERS has served as President and a director of the Company since the Company's formation in 1993 and as Chief Executive Officer until February 1998. Mr. Bowers has been employed by the Company and its predecessors since 1960 in various sales, marketing and executive positions, having been named President of the Company's cabinet lock and related segments in 1979. Mr. Bowers is a trustee and Chairman of the Board of Monmouth College, Monmouth, Illinois.

GLENN R. SIMMONS has served as Chairman of the Board since the Company's

formation in 1993 until February 1998 and as director since February 1998. Mr. Simmons is also a member of the Company's Management Development and Compensation Committee. Mr. Simmons has served as a director of Valhi or certain of Valhi's predecessors since 1980. Mr. Simmons has been Vice Chairman of the Board of Valhi and Contran, a diversified holding company, since prior to 1993. Mr. Simmons' positions also include: director of NL; Vice Chairman of the Board and a director of Valcor; Chairman of the Board and a director of Contran's less-than-majority-owned affiliate, Keystone Consolidated Industries, Inc. ("Keystone"), a steel fabricated wire products, industrial wire and carbon steel rod company; and a director of Tremont. Mr. Simmons has

been an executive officer or director of various companies related to Contran since 1969. Mr. Simmons is the brother of Harold C. Simmons.

ROBERT W. SINGER has served as a director of the Company since the Company's formation in 1993. Mr. Singer has served as Vice President of Valhi and Contran since prior to 1993. Mr. Singer has also served as President and Chief Operating Officer of Keystone since prior to 1993 to February 1997 and as Chief Executive Officer of Keystone since February 1997. Mr. Singer has served as an executive officer or director of various companies related to Valhi and Contran since 1982.

EDWARD J. HARDIN has served as a director of the Company since December 1997 and is chairman of the Company's Audit Committee and a member of the Company's Management Development and Compensation Committee. Mr. Hardin has been a partner of the law firm of Rogers & Hardin LLP since its formation in 1976. Mr. Hardin is a director of Westrup, Inc. (seed processing machinery) and also serves as Chairman of the Board of the Harvard Center for the Study of World Religions.

PAUL M. BASS, JR. has been a director of the Company since December 1997 and is a member of the Audit Committee and chairman of the Company's Management Development and Compensation Committee. Mr. Bass also serves as a director of Keystone. Mr. Bass's principal occupation for the past five years has been to serve as Vice Chairman of First Southwest Company, a privately owned investment banking firm. Mr. Bass is also Chairman of Richman Gordman Half Price Stores, Inc., Chairman of MorAmerica Private Equities Company, a director and chairman of the Audit Committee of California Federal Bank, a director and member of the executive committee of Source Services, Inc. and a director of Jayhawk Acceptance Corp. Mr. Bass is currently serving as a member of the executive committee of Zale Lipshy University Hospital and as Chairman of the Board of Trustees of Southwestern Medical Foundation.

RONALD J. SIMMONS has served as a Vice President of the Company since December 1997 and has also served as President of the Company's wholly owned subsidiary, Waterloo Furniture Components Limited, since prior to 1993. Before joining the Company, he held senior positions with Canadian General Electric, The Molsons Companies, and Emco, Limited, a division of Masco Limited. Mr. Simmons also serves on the boards of Schneider Corporation, a Canadian food processor, and ACS Limited, a manufacturer of components for OEM and aftermarket off road vehicles.

NEIL W. POAG has served as Vice President -- Finance of Waterloo Furniture Components Limited since 1995. Mr. Poag has also served as Vice President -- Controller of Waterloo Furniture Components Limited from 1985 to 1995 and as Controller of Waterloo Furniture Components Limited from 1980 to

1985.

ROBERT J. WARD has served as Vice President -- Manufacturing of Waterloo Furniture Components Limited since 1996. Mr. Ward has also served as Manager, Engineering of Waterloo Furniture Components Limited from 1989 to 1996. From the time he joined Waterloo Furniture Components Limited in 1986 as the Plant Engineer to 1989, Mr. Ward has served in various other managerial positions with Waterloo Furniture Components Limited.

DAVID A. CARTER has served as Vice President -- Sales & Marketing of Waterloo Furniture Components Limited since 1995. From 1991 to 1995 Mr. Carter served as Director of Marketing for Waterloo Furniture Components Limited. Immediately prior to Mr. Carter's joining the Company, he was the Vice President of Marketing for Delta Faucet (Canada) Limited and prior to that he was the Director of Marketing for Emco Limited, a Canadian division of Masco Limited.

SCOTT C. JAMES has served as Vice President -- Sales & Marketing, National Cabinet Lock division, of the Company since 1994. Mr. James has also served as National Accounts Manager of the National Cabinet Lock division from the time he joined the Company in 1992 to 1994. Prior to joining the Company, Mr. James was a Branch Sales Manager of Global Life and Accident Insurance Company.

EMORY E. HODGES has served as Vice President -- Operations, National Cabinet Lock division, of the Company since he joined the Company in 1994. Mr. Hodges joined Michelin Americas Research and Development Corporation in 1984 and was an Engineering Supervisor from 1989 to the time he joined the Company in 1994.

J. MARK HOLLINGSWORTH has served as General Counsel of the Company since June 1996 and Senior or Legal Counsel to the Company since its formation. Mr. Hollingsworth has also served as General Counsel of Valhi and Contran since 1996. From prior to 1993 to 1996, Mr. Hollingsworth served as Senior or Legal Counsel for Valhi and Contran. Mr. Hollingsworth has served as legal counsel of various companies related to Valhi and Contran since 1983.

BOBBY D. O'BRIEN has served as Vice President and Treasurer of the Company since June 1997. Mr. O'Brien has also served as Vice President of Valhi and Contran since October 1996 and Treasurer of Valhi since May 1997 and Contran since June 1997. Since 1993, Mr. O'Brien has served as Treasurer, Vice President -- Finance or Vice President of Medite Corporation, a wholly owned subsidiary of Valcor that operated Valhi's former buildings products business. From 1988 to 1994, Mr. O'Brien served as Assistant Controller of Valhi and Contran. Mr. O'Brien has served in financial and accounting positions with various companies related to Valhi and Contran since 1988.

WILLIAM J. LINDQUIST has served as Vice President and Tax Director of the Company since 1994. Mr. Lindquist has also served as Vice President and Tax Director of Valhi and Contran since prior to 1993. Mr. Lindquist has served as an executive officer or director of various companies related to Valhi and Contran since 1980.

STEVEN L. WATSON has served as Vice President and Secretary of the Company since its formation. Mr. Watson has also served as Vice President and Secretary of Valhi and Contran since prior to 1993. Mr. Watson has served as an executive officer or director of various companies related to Valhi and Contran since 1980.

Each of the above-named directors of CompX(TM) serves until the next annual meeting of the stockholders of the Company or until their respective earlier removal or resignation. Each of the above-named officers of CompX(TM) serves at the pleasure of the Board of Directors.

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors has established an audit committee (the "Audit Committee") and a Management Development and Compensation Committee (the "MD&C Committee"). The Company does not have a nominating committee.

The Audit Committee is comprised of Mr. Bass and Mr. Hardin, who serves as chairman. The principal responsibilities of the Audit Committee are to review the selection of the Company's independent auditors and to make its recommendation with respect to such selection to the Board of Directors; to review with the independent auditors the scope and results of the annual auditing engagement, the procedures for internal auditing, the system of internal accounting controls and internal audit results; and to direct and supervise special audit inquiries. The Audit Committee will convene when deemed appropriate or necessary by its members.

The MD&C Committee is comprised of Mr. Hardin, Mr. Bass, who serves as chairman, and Mr. Glenn R. Simmons. The principal responsibilities of the MD&C Committee are to review and approve certain matters involving executive compensation, including making recommendations to the Board of Directors regarding compensation matters involving the Chief Executive Officer; to review and approve grants of stock options and other awards under the Incentive Plan; and to review and administer such other compensation matters as the Board of Directors may direct from time to time. The MD&C Committee will convene when deemed appropriate or necessary by its members.

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees of the Company will receive an annual retainer of $12,000, payable in quarterly installments, plus a fee of $750 per day for attendance at meetings and at a daily rate for other services rendered on behalf of the Board of Directors or committees thereof. In addition, directors who are members of the Audit Committee or the MD&C Committee will receive an annual retainer of $1,000, paid quarterly in installments, for each committee on which they serve. Directors are reimbursed for

reasonable expenses incurred in attending meetings and in the performance of other services rendered on behalf of the Board of Directors or its committees. Directors are also eligible for awards under the Incentive Plan.

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table. The Summary Compensation Table below provides certain summary information concerning annual and long-term compensation paid or accrued by the Company to or on behalf of the Company's then Chief Executive Officer and the four other most highly compensated individuals in 1997 for services rendered to the Company (the "named executive officers").

SUMMARY COMPENSATION TABLE(A)

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		ALL OTHER COMPENSATION(B)
		SALARY	BONUS	
David A. Bowers.....	1997	$147,000	$125,000	$20,500

President and Chief Executive Officer					
Ronald J. Simmons..... Vice President; President -- Waterloo Furniture Components Limited	1997	117,753	86,667	4,638
Emory E. Hodges..... Vice President -- Operations -- National Cabinet Lock	1997	80,028	27,113	13,667
Scott C. James..... Vice President -- Sales and Marketing -- National Cabinet Lock	1997	83,200	36,508	16,164
Neil W. Poag..... Vice President -- Finance -- Waterloo Furniture Components Limited	1997	65,428	37,752	3,611

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(a) Columns required by the rules and regulations of the Securities and Exchange Commission (the "Commission") that contain no entries have been omitted.

(b) These amounts represent contributions the Company made to certain of the Company's defined contribution plans.

The Company, Valhi, Contran and certain related corporations have entered into certain intercorporate services agreements between each other (collectively, the "ISAs"). Pursuant to each ISA, the parties to the ISA agreed to render certain services to the other in exchange for agreed upon fees and reimbursements of costs, including executive officer services rendered to one party by employees of the other. The fees paid pursuant to the ISAs are generally based upon the estimated percentage of time individual employees, including executive officers, devote to certain matters on behalf of the recipient of the services. See also "Certain Relationships and Related Transactions."

Messrs. Glenn Simmons, Singer, Hollingsworth, O'Brien, Lindquist and Watson render and Mr. Compofelice has rendered services to the Company under the ISAs and receive and has received, respectively, their compensation from affiliated companies that employ them. No employer of an executive officer of the Company who rendered services in 1997 to the Company under the ISAs received fees in excess of $100,000 from the Company attributable to such officer's services.

It has been Valhi's policy to award certain key employees of the Company shares of restricted Valhi common stock or grant options to purchase Valhi common stock under the terms of Valhi's stock option plans. After the Offering, Valhi does not intend to continue this policy.

The following table provides information with respect to the named executive officers concerning the exercise of Valhi options during 1997 and the value of unexercised options to acquire Valhi common stock held as of December 31, 1997. No Valhi stock was awarded nor were options to purchase Valhi stock granted to the named executive officers during 1997.

AGGREGATED OPTION EXERCISES IN 1997 AND DECEMBER 31, 1997 OPTION VALUES

			NUMBER OF SECURITIES UNDERLYING UNEXPIRED OPTIONS AT DECEMBER 31, 1997 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1997(A)(B)	
NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE

David A. Bowers.....	38,000	$113,550	43,000	29,000	$102,048	$66,578
Ronald J. Simmons.....	--	--	20,000	10,000	51,383	20,715
Emory E. Hodges.....	--	--	4,000	6,000	5,750	8,625
Scott C. James.....	7,000	17,748	--	8,000	--	14,670
Neil W. Poag.....	--	--	5,000	5,000	13,998	10,358

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(a) The aggregate amount represents the difference between the exercise price of the individual stock options and Valhi's $9.4375 per share closing price as of December 31, 1997 as reported on the NYSE composite tape.

(b) Pursuant to an agreement between the Company and Valhi, Valhi receives the full market value on the date of exercise of any Valhi common stock issued to such person pursuant to the exercise of stock options granted to such person. The employee pays Valhi the exercise price and the Company pays Valhi the difference between the market value and the exercise price.

On February 13, 1998 Mr. Compofelice was appointed by the Company's Board of Directors as Chairman of the Board and Chief Executive Officer. In connection with such appointments, Mr. Compofelice will be awarded 100,000 shares of Class A Common Stock under the Incentive Plan subject to successful completion of the Offering. Mr. Compofelice also will be granted, upon consummation of the Offering, a non-qualified stock option under the Incentive Plan to purchase 100,000 shares of Class A Common Stock at an exercise price equal to the price to the public of the Class A Common Stock in the Offering. Mr. Compofelice's annual compensation will consist of a base salary of $500,000 and an annual bonus, based upon achievement of certain board-approved objectives, ranging from 50 percent to 150 percent of Mr. Compofelice's base salary.

In connection with the above appointments, the Company's Board of Directors approved the form of an executive severance agreement (the "Severance Agreement") with Mr. Compofelice that provides that Mr. Compofelice's employment with the Company may be terminated at any time by action of the Company's Board of Directors. The Severance Agreement also provides that the following payments shall be made to Mr. Compofelice in the event Mr. Compofelice's employment with the Company is terminated by the Company without cause (as defined in the Severance Agreement) or Mr. Compofelice terminates his employment with the Company for good reason (as defined in the Severance Agreement): (i) the greater of two times the aggregate of Mr. Compofelice's annual base salary plus target bonus (which shall not be less than the amount of his annual salary) or two times Mr. Compofelice's annual base salary plus actual bonus for the two years prior to termination; (ii) accrued salary and bonus through the date of termination; (iii) an amount in cash or the Company's Class A Common Stock equal to the fair market value of outstanding Company stock options granted to Mr. Compofelice in excess of the exercise price and unvested Company restricted stock awarded to Mr. Compofelice; (iv) an amount equal to unvested Company contributions together with an amount equal to the Company's matching contributions to Mr. Compofelice's account under the Company's Savings Plan (as defined) for a period of two years; (v) an amount equal to the vested and unvested portions of Mr. Compofelice's account under the Supplemental Retirement Plans (as defined), if any; and (vi) certain other benefits. The Severance Agreement is automatically extended for a one-year term commencing each January 1, unless the Company and Mr. Compofelice agree otherwise in writing.

INCENTIVE COMPENSATION PLAN

The Company has adopted the CompX(TM) International Inc. 1997 Long-Term Incentive Plan (the "Incentive Plan"). The purpose of the Incentive Plan is to advance the interests of the Company and its stockholders by providing incentives to certain eligible persons who contribute significantly to the strategic and long-term performance objectives and growth of the Company and its parent and subsidiary corporations. The Incentive Plan provides for awards or grants of stock options, stock appreciation rights, performance grants and other awards deemed by the administrator of the Incentive Plan to be consistent with the purposes of the Incentive Plan (collectively, "Awards"). Under the Incentive Plan, key individuals employed by, or performing services for, the Company or its parent or subsidiary corporations are eligible to receive Awards. A person who is eligible to receive an Award may be a nonemployee director or some other person who is not employed by the Company. The Board of Directors will initially administer the Incentive Plan. The administrator of the Incentive Plan determines the eligible persons to whom it grants Awards and the type, size and terms of such Awards. The Company has reserved for issuance a maximum of 1,500,000 shares of Class A Common Stock for Awards under the Incentive Plan, subject to certain adjustments. A stock option awarded under the Incentive Plan may be an incentive stock option or non-qualified stock option and the term of such stock option cannot exceed ten years. Awards may be granted in conjunction with other Awards. Concurrent with the Offering, the Company granted options to certain employees and directors of the Company and Valhi to purchase an aggregate of 440,000 shares of the Company's Class A Common Stock (including an option to purchase 100,000 shares granted to Mr. Compofelice) at an exercise price equal to the initial public offering price.

Upon completion of the Offering, five of the Company's officers and directors will be awarded an aggregate of 164,880 shares of Class A Common Stock under the Incentive Plan for their services in connection with the Offering, including 100,000 shares to be awarded to Mr. Compofelice. The Company will value all such Class A shares awarded (the "Management Shares") at the public offering price, and the aggregate value of such Class A shares will be approximately $3.3 million. The Company will recognize a charge, at the time of the completion of the Offering, equal to the aggregate value of the Class A shares awarded.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 1997, the Board of Directors did not have a compensation committee and David A. Bowers, Glenn R. Simmons and Robert W. Singer comprised the entire Board of Directors of the Company when the Board of Directors deliberated on executive officer compensation. Messrs. Glenn Simmons, Bowers and Singer were the Company's Chairman of the Board, President and Chief Executive Officer and Vice President, respectively. During 1997, Mr. Glenn Simmons and Mr. Singer also served as executive officers of Valhi, Keystone and Contran and Mr. Glenn Simmons served as a director of Valhi, Keystone and Contran.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Relationships with Related Parties. As set forth under the caption "Security Ownership in the Company and its Affiliates," Mr. Harold C. Simmons, through Valcor, Valhi and Contran, may be deemed to control the Company. Mr. Glenn R. Simmons, a director of the Company, is the brother of Mr. Harold C. Simmons. Mr. Glenn R. Simmons and Mr. Singer are also directors of the Company's parent company, Valcor, and of certain affiliates of the Company and Valcor. See "Management -- Directors, Executive Officers and Key Personnel." Corporations that may be deemed to be controlled by or affiliated with Mr. Harold C. Simmons, including the Company, sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on

open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties, and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. The Company continuously considers, reviews and evaluates, and understands that Contran and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, it is possible that the Company might be a party to one or more such transactions in the future.

Although no specific procedures are in place that govern the treatment of transactions among the Company and Contran, Valhi or other affiliated companies, the Board of Directors of each of such publicly held companies includes one or more members who are not officers or directors of any entity that may be deemed to be related to the Company. Additionally, under applicable law, in the absence of stockholder ratification or approval by directors who may be deemed disinterested, transactions involving contracts among companies under common control must be fair to all companies involved. Furthermore, directors and officers owe fiduciary duties of good faith and fair dealing to all stockholders of the companies for which they serve.

The Company understands that Valhi and related entities may consider acquiring or disposing of shares of Class A Common Stock through open-market or privately negotiated transactions depending upon future developments including, but not limited to, the availability and alternative uses of funds, the performance of the Class A Common Stock in the market, an assessment of the business of and prospects for the Company, financial and stock market conditions and other factors. The Company does not presently intend, and understands that Valhi does not presently intend, to engage in any transaction or series of transactions that would result in the Class A Common Stock becoming eligible for termination of registration under the Securities Exchange Act of 1934, as amended, or ceasing to be traded on a national securities exchange.

It is the policy of the Company to engage in transactions with related parties on terms, in the opinion of the Company, no less favorable to the Company than could be obtained from unrelated parties. In the Company's opinion, the terms all of such transactions to which the Company has been a party in the past are not materially different from those that would have been entered into with unrelated parties.

Loans and Advances. From time to time the Company makes advances to and borrows from Valcor, Valhi and other related parties pursuant to term and demand loans. Such loans and advances are made principally for cash management purposes. During 1994, the net borrowings of the Company from Valcor were $250,000, which was repaid in 1995. During 1996 and 1997, the Company neither borrowed money from nor loaned money to any related party, except with respect to the Valcor Note. Interest expense with respect to the Valcor Note was $164,000 in 1997. See "Recent Developments."

Contractual Arrangements. The ISA between the Company and Valhi (the "Valhi ISA") provides that Valhi will render or provide certain management, financial, and administrative services to the Company on a fee basis. Such fees are based upon estimates of time devoted to the affairs of the Company by individual Valhi employees and the salaries of such persons. The Company paid fees to Valhi for services rendered under the Valhi ISA of $284,000, $300,000 and $260,000 in 1995, 1996 and 1997, respectively. The Valhi ISA is an annual agreement and may be extended on a quarter-to-quarter basis, subject to termination by advance notice by either party and amendment by mutual agreement. Net charges from related parties for services provided in

the ordinary course of business, principally "pass-through" insurance charges for insuring other risks, aggregated $152,000 in 1995, $149,000 in 1996, and $208,000 in 1997. These fees and charges are principally pass-through in nature and, in the Company's opinion, are reasonable and not materially different from those that would have been incurred with unrelated parties.

Certain employees of the Company have been awarded shares of restricted Valhi common stock or granted options to purchase Valhi common stock under the terms of Valhi's stock option plans. The Company will reimburse Valhi for the cost of shares of restricted Valhi common stock awarded to employees of the Company as of the time the restrictions on such shares lapse, based on the market value of Valhi common stock on such date. With respect to options to acquire Valhi common stock granted to employees of the Company, the Company will reimburse Valhi for the difference between the option exercise price and the market price of Valhi common stock at the time of exercise. As of December 31, 1997, employees of the Company held options to acquire 204,000 shares of Valhi common stock at exercise prices ranging from $4.76 per share to $14.66 per share. All shares of restricted stock previously granted had vested at December 31, 1996. The Company has recorded an expense (credit) of ($6,000) in 1995, $12,000 in 1996 and $472,000 in 1997 in connection with the grant of Valhi restricted stock and stock options. To the extent employees of the Company continue to have options outstanding to purchase Valhi common stock, future changes in the market price of Valhi common stock will result in additional expense or credits to the Company's operating results.

The Company, Valcor and Valhi are members of Contran's consolidated United States federal income tax group (the "Contran Tax Group"). The policy for intercompany allocation of federal income taxes provides that subsidiaries included in the Contran Tax Group provide for federal income taxes on a separate company basis. Subsidiaries of Valcor make payments to, or receive payments from, Valcor in the amount they would have paid to or received from the Internal Revenue Service had they not been members of the Contran Tax Group. The separate company provisions and payments are computed using the tax elections made by Contran. The Company and Valcor have entered into a tax sharing agreement (the "Tax Sharing Agreement") that provides for the allocation of tax liabilities and tax payments as described above. For all periods presented, the Company is a member of the Contran Tax Group. The Company is jointly and severally liable for the federal income tax of Contran and the other companies included in the Contran Tax Group for all periods in which the Company is included in the Contran Tax Group. Valcor and Valhi have agreed, however, to indemnify the Company for any liability for income taxes of the Contran Tax Group in excess of the Company's tax liability computed in accordance with the Tax Sharing Agreement. Upon consummation of the Offering, the Company will become a separate United States taxpayer and will no longer be a member of the Contran Tax Group.

Certain Litigation. In November 1991, a purported derivative complaint was filed in the Court of Chancery of the State of Delaware, New Castle County (Alan Russell Kahn v. Tremont Corporation, et al., No. 12339) in connection with Tremont's agreement to purchase 7.8 million NL common shares from Valhi. In addition to Tremont and Valhi, the complaint names as defendants the members of Tremont's board of directors at the time, which included Mr. Glenn R. Simmons. The complaint alleges, among other things, that Tremont's purchase of the NL shares constitutes a waste of Tremont's assets and that Tremont's board of directors breached its fiduciary duty to Tremont's public stockholders and seeks, among other things, to rescind Tremont's consummation of the purchase of the NL shares and award damages to Tremont for injuries allegedly suffered as a result of the defendants' wrongful conduct. In March 1996, the trial court ruled in favor of the defendants, and concluded that Tremont's purchase did not constitute an overreaching of Tremont by its controlling stockholder (Valhi), that Tremont's purchase price for the NL shares was fair and that in all other respects the transaction was fair to Tremont. In June 1996, the plaintiffs filed

an appeal with the Delaware Supreme Court. A hearing before a three-judge panel of the Delaware Supreme Court was held in December 1996, and an en banc hearing before the full Supreme Court was held in February 1997. In June 1997, the Delaware Supreme Court en banc reversed the trial court ruling and remanded the matter to the lower court for further proceedings. The Supreme Court held, in part, that the trial court had erred in placing the burden of proof on the plaintiffs and remanded the matter so that the trial court could determine whether the defendants had demonstrated the entire fairness of the transaction. In October 1997, oral arguments upon remand were heard and since then the judge has requested additional testimony. On

February 4, 1998 Valhi reached an agreement in principal to settle this matter. Under a stipulation of settlement dated March 5, 1998 relating to Kahn, Valhi has agreed to transfer to Tremont 1.2 million shares of NL common stock, subject to adjustment depending on the average sales price of such shares during a fifteen trading day period ending five trading days prior to the closing, up to a maximum of 1.4 million shares and down to a minimum of 1 million shares. Valhi has the option, in lieu of transferring such shares, to transfer cash or cash equivalents equal to the product of such average sales price and the number of shares that would otherwise have been transferred to Tremont. The Company understands that Valhi has not yet decided whether it will transfer shares or cash pursuant to the terms of this stipulation of settlement. The stipulation of settlement is subject to the approval of the court in which the case is pending and the expiration of any appellate proceedings. If so approved, the transfer of shares or cash is expected to occur in the second or third quarter of 1998.

In September 1996, a complaint was filed in the Superior Court of New Jersey, Bergen County, Chancery Division (Frank D. Seinfeld v. Harold C. Simmons, et al., No. C-336-96) against Valhi, NL and certain current and former members of NL's board of directors including Mr. Glenn R. Simmons. The complaint, a derivative action on behalf of NL, alleges, among other things, that NL's August 1991 "Dutch auction" tender offer was an unfair and wasteful expenditure of NL's funds. The complaint seeks, among other things, to rescind NL's purchase of approximately 10.9 million shares of NL's common stock from Valhi pursuant to the Dutch auction, and the plaintiff has stated that the damages sought are $149 million. Valhi and the other defendants have answered the complaint and have denied all allegations of wrongdoing. On February 4, 1998 Valhi reached an agreement in principal to settle this matter. Under a stipulation of settlement dated February 26, 1998 relating to Seinfeld, Valhi has agreed to transfer to NL 750,000 shares of NL common stock, subject to adjustment depending on the average sales price of such shares during a fifteen trading day period ending five trading days prior to the closing, up to a maximum of 825,000 million shares and down to a minimum of 675,000 shares. Valhi has the option, in lieu of transferring such shares, to transfer cash or cash equivalents equal to the product of such average sales price and the number of shares that would otherwise have been transferred to NL. The Company understands that Valhi has not yet decided whether it will transfer shares or cash pursuant to the terms of this stipulation of settlement. The stipulation of settlement is subject to the approval of the court in which the case is pending and the expiration of any appellate proceedings. If so approved, the transfer of shares or cash is expected to occur in the second or third quarter of 1998.

The Company is not a party to any of the litigation matters described above.

SECURITY OWNERSHIP IN THE COMPANY AND ITS AFFILIATES

Prior to the Offering, no shares of the Company's Class A Common Stock were

outstanding and all of the shares of the Company's Class B Common Stock were held by Valcor, a wholly-owned subsidiary of Valhi.

As set forth below, Contran holds, directly or through subsidiaries, approximately 93% of the outstanding Valhi common stock. Harold C. Simmons, Chairman of the Board, President and Chief Executive Officer of Valcor, Valhi and Contran, may be deemed to control each of such companies.

Immediately after completion of the Offering, the only shares of Class A Common Stock that will be outstanding are those shares that will be issued in the Offering (including any shares issued if the Underwriters' over-allotment option is exercised), and approximately 164,880 Management Shares. After completion of the Offering, all of the Company's shares of Class B Common Stock will continue to be held by Valcor. Such shares of Class B Common Stock will represent approximately 65% of the combined voting power (95% for election of directors) of all shares of the Company's Common Stock outstanding (62% and 94%, respectively, if the Underwriters' over-allotment option is exercised in full).

The following table sets forth as of March 4, 1998, the beneficial ownership, as defined by the regulations of the Commission, of Valhi common stock by (i) each person or group of persons known to the Company to beneficially own more than 5% of the outstanding shares of Valhi common stock, (ii) each director of the Company, (iii) each named executive officer of the Company, and (iv) all executive officers and directors of the Company as a group. Except as set forth below, no securities of the Company's parent companies or subsidiary companies are beneficially owned by any director or named executive officer of the Company. All information is taken from or based upon ownership filings made by such persons with the Commission or upon information provided by such persons to the Company.

	VALHI COMMON STOCK	
NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(A)	PERCENT OF CLASS(B)
Contran Corporation and subsidiaries:		
Contran Corporation(c)	8,884,458(d)(e)	7.8%
National City Lines, Inc.(c)	11,491,009(d)	10.0%
Valhi Group, Inc.(c)	85,644,496(d)	74.8%
Paul M. Bass, Jr	7,000	*
David A. Bowers	41,000(f)	*
Joseph S. Compofelice	40,000(f)(g)	*
Edward J. Hardin	--	*
Glenn R. Simmons	425,533(f)(h)	*
Robert W. Singer	34,015(i)	*
Ronald J. Simmons	22,000(f)	*
Emory E. Hodges	4,000(f)	*
Scott C. James	1,000(f)	*
Neil W. Poag	16,500(f)	*
All directors and executive officers as a group (16 persons)	1,160,396(f)	1.0%

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* Less than 1%.

(a) All beneficial ownership is sole and direct unless otherwise noted.

(b) The above table is based on 114,496,014 shares of Valhi common stock outstanding as of March 4, 1998. For purposes of calculating the outstanding shares of Valhi common stock as of March 4, 1998, 1,186,200 shares of Valhi common stock held by NL, a majority owned subsidiary of Valhi, and 1,000,000 shares of Valhi common stock held by Valmont Insurance Company, a wholly owned subsidiary of Valhi, are excluded from the amount of Valhi common stock outstanding. Pursuant to Delaware corporate law, Valhi treats these excluded shares as treasury stock for voting purposes.

(c) The business address of Valhi Group, Inc. ("VGI"), National City Lines, Inc. ("National") and Contran is Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

(d) National, NOA, Inc. ("NOA") and Dixie Holding Company ("Dixie Holding") are the direct holders of approximately 73.3%, 11.4% and 15.3%, respectively, of the outstanding common stock of VGI. Together, National, NOA and Dixie Holding may be deemed to control VGI. Contran and NOA are the direct holders of approximately 85.7% and 14.3%, respectively, of the outstanding common stock of National and together may be deemed to control National. Contran and Southwest Louisiana Land Company, Inc. ("Southwest") are the direct holders of approximately 49.9% and 50.1%, respectively, of the outstanding common stock of NOA and together may be deemed to control NOA. Dixie Rice Agricultural Corporation, Inc. ("Dixie Rice") is the direct holder of 100% of the outstanding common stock of Dixie Holding and may be deemed to control Dixie Holding. Contran is the direct holder of approximately 88.8% and 54.3% of the outstanding common stock of Southwest and Dixie Rice, respectively, and may be deemed to control Southwest and Dixie Rice.

Mr. Harold C. Simmons is Chairman of the Board, President and Chief Executive Officer of Valhi, VGI, National, NOA, Dixie Holding and Contran. Mr. Simmons is also Chairman of the Board and Chief Executive Officer of Dixie Rice and Southwest.

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Substantially all of Contran's outstanding voting stock is held by trusts (collectively, the "Trusts") established for the benefit of certain of Mr. Harold C. Simmons' children and grandchildren, of which Mr. Simmons is the sole trustee. As the sole trustee of each of the Trusts, Mr. Simmons has the power to vote and direct the disposition of the shares of Contran stock held directly by each of the Trusts. Mr. Simmons, however, disclaims beneficial ownership of such shares.

The Combined Master Retirement Trust (the "CMRT") directly holds approximately 0.1% of the outstanding shares of Valhi common stock. The CMRT is a trust formed by the Company to permit the collective investment by trusts that maintain the assets of certain employee benefit plans adopted by the Company and related companies. Mr. Simmons is the sole trustee of the CMRT and the sole member of the trust investment committee for the CMRT. Mr. Simmons is a participant in one or more of the employee benefit plans that invest through the CMRT. Mr. Simmons, however, disclaims beneficial ownership of any shares held by the CMRT, except to the extent of his vested beneficial interest therein.

Mr. Simmons' spouse directly owns 77,000 shares of Valhi common stock, with respect to all of which Mr. Simmons disclaims beneficial ownership. Mr. Simmons also directly owns 3,383 shares of Valhi common stock.

By virtue of the holding of the offices, the stock ownership and his service as trustee, all as described above, (a) Mr. Harold C. Simmons may be deemed to control such entities and (b) Mr. Simmons and certain of such entities may be deemed to possess indirect beneficial ownership of shares directly held by certain of such other entities. However, Mr. Simmons disclaims such beneficial ownership of the shares beneficially owned, directly or indirectly, by any of such entities.

The Company understands that NL and Valmont Insurance Company ("Valmont") directly hold 1,186,200 shares and 1,000,000 shares of Valhi common stock, respectively. Valhi is the direct holder of approximately 58.3% of the outstanding common stock of NL. Valhi is also the direct holder of 100% of the outstanding common stock of Valmont. The Company further understands that, pursuant to Delaware law, Valhi treats the shares of Valhi common stock that Valmont and NL hold directly as treasury stock for voting purposes. For the purposes of this prospectus, the shares of Valhi common stock that Valmont and NL hold directly are not deemed outstanding.

Although the Company was not a party to the action, the Company was aware that a lawsuit captioned In re: The Harold C. Simmons Family Trust No. 1 (No. 96-306-P) was pending in the Probate Court of Dallas County, Texas. Pleadings filed in the action contained allegations by two of Mr. Harold C. Simmons' four daughters who were among the beneficiaries of the Harold C. Simmons Family Trust No. 1 dated January 1, 1964 ("Family Trust No. 1") and the Harold C. Simmons Family Trust No. 2 dated January 1, 1964 ("Family Trust No. 2" and collectively with Family Trust No. 1, the "Family Trusts") that Mr. Simmons had breached his fiduciary duties as trustee of the Family Trusts. The breaches of fiduciary duty claimed included, among others, allegedly unfair self dealing, allegedly improper charitable contributions and alleged violations of the federal election laws. Pleadings by Mr. Simmons in the action assert that all actions taken by him as trustee were specifically permitted by the terms of the Family Trusts and greatly benefited the Family Trusts and the beneficiaries. The relief sought by the plaintiffs included the removal of Mr. Simmons as trustee of the Family Trusts. Mr. Simmons' other two daughters filed pleadings in the action opposing the relief sought by the plaintiffs. The trial of this matter ended in a mistrial. On February 10, 1998 the court approved a settlement agreement executed by the parties to this matter whereby Mr. Harold C. Simmons remained trustee of the Family Trusts and all claims of the plaintiffs were settled in exchange for certain consideration paid by Family Trust No. 2. Closing of the settlement occurred on February 11, 1998.

(e) The shares of Valhi common stock shown as owned by Contran include 189,400 shares (0.2% of the outstanding Valhi common stock) directly held by the Contran Deferred Compensation Trust No. 2 (the "CDCT No. 2"). Boston Safe Deposit and Trust Company serves as trustee of the CDCT No. 2 (the "Trustee"). Contran established the CDCT No. 2 as an irrevocable "rabbi trust" to assist Contran in meeting certain deferred compensation obligations that it owes to Harold C. Simmons. If the CDCT No. 2 assets are insufficient to satisfy such obligations, Contran must satisfy the balance of such obligations. Pursuant to the terms of the CDCT No. 2, Contran (i) retains the power to vote the shares

held by the CDCT No. 2, (ii) retains dispositive power over such shares and (iii) may be deemed the indirect beneficial owner of such shares. Mr. Harold C. Simmons disclaims beneficial ownership of any shares of Valhi common stock directly held by the CDCT No. 2, except to the extent of his interests as a beneficiary of the CDCT No. 2.

(f) The shares of Valhi common stock shown as beneficially owned by Glenn R. Simmons, David A. Bowers, Joseph S. Compofelice, Ronald J. Simmons, Emory E. Hodges, Scott C. James, Neil W. Poag and all executive officers and directors as a group include 380,000, 29,000, 30,000, 22,000, 4,000, 1,000, 6,000 and 1,020,000 shares, respectively, that such person or group has the right to acquire upon the exercise within 60 days subsequent to March 4, 1998 of stock options granted pursuant to the Valhi, Inc. 1987 Stock Option -- Stock Appreciation Rights Plan, as amended.

(g) The shares of Valhi common stock shown as beneficially owned by Joseph S. Compofelice include 10,000 shares held by Mr. Compofelice and his wife as joint tenants.

(h) The shares of Valhi common stock shown as beneficially owned by Glenn R. Simmons include 3,000 shares held by Mr. Simmons' wife, 800 shares held in a retirement account for Mr. Simmons' wife, with respect to all of which Mr. Simmons disclaims beneficial ownership.

(i) The shares of Valhi common stock shown as beneficially owned by Robert W. Singer include 10,000 shares held in a retirement account for his benefit and 5,000 shares held in the individual retirement account of Mr. Singer's wife with respect to all of which Mr. Singer disclaims beneficial ownership.

CERTAIN INDEBTEDNESS

On February 26, 1998, the Company entered into the Revolving Senior Credit Facility. The Revolving Senior Credit Facility is an unsecured five-year revolving facility. Borrowings are available for the Company's general corporate purposes, including potential acquisitions. The following is a summary of the material provisions of the Revolving Senior Credit Facility.

The Revolving Senior Credit Facility matures in 2003. Borrowings of up to $100 million are available under the Revolving Senior Credit Facility subject to limitation with respect to compliance with certain coverage ratios and covenants as discussed below. The Revolving Senior Credit Facility has no required principal amortization payments prior to maturity absent any uncured event of default, Asset Disposition (as defined) or incurrence of Indebtedness (as defined). Amounts drawn under the Revolving Senior Credit Facility will bear interest, at the Company's option, at either (i) a base rate equal to the higher of (x) the agent bank's prime rate and (y) the federal funds rate plus one-half of one percent (1/2%) or (ii) the Eurodollar Rate plus an Applicable Margin (as defined). The Applicable Margin will be a rate between .30% and 1.025% that will fluctuate based on the Company's Ratio of Consolidated Debt (as defined) to Consolidated EBITDA (as defined) for the most recent prior four quarter period.

The Revolving Senior Credit Facility contains certain covenants and restrictions customary in lending transactions of this type. These covenants include requirements that the Company maintain specified levels of Consolidated Net Worth (as defined), generally limit the payment of dividends to 50% of Consolidated Net Income of the Company (as defined), and require the Company to maintain a ratio of Consolidated Debt (as defined) to Consolidated EBITDA (as defined) for the most recently completed four quarters not to exceed 3.00 to 1.0 and maintain a ratio of Consolidated EBITDA (as defined) for the most recently completed four quarters to Consolidated Interest Expense (as defined) of not less than 4.25 to 1.0.

DESCRIPTION OF CAPITAL STOCK

GENERAL

The authorized capital stock of the Company consists of 30,000,000 shares of Common Stock, par value $.01 per share, of which 20,000,000 shares have been designated as Class A Common Stock and 10,000,000 shares have been designated as Class B Common Stock, and 1,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock"). Effective upon completion of the Offering, 5,364,880 shares of Class A Common Stock will be issued and outstanding (6,144,880 if the Underwriters' over-allotment option is exercised in full), including 164,880 Management Shares, 10,000,000 shares of Class B Common Stock will be issued and outstanding, and no shares of Preferred Stock will be issued and outstanding. In addition, approximately 1.3 million shares of Class A Common Stock will be reserved for issuance pursuant to the Incentive Plan and 10,000,000 shares of Class A Common Stock will be reserved for issuance upon conversion of the Class B Common Stock. The following summary does not purport to be complete and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Company's Restated Certificate of Incorporation and Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part, and to the applicable provisions of the Delaware General Corporation Law of the State of Delaware ("DGCL").

COMMON STOCK

The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for voting rights with respect to the election of directors and certain conversion rights and transfer restrictions in respect of the shares of the Class B Common Stock. The number of authorized shares of any class or classes of capital stock of the Company may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the Common Stock of the Company entitled to vote generally in the election of directors irrespective of the provisions of Section 242(b)(2) of the DGCL or any corresponding provisions hereinafter enacted.

Voting Rights. The holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to one vote per share in all matters except the election of directors where such holders are entitled to ten votes per share. Holders of all classes of Common Stock entitled to vote will vote together as a single class on all matters presented to the stockholders for their vote or approval except as otherwise required by applicable law. Immediately after the Offering, the shares of Class B Common Stock will represent approximately 65% of the combined voting power (95% for election of directors) of all classes of voting stock of the Company (approximately 62% and 94%, respectively, if the Underwriters' over-allotment option is exercised in full).

The Common Stock does not have cumulative voting rights, which means that holders of the shares of Common Stock with a majority of the votes to be cast for the election of directors can elect all directors then being elected. Since the purchasers of the shares of Class A Common Stock offered hereby will acquire shares entitling them to less than a majority of such votes, such stockholders will be unable to elect a director without the affirmative vote of Valcor.

Dividends. Each share of Class A Common Stock and Class B Common Stock has an equal and ratable right to receive dividends to be paid from the Company's assets legally available therefor when, as and if declared by the Board of Directors. Delaware law generally requires that dividends be paid only out of the Company's surplus or current net profits in accordance with the DGCL. The

Company may not make any dividend or distribution to any holder of any class of Common Stock unless simultaneously with such dividend or distribution the Company makes the same dividend or distribution with respect to each outstanding share of Common Stock regardless of class. Whenever a dividend or distribution, including distributions pursuant to stock splits or divisions of the Common Stock, is payable in shares of Common Stock, the number of shares of Common Stock payable per share of Common Stock shall be equal in number.

The Company does not anticipate paying cash dividends in the foreseeable future. See "Dividend Policy."

Conversion and Transfer. Class A Common Stock has no conversion rights. Prior to a "Tax-Free Spin-Off" (as defined below), shares of Class B Common Stock may be freely transferred (i) between members of the Contran Corporation Control Group (as defined below) or (ii) outside the Contran Corporation Control Group (as defined below) in a transaction that is not a "Tax-Free Spin-Off" (as defined below). However, shares of Class B Common Stock transferred to a person who is not a member of the Contran Corporation Control Group (as defined below) in a transaction that is not a "Tax-Free Spin-Off" (as defined below) shall automatically convert into shares of Class A Common Stock as of the date of such transfer. Transfers of Class B Common Stock between members of the Contran Corporation Control Group (as defined below) shall have no effect other than to change the beneficial ownership of such Class B Common Stock. For purposes hereof, a member of the Contran Corporation Control Group shall be Contran Corporation, a Delaware corporation, and any entity included in the affiliated group as defined in sec.1504 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), of which Contran Corporation or its successor is the common parent. For purposes hereof, "Tax-Free Spin-Off" shall mean any transfer effected in connection with a distribution of Class B Common Stock as a spin-off, split-up or split-off to stockholders of a member of the Contran Corporation Control Group intended to be on a tax-free basis under sec.368 of the Code.

Following a Tax-Free Spin-Off, shares of Class B Common Stock shall be transferred as Class B Common Stock, subject to applicable laws; provided, however, that shares of Class B Common Stock shall automatically convert into shares of Class A Common Stock on the fifth anniversary of the Tax-Free Spin-Off, unless prior to such Tax-Free Spin-Off, the distributing member of the Contran Corporation Control Group, or its successor, as the case may be, delivers to the Company an opinion of counsel reasonably satisfactory to the Company to the effect that such conversion could adversely affect the ability of the distributing member, or its successor, as the case may be, to obtain a favorable ruling from the Internal Revenue Service that the transfer would be a Tax-Free Spin-Off. If such an opinion is received, approval of such conversion shall be submitted to a vote of the holders of the Common Stock as soon as practicable after the fifth anniversary of the Tax-Free Spin-Off, unless the distributing member or its successor, as the case may be, delivers to the Company an opinion of counsel reasonably satisfactory to the Company prior to such anniversary that such vote could adversely affect the status of the Tax-Free Spin-Off, including the ability to obtain a favorable ruling from the Internal Revenue Service; if such opinion is so delivered, such vote shall not be held. Approval of such conversion will require the affirmative vote of the holders of a majority of the shares of both Class A Common Stock and Class B Common Stock present and voting, voting together as a single class, with each share entitled to one vote for such purpose. No assurance can be given that any such conversion would be consummated.

Prior to a Tax-Free Spin-Off, all shares of Class B Common Stock shall automatically convert into shares of Class A Common Stock if the aggregate number of outstanding shares of Class B Common Stock becomes less than 50% of the aggregate number of outstanding shares of Common Stock.

Reclassification and Merger. In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are

converted into another security, then a holder of Class B Common Stock will be entitled to receive upon conversion the amount of such other security that the holder would have received if the conversion occurred immediately prior to the record date of such reclassification or other similar transaction. No adjustments in respect of dividends will be made upon the conversion of any share of Class B Common Stock except if a share is converted subsequent to the record date for the payment of a dividend or other distribution on shares of Class B Common Stock but prior to such payment, then the registered holder of such share at the close of business on such record date will be entitled to receive the dividend or other distribution payable on such date regardless of the conversion thereof or the Company's default in payment of the dividend due on such date.

In the event the Company enters into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then, and in such event, the shares of each class of Common Stock will be exchanged for or changed into either (1) the same amount of stock, securities, cash or any other property, as the case may be, into which or for which each share of any other class of Common Stock is exchanged for or changed into, provided such shares so exchanged for or changed into may differ to the extent and only to the extent that the Class A

Common Stock and the Class B Common Stock differ as provided in the Company's Restated Certificate of Incorporation or (2) if holders of each class of Common Stock are to receive different distributions of stock, securities, cash or any other property, an amount of stock, securities, cash or property per share having a value, as determined by an independent investment banking firm of national reputation selected by the Board of Directors, equal to the value per share into which or for which each share of any other class of Common Stock is exchanged or changed.

Liquidation. In the event of the dissolution, liquidation or winding up of the Company, the holders of Class A Common Stock and Class B Common Stock are entitled to share equally and ratably in the assets available for distribution after payments are made to the Company's creditors and to the holders of any Preferred Stock of the Company that may be outstanding at the time.

Other. The holders of shares of Common Stock have no preemptive, subscription or redemption rights and are not liable for further call or assessment. All of the outstanding shares of Common Stock are, and the shares of Class A Common Stock offered hereby will be, fully paid and nonassessable.

Prior to the date of this Prospectus, there has been no established public trading market for the Common Stock. The Class A Common Stock has been approved for listing on the NYSE under the symbol "CIX."

PREFERRED STOCK

The Board of Directors of the Company is authorized, without further stockholder action, to divide any or all shares of authorized Preferred Stock into series and to fix and determine the designations, preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereon, of any series so established, including voting powers, dividend rights, liquidation preferences, redemption rights and conversion or exchange privileges. As of the date of this Prospectus, no shares of Preferred Stock have been issued and the Board of Directors of the Company had not authorized any series of Preferred Stock and there are no plans, agreements or understandings for the issuance of any shares of Preferred Stock.

DELAWARE GENERAL CORPORATION LAW

Section 203 of the DGCL provides, in general, that a stockholder acquiring

more than 15% of the outstanding voting stock of a corporation subject to the statute (an "Interested Stockholder") but less than 85% of such stock may not engage in certain Business Combinations (as defined in Section 203) with the corporation for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless (i) prior to such date the corporation's board of directors approved either the Business Combination or the transaction in which the stockholder became an Interested Stockholder or (ii) the Business Combination is approved by the corporation's board of directors and authorized by a vote of at least 66 2/3% of the outstanding voting stock of the corporation not owned by the Interested Stockholder. The provisions of Section 203 ("Section 203") of the DGCL do not apply to the Company. Such provisions, if they were to apply to the Company, would restrict the Company's ability to enter into business combinations with certain stockholders of the Company and would render an unsolicited takeover attempt of the Company more difficult.

Any action required to be taken at any annual or special meeting of the Company's stockholders may be taken without a meeting, without prior notice and without a vote, upon the written consent of the minimum number of stockholders necessary to authorize such action.

LIMITATIONS ON DIRECTORS' LIABILITY

The Company's Restated Certificate of Incorporation provides that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock purchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. The effect of these

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provisions is to eliminate the rights of the Company and its stockholders (through stockholders, derivative suits on behalf of the Company) to recover monetary damages against a director for breach of fiduciary duty as a director (including breaches resulting from grossly negligent behavior), except in the situations described above. These provisions do not limit the liability of directors under federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission based upon a director's breach of his duty of care.

TRANSFER AGENT AND REGISTRAR

Harris Trust and Savings Bank will act as the transfer agent and registrar for the Common Stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have outstanding 5,364,880 shares of Class A Common Stock (6,144,880 shares if the Underwriters' over-allotment option is exercised in full) without taking into account any options which may be granted, and 164,880 Management Shares granted to officers and directors of the Company. All of the shares of Class A Common Stock sold hereby will be freely tradable without restriction or further registration under the Securities Act of 1933 (the "Securities Act") by persons other than "affiliates" of the Company (defined in Rule 144 under the Securities Act as a person who directly or indirectly through the use of one or more intermediaries controls, is controlled by, or is under common control with, the Company). The 10,000,000 shares of Class B Common Stock held by Valcor will be deemed restricted securities within the meaning of Rule 144. Shares of Class A Common Stock acquired or to be acquired by officers and employees of the Company pursuant to the exercise of options or restricted stock grants will be, upon the filing of a Registration Statement on Form S-8 registering such shares, freely

tradable without restriction or further registration under the Securities Act by persons other than "affiliates." Sales of restricted securities and shares of Class A Common Stock held by "affiliates" are subject to certain volume, timing and manner of sale restrictions pursuant to Rule 144. Any sales of substantial amounts of these shares in the public market might adversely affect prevailing market prices for the shares of Class A Common Stock.

In general, under Rule 144, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least one year, including "affiliates" of the Company, would be entitled to sell within any three-month period that number of shares that does not exceed the greater of (i) 1% of the number of shares of Class A Common Stock then outstanding or (ii) the average weekly trading volume of the Class A Common Stock during the four calendar weeks preceding such sale. Sales pursuant to Rule 144 are subject to certain manner of sale provisions, notice requirements and the availability of current public information about the Company. A person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, would be entitled to sell such shares under Rule 144(k) without regard to many of the requirements described above. The Company is unable to estimate the number of restricted shares or shares held by affiliates that will be sold under Rule 144 since this will depend in part on the market price for the Class A Common Stock, the personal circumstances of the holders of the shares and other factors.

The Company and Valcor, and each of their respective officers and directors have agreed that, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., offer, sell, contract to sell, or otherwise dispose of, any shares of Common Stock of the Company or any securities convertible into, or exercisable or exchangeable for, Common Stock of the Company. Thereafter, Valcor will be able to sell any shares of Common Stock it owns in reliance upon Rule 144, subject to the resale, volume and other limitations described above. Under certain circumstances shares of Class B Common Stock may be automatically converted into shares of Class A Common Stock. It is possible that Valcor or another member of the Contran Corporation Control Group may cause the Company to register any such converted shares of Class A Common Stock that may be owned by Valcor or another member of the Contran Corporation Control Group to permit a further distribution of such shares of Class A Common Stock by Valcor.

Prior to the Offering, there has been no public market for the Class A Common Stock. Trading of the Class A Common Stock is expected to commence following the completion of the Offering. There can be no assurance that an active trading market will develop or continue after the completion of the Offering or that the market price of the Class A Common Stock will not decline below the initial public offering price. No prediction can be made as to the effect, if any, that future sales of shares of Class A Common Stock, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of Class A Common Stock in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of the Class A Common Stock or the ability of the Company to raise capital through a public offering of its equity securities.

CERTAIN UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

A general discussion of certain United States federal income and estate tax consequences of the ownership and disposition of Common Stock applicable to Non-U.S. Holders (as defined) of Common Stock is set forth below. In general, a "Non U.S. Holder" is a person other than: (i) a citizen or resident (as defined for United States federal income or estate tax purposes, as the case may be) of the United States; (ii) a corporation organized in or under the laws of the United States or a political subdivision thereof; or (iii) an estate or trust the income of which is subject to United States federal income taxation

regardless of its source. The discussion is based on current law and is provided for general information only. The discussion does not address aspects of United States federal taxation other than income and estates taxation and does not address all aspects of federal income and estate taxation. The discussion does not consider any specific facts or circumstances that may apply to a particular Non-U.S. Holder and does not address all aspects of United States federal income tax law that may be relevant to Non-U.S. Holders that may be subject to special treatment under such law (for example, insurance companies, tax-exempt organizations, financial institutions or broker-dealers). ACCORDINGLY, PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE UNITED STATES FEDERAL, STATE, LOCAL AND NON-U.S. CURRENT AND POSSIBLE FUTURE INCOME AND OTHER TAX CONSEQUENCES OF HOLDING AND DISPOSING OF CLASS A COMMON STOCK.

DIVIDENDS

In general, the gross amount of dividends paid to a Non-U.S. Holder will be subject to United States withholding tax at a 30% rate (or any lower rate prescribed by an applicable tax treaty) unless the dividends are (i) effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States and a Form 4224 is filed with the withholding agent or (ii) if a tax treaty applies, are attributable to a United States permanent establishment of the Non-U.S. Holder. If either exception applies, the dividend will be taxed at ordinary U.S. federal income tax rates. A Non-U.S. Holder may be required to satisfy certain certification requirements in order to claim the benefit of an applicable treaty rate or otherwise claim a reduction of, or exemption from, the withholding obligation pursuant to the above described rules. In the case of a Non-U.S. Holder that is a corporation, effectively connected income may also be subject to the branch profits tax (which is generally imposed on a foreign corporation at a rate of 30% of the deemed repatriation from the United States of "effectively connected earnings and profits") except to the extent that an applicable tax treaty provides otherwise.

The Company may pay dividends to Common Stock holders in the form of additional Common Stock. In general, dividends of common stock paid pro rata to holders of common stock are not taxable distributions. Holders who receive such stock dividends must allocate the basis of the stock with respect to which the distribution is made between such stock and the newly distributed stock in proportion to the fair market values of each on the distribution date. In certain circumstances stock dividends could be taxable distributions. However, the Company does not currently expect to pay any stock dividends that would be deemed taxable distributions.

SALE OF COMMON STOCK

Generally, a Non-U.S. Holder will not be subject to United States federal income tax on any gain realized upon the disposition of his Common Stock unless: (i) the Company has been, is, or becomes a "U.S. real property holding corporation" for federal income tax purposes and certain other requirements are met; (ii) the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States; or (iii) the Common Stock is disposed of by an individual Non-U.S. Holder, who holds the Common Stock as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition, and the gains are considered derived from sources within the United States. The Company believes that it has not been, is not currently and, based upon its current business plans, is not likely to become a U.S. real property holding corporation. A Non-U.S. Holder also may be subject to tax pursuant to the provisions of United States tax law applicable to certain United States expatriates. Non-U.S. Holders should consult applicable treaties, which may exempt from United States taxation gains realized upon the disposition of Common Stock in certain cases.

ESTATE TAX

Common Stock owned or treated as owned by an individual Non-U.S. Holder at the time of death will be includible in the individual's gross estate for United States federal estate tax purposes, unless an applicable treaty provides otherwise, and may be subject to United States federal estate tax.

BACKUP WITHHOLDING AND INFORMATION REPORTING REQUIREMENTS

On October 14, 1997, the IRS issued final regulations relating to withholding, information reporting and backup withholding that unify current certification procedures and forms and clarify reliance standards (the "Final Regulations"). The Final Regulations generally will be effective with respect to payments made after December 31, 1998.

Except as provided below, this section describes rules applicable to payments made on or before December 31, 1998. Backup withholding (which generally is a withholding tax imposed at the rate of 31% on certain payments to persons that fail to furnish the information required under the United States information reporting and backup withholding rules) generally will not apply to (i) dividends paid to Non-U.S. Holders that are subject to the 30% withholding discussed above (or that are not so subject because a tax treaty applies that reduces or eliminates such 30% withholding) or (ii) dividends paid on the Common Stock to a Non-U.S. Holder at an address outside the United States. The Company will be required to report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to, and the tax withheld with respect to, such holder, regardless of whether any tax was actually withheld. This information may also be made available to the tax authorities in the Non-U.S. Holder's country of residence.

In the case of a Non-U.S. Holder that sells Common Stock to or through a United States office of a broker, the broker must backup withhold at a rate of 31% and report the sale to the IRS, unless the holder certifies its Non-U.S. status under penalties of perjury or otherwise establishes an exemption. In the case of a Non-U.S. Holder that sells Common Stock to or through the foreign office of a United States broker, or a foreign broker with certain types of relationships to the United States, the broker must report the sale to the IRS (but not backup withhold) unless the broker has documentary evidence in its files that the seller is a Non-U.S. Holder or certain other conditions are met, or the holder otherwise establishes an exemption. A Non-U.S. Holder will generally not be subject to information reporting or backup withholding if such Non-U.S. Holder sells the Common Stock to or through a foreign office of a Non-United States broker.

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against the holder's U.S. federal income tax, which may entitle the holder to a refund, provided that the holder furnishes the required information to the IRS. In addition, certain penalties may be imposed by the IRS on a holder who is required to supply information but does not do so in the proper manner.

The Final Regulations eliminate the general current law presumption that dividends paid to an address in a foreign country are paid to a resident of that country. In addition, the Final Regulations impose certain

certification and documentation requirements on Non-U.S. Holders claiming the benefit of a reduced withholding rate with respect to dividends under a tax treaty.

Prospective purchasers of the Class A Common Stock are urged to consult their own tax advisors as to the effect, if any, of the Final Regulations on their purchase, ownership and disposition of the Class A Common Stock.

UNDERWRITING

Upon the terms and subject to the conditions stated in the Underwriting Agreement dated the date hereof, each Underwriter named below has severally agreed to purchase, and the Company has agreed to sell to such Underwriter, the number of shares of Class A Common Stock set forth opposite the name of such Underwriter.

UNDERWRITER	NUMBER OF SHARES
Smith Barney Inc.	2,128,500
NationsBanc Montgomery Securities LLC	1,161,000
Wheat First Securities, Inc.	580,500
Bear, Stearns & Co. Inc.	85,000
BT Alex. Brown Incorporated	85,000
A.G. Edwards & Sons, Inc.	85,000
Goldman, Sachs & Co.	85,000
Lehman Brothers Inc.	85,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	85,000
Morgan Stanley & Co. Incorporated	85,000
Prudential Securities Incorporated	85,000
Robert W. Baird & Co. Incorporated	65,000
Burnham Securities Inc.	65,000
First Southwest Company	65,000
Interstate/Johnson Lane Corporation	65,000
C.L. King & Associates, Inc.	65,000
Legg Mason Wood Walker, Incorporated	65,000
McDonald & Company Securities, Inc.	65,000
Raymond James & Associates, Inc.	65,000
Scott & Stringfellow, Inc.	65,000
Tucker Anthony Incorporated	65,000
Total	5,200,000

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the shares are subject to approval of certain legal matters by counsel and to certain other conditions. The Underwriters are obligated to take and pay for all shares of Class A Common Stock offered hereby (other than those covered by the over-allotment option described below) if any such shares are taken.

The Underwriters, for whom Smith Barney Inc., NationsBanc Montgomery Securities LLC and Wheat First Union, a division of Wheat First Securities, Inc., are acting as the Representatives, propose to offer part of the shares directly to the public at the public offering price set forth on the cover page of this Prospectus and part of the shares to certain dealers at a price which represents a concession not in excess of $0.84 per share under the public offering price. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $0.10 per share to certain other dealers. After the initial offering of the shares to the public, the public offering price and such concessions may be changed by the Representatives. The Representatives of the Underwriters have advised the Company that the Underwriters do not intend to confirm any shares to any accounts over which they exercise discretionary authority.

The Company has granted to the Underwriters an option, exercisable for thirty days from the date of this Prospectus, to purchase up to 780,000 additional shares of Class A Common Stock at the price to public set forth on the cover page of this Prospectus minus the underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose of covering over-allotments, if any, in connection with the Offering of the shares offered hereby. To the extent such option is exercised, each Underwriter will be obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number of shares set forth opposite each Underwriter's name in the preceding table bears to the total number of shares listed in such table.

The Company, Valcor, and the Company's officers and directors have agreed that, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., offer, sell, contract to sell, or otherwise dispose of, any shares of Common Stock of the Company or any securities convertible into, or exercisable or exchangeable for, Common Stock of the Company.

At the request of the Company, the Underwriters have reserved up to 140,000 shares of Class A Common Stock for sale at the public offering price to directors, officers and employees of the Company. The number of shares of Class A Common Stock available for sale to the general public will be reduced to the extent such persons purchase the reserved shares. Any reserved shares not so purchased will be offered by the Underwriters on the same basis as all other shares offered hereby.

In connection with this Offering and in compliance with applicable law, the Underwriters may overallot (i.e., sell more Class A Common Stock) than the total amount shown on the list of Underwriters and participations which appears above) and may effect transactions which stabilize, maintain or otherwise affect the market price of the Class A Common Stock at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the Class A Common Stock or effecting purchases of the Class A Common Stock for the purpose of pegging, fixing or maintaining the price of the Class A Common Stock or for the purpose of reducing a syndicate short position created in connection with the Offering. A syndicate short position may be covered by exercise of the option described above in lieu of or in addition to open market purchases. In addition, the contractual arrangements among the Underwriters include a provision whereby if the Representatives purchase Class A Common Stock in the open market for the account of the underwriting syndicate and the securities purchased can be traced to a particular Underwriter or member of the selling group, the underwriting syndicate may require the Underwriter or selling group member in question to purchase the Common Stock in question at the cost price to the syndicate or may recover from (or decline to pay to) the Underwriter or selling group member in question the selling concession applicable to the securities in question. The Underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

Prior to this Offering, there has not been any public market for the Class A Common Stock of the Company. Consequently, the initial public offering price for the Shares of Class A Common Stock included in this Offering has been determined by negotiations between the Company and the Representatives. Among the factors considered in determining such price were the history of and prospects for the Company's business and the industry in which it competes, an assessment of the Company's management and the present state of the Company's development, the past and present revenues and earnings, the current state of the economy in the United States and the current level of economic activity in the industry in which the Company competes and in related or comparable

industries, and currently prevailing conditions in the securities markets, including current market valuations of publicly traded companies which are comparable to the Company.

Under Rule 2710(c)(8) of the Conduct Rules of the National Association of Securities Dealers, Inc. (the "NASD"), if more than 10% of the net proceeds of a public offering of equity securities are to be paid to members of the NASD that are participating in the offering, or affiliated or associated persons, the price of the equity securities distributed to the public must be no higher than that recommended by a "qualified independent underwriter," as defined in Rule 2720 of the Conduct Rules of the NASD. Because NationsBank, N.A., an affiliate of NationsBanc Montgomery Securities LLC, and First Union National Bank, an affiliate of Wheat First Securities, Inc., are lenders under the Revolving Senior Credit Facility and will receive

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repayment of amounts outstanding under the Revolving Senior Credit Facility from the net proceeds of the Offering that are, in the aggregate, more than 10% of the net proceeds of the Offering, Smith Barney Inc., another Underwriter of the Offering (the "Independent Underwriter"), will act as a qualified independent underwriter in connection with the Offering. The Independent Underwriter, in its role as qualified independent underwriter, has performed due diligence investigations and reviewed and participated in the preparation of this Prospectus and the Registration Statement of which this Prospectus forms a part. The Independent Underwriter will not receive any additional fees for serving as a qualified independent underwriter in connection with the Offering. The price of the shares of Class A Common Stock sold to the public will be no higher than that recommended by the Independent Underwriter.

The Company and the Underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

LEGAL MATTERS

Certain legal matters with respect to the shares offered hereby will be passed upon for the Company by Rogers & Hardin LLP, Atlanta, Georgia, of which Mr. Hardin, a director of the Company, is a partner. The Underwriters have been represented by Cravath, Swaine & Moore, New York, New York.

EXPERTS

The consolidated balance sheets as of December 31, 1996 and 1997, and the related consolidated statements of income, cash flows and stockholder's equity for each of the three years in the period ended December 31, 1997 included in this Prospectus and elsewhere in the Registration Statement, have been included herein in reliance upon the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of that firm as experts in accounting and auditing.

The consolidated combined balance sheet of the Fort Lock Group as of June 29, 1996 and June 28, 1997, and the related consolidated combined statements of income, cash flows and stockholders' equity for the fiscal years ended June 24, 1995, June 29, 1996 and June 28, 1997, included in the Prospectus, have been included herein in reliance upon the report of Altschuler, Melvoin and Glasser LLP, independent accountants, given on the authority of that firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Commission a registration statement on Form S-1 under the Securities Act (together with all amendments and exhibits thereto, the "Registration Statement"), with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits filed as part thereof. For further information with respect to the Company and the shares of Class A Common Stock offered hereby, reference is made to the Registration Statement and to the exhibits filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete and are qualified in their entirety by reference to each such contract, agreement or other document which is filed as an exhibit to the Registration Statement. The Registration Statement, including the exhibits and schedules thereto, may be inspected without charge at the principal office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, or at the Regional offices of the Commission at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such material may be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a worldwide web site that contains reports, proxy statements and other information regarding registrants, including the Company, that file electronically with the Commission, at http://www.sec.gov.

INDEX TO HISTORICAL FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder and Board of Directors of CompX International Inc.:

We have audited the accompanying consolidated balance sheets of CompX International Inc. as of December 31, 1996 and 1997, and the related consolidated statements of income, cash flows and stockholder's equity (deficit) for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CompX International Inc. as of December 31, 1996 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Dallas, Texas
January 23, 1998, except
for Note 12 as to which

the date is March 5, 1998

COMPX INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1996 AND 1997
(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS

	1996	1997
Current assets:		
Cash and cash equivalents	$ 8,550	$19,187
Accounts receivable, less allowance for doubtful accounts of $167 and $311	11,658	14,573
Receivable from affiliates	384	--
Inventories	10,879	11,073
Prepaid expenses	394	161

Deferred income taxes	343	438
Total current assets	32,208	45,432
Other assets:		
Deferred income taxes	--	133
Other	83	66
	83	199
Property and equipment:		
Land	394	383
Buildings	8,364	8,194
Equipment	20,668	24,343
Construction in progress	88	707
	29,514	33,627
Less accumulated depreciation	13,355	15,464
Net property and equipment	16,159	18,163
	$48,450	$63,794

LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)

Current liabilities:		
Demand note payable to Valcor	$ --	$50,000
Current maturities of long-term debt	88	113
Accounts payable and accrued liabilities	6,896	11,427
Other payable to affiliates	5	331
Income taxes	1,066	2,559
Total current liabilities	8,055	64,430
Noncurrent liabilities:		
Long-term debt	74	262
Deferred income taxes	1,068	115
Other	11	150
Total noncurrent liabilities	1,153	527
Stockholder's equity (deficit):		
Preferred stock, $.01 par value; 1,000 shares authorized, none issued	--	--
Class A common stock, $.01 par value; 20,000,000 shares authorized, none issued	--	--
Class B common stock, $.01 par value; 10,000,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	4,412	4,412
Retained earnings (deficit)	34,852	(4,596)
Currency translation adjustment	(122)	(1,079)
Total stockholder's equity (deficit)	39,242	(1,163)
	$48,450	$63,794

Commitments and contingencies (Note 10)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1995	1996	1997
Revenues:			
Net sales	$80,238	$88,744	$108,652
Other income	499	759	872
	80,737	89,503	109,524
Costs and expenses:			
Cost of sales	52,400	58,295	70,638
Selling, general and administrative	8,465	9,106	11,018
Interest	13	18	199
	60,878	67,419	81,855
Income before income taxes	19,859	22,084	27,669
Provision for income taxes	7,758	9,055	11,019
Net income	$12,101	$13,029	$ 16,650
Unaudited pro forma per share data:			
Net income			$ 16,650
Pro forma adjustment -- reduction in net income for employee stock grants			(2,012)
Pro forma net income			$ 14,638
Basic and diluted pro forma net income per common share			$ 1.14
Common shares outstanding			12,868

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(IN THOUSANDS)

	1995	1996	1997
Cash flows from operating activities:			
Net income	$12,101	$13,029	$16,650
Depreciation and amortization	2,193	2,483	2,811
Deferred income taxes	(475)	(625)	(651)
Other, net	109	206	338
Change in assets and liabilities:			
Accounts receivable	(1,608)	(1,093)	(3,117)
Inventories	(162)	(1,662)	(194)
Accounts payable and accrued liabilities	807	(1,277)	4,531
Accounts with affiliates	(292)	(59)	710
Income taxes	111	(221)	1,502
Other, net	65	(306)	372
Net cash provided by operating activities	12,849	10,475	22,952
Cash flows from investing activities:			

Capital expenditures	(2,013)	(2,287)	(5,536)
Purchase of business unit	(5,982)	--	--
Other, net	25	263	15
Net cash used by investing activities	(7,970)	(2,024)	(5,521)
Cash flows from financing activities:			
Long-term debt:			
Additions	--	--	369
Principal payments	(42)	(74)	(156)
Repayment of loans from affiliates	(250)	--	--
Dividends	(6,000)	(6,247)	(6,098)
Net cash used by financing activities	(6,292)	(6,321)	(5,885)
Cash and cash equivalents:			
Net increase (decrease) from:			
Operating, investing and financing activities	(1,413)	2,130	11,546
Currency translation	373	(128)	(909)
Balance at beginning of year	7,588	6,548	8,550
Balance at end of year	$ 6,548	$ 8,550	$19,187
Supplemental disclosures:			
Cash paid for:			
Interest	$ 13	$ 18	$ 35
Income taxes	8,407	9,974	9,617
Dividend in the form of a demand note payable	$ --	$ --	$50,000

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(IN THOUSANDS)

	CLASS B COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	CURRENCY TRANSLATION ADJUSTMENT	TOTAL STOCKHOLDER'S EQUITY (DEFICIT)
Balance at December 31, 1994	$100	$4,412	$ 21,969	$ (294)	$ 26,187
Net income	--	--	12,101	--	12,101
Cash dividends	--	--	(6,000)	--	(6,000)
Adjustments, net	--	--	--	324	324
Balance at December 31, 1995	100	4,412	28,070	30	32,612
Net income	--	--	13,029	--	13,029
Cash dividends	--	--	(6,247)	--	(6,247)
Adjustments, net	--	--	--	(152)	(152)
Balance at December 31, 1996	100	4,412	34,852	(122)	39,242
Net income	--	--	16,650	--	16,650
Dividends:					
Cash	--	--	(6,098)	--	(6,098)
Noncash	--	--	(50,000)	--	(50,000)
Adjustments, net	--	--	--	(957)	(957)
Balance at December 31, 1997	$100	$4,412	$ (4,596)	$(1,079)	$ (1,163)

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- ORGANIZATION:

CompX International Inc. is a wholly-owned subsidiary of Valcor, Inc., which is a wholly-owned subsidiary of Valhi, Inc. (NYSE: VHI). The Company is a North American manufacturer of component products (principally ergonomic computer support systems, precision ball bearing drawer slides and cabinet locks) for furniture and other markets.

Contran Corporation holds, directly or through subsidiaries, approximately 93% of Valhi's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee. Mr. Simmons, the Chairman of the Board of each of Contran, Valhi and Valcor, may be deemed to control each of such companies and the Company.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of consolidation. The accompanying consolidated financial statements include the accounts of CompX International Inc. and its wholly-owned Canadian subsidiary, Waterloo Furniture Components Limited (collectively the "Company"). All material intercompany accounts and balances have been eliminated.

Fiscal year. The Company's operations are comprised of a 52 or 53-week fiscal year. The years ended December 31, 1995, 1996 and 1997 each consisted of 52 weeks.

Management estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Ultimate actual results may, in some instances, differ from previously estimated amounts.

Foreign currency transactions. Assets and liabilities of the Company's Canadian subsidiary are translated at year-end rates of exchange and revenues and expenses are translated at average exchange rates prevailing during the year. Resulting translation adjustments, net of related deferred income tax effects, are accumulated in the currency translation adjustment component of stockholder's equity. Foreign currency transaction gains and losses are recognized in income currently. The net foreign currency transaction gain, included in other income, was $23,000 in 1995, $136,000 in 1996 and $303,000 in 1997.

Cash and cash equivalents. Cash equivalents consist principally of bank time deposits and government and commercial notes with original maturities of three months or less.

Net sales. Sales are recorded when products are shipped.

Inventories and cost of sales. Inventories are stated at the lower of cost or market. Inventories are based on average cost or the first-in, first-out method.

Property, equipment and depreciation. Property and equipment, including purchased computer software for internal use, are stated at cost. Maintenance, repairs and minor renewals are expensed; major improvements are capitalized. Depreciation is computed primarily on the straight-line method over the estimated useful lives of 15 to 40 years for buildings and three to 10 years for machinery and equipment.

Income taxes. CompX International, Valcor and Valhi are members of Contran's consolidated United States federal income tax group (the "Contran Tax Group"). The policy for intercompany allocation of federal income taxes provides that subsidiaries included in the Contran Tax Group compute the provision for federal income taxes on a separate company basis. Subsidiaries of Valcor make payments to, or receive payments from, Valcor in the amount they would have paid to or received from the Internal Revenue Service

had they not been members of the Contran Tax Group. The separate company provisions and payments are computed using the tax elections made by Contran.

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amounts of assets and liabilities, including the Company's investment in the Canadian subsidiary which is not a member of the Contran Tax Group.

New accounting principles not yet adopted. The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income, in the first quarter of 1998. Upon adoption of SFAS No. 130, the Company will present a new Statement of Comprehensive Income which will report all changes in the Company's stockholder's equity other than transactions with its stockholders. Comprehensive income pursuant to SFAS No. 130 would include the Company's consolidated net income, as reported in the Consolidated Statement of Income, plus the net change in the foreign currency translation component of stockholder's equity.

The Company will adopt SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, no later than the fourth quarter of 1998. SFAS No. 131 will supersede the business segment disclosure requirements currently in effect under SFAS No. 14. SFAS No. 131, among other things, establishes standards regarding the information a company is required to disclose about its operating segments. SFAS No. 131 also provides guidance regarding what constitutes a reportable operating segment. The Company expects to have one operating segment pursuant to SFAS No. 131, the same one segment currently in effect under SFAS No. 14. Accordingly, segment disclosures pursuant to SFAS No. 131 are not expected to be materially different from the current disclosures pursuant to SFAS No. 14.

Other. Advertising costs, expensed as incurred, were $432,000 in 1995, $410,000 in 1996 and $555,000 in 1997. Research and development costs, expensed as incurred, were $391,000 in 1995, $460,000 in 1996 and $468,000 in 1997. Accounting and funding policies for retirement plans are described in Note 7.

NOTE 3 -- GEOGRAPHIC SEGMENTS:

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Net sales:			

Point of origin:			
Canada	$58,123	$65,758	$ 80,632
United States	22,115	22,986	28,020
	$80,238	$88,744	$108,652
Point of destination:			
United States	$55,442	$58,155	$ 70,354
Canada	22,788	27,763	33,974
Other	2,008	2,826	4,324
	$80,238	$88,744	$108,652
Operating income:			
Canada	$13,425	$16,417	$ 20,533
United States	6,441	5,697	7,807
	19,866	22,114	28,340
General corporate income (expense), net	6	(12)	(472)
Interest expense	(13)	(18)	(199)
Income before income taxes	$19,859	$22,084	$ 27,699

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Identifiable assets:		
Canada	$31,425	$35,061
United States	17,025	28,733
	$48,450	$63,794

Capital expenditures exclude amounts attributable to business units acquired in business combinations accounted for by the purchase method. In 1995, the Company's Canadian subsidiary purchased certain assets of a competitor for approximately $6 million cash.

At December 31, 1997, the net assets of the Company's Canadian subsidiary included in consolidated net assets approximated $24.3 million.

NOTE 4 -- INVENTORIES:

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Raw materials	$ 2,556	$ 2,057
Work in process	4,974	5,193
Finished products	3,300	3,775
Supplies	49	48
	$10,879	$11,073

NOTE 5 -- ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Accounts payable	$3,112	$ 5,497
Accrued liabilities:		
Employee benefits	2,265	3,490
Insurance	152	633
Royalties	476	447
Other	891	1,360
	$6,896	$11,427

NOTE 6 -- INDEBTEDNESS:

At December 31, 1997 other long-term debt consists of capital lease obligations due through 2001. See Note 9 for a discussion of the Company's demand note payable to Valcor.

NOTE 7 -- EMPLOYEE BENEFIT PLANS:

Substantially all employees are eligible to participate in Company-sponsored contributory savings plans with partial matching Company contributions. In addition, substantially all U.S. employees participate in a Company-sponsored noncontributory defined contribution plan with Company contributions based on a profit sharing formula. Company contributions to these plans aggregated $838,000 in 1995, $842,000 in 1996 and $1,051,000 in 1997.

NOTE 8 -- INCOME TAXES:

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Components of pre-tax income:			
Canada	$13,425	$16,417	$20,533
United States	6,434	5,667	7,136
	$19,859	$22,084	$27,669
Expected tax expense, at the U.S. federal statutory income tax rate of 35%	$ 6,951	$ 7,729	$ 9,684
Non-U.S. tax rates	882	128	550
Incremental U.S. tax on earnings of Canadian subsidiary	750	1,050	631

Rate change adjustment of deferred taxes resulting from U.S./Canadian tax treaty	(978)	--	--
State income taxes and other, net	153	148	154
	$ 7,758	$ 9,055	$11,019
Provision for income taxes:			
Currently payable:			
U.S. federal	$ 2,065	$ 1,676	$ 2,491
U.S. state	255	260	256
Canadian	5,913	7,744	8,923
	8,233	9,680	11,670
Deferred taxes:			
U.S.	(561)	(872)	(85)
Canadian	86	247	(566)
	(475)	(625)	(651)
	$ 7,758	$ 9,055	$11,019

The components of net deferred tax assets (liabilities) are summarized below. Deferred income taxes charged (credited) to the foreign currency translation component of stockholder's equity were not material in any of the past three years.

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Tax effect of temporary differences relating to:		
Inventories	$ 172	$ 198
Property and equipment	(1,236)	(717)
Accrued liabilities and other deductible differences	233	447
Investment in Canadian subsidiary not a member of the consolidated tax group	106	627
Other taxable differences	--	(99)
	$ (725)	$ 456
Current deferred tax assets	$ 343	$ 438
Noncurrent deferred tax assets	--	133
Noncurrent deferred tax liabilities	(1,068)	(115)
	$ (725)	$ 456

NOTE 9 -- RELATED PARTY TRANSACTIONS:

The Company may be deemed to be controlled by Harold C. Simmons. See Note 1. Corporations that may be deemed to be controlled by or affiliated with Mr. Simmons sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties, and (b) common investment and acquisition

strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. The Company continuously considers, reviews and evaluates, and understands that Contran and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, it is possible that the Company might be a party to one or more such transactions in the future.

It is the policy of the Company to engage in transactions with related parties on terms, in the opinion of the Company, no less favorable to the Company than could be obtained from unrelated parties.

Receivables from and payable to affiliates are summarized below.

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Receivable from affiliates -- income taxes.....	$384	$ --
Payable to affiliates:		
Demand note payable to Valcor.....	$ --	$50,000
Income taxes and other.....	5	331
	$ 5	$50,331

On December 12, 1997, the Company paid a $50 million dividend to Valcor in the form of a $50 million demand note payable (the "Valcor Note"). The Valcor Note is unsecured and bears interest at a fixed rate of 6%. Interest expense related to the Valcor Note was $164,000 in 1997. See Note 12.

Under the terms of Intercorporate Service Agreements with Valhi, Valhi performs certain management, financial and administrative services for the Company on a fee basis. Such fees are based upon estimates of time devoted to the affairs of the Company by individual Valhi employees and the salaries of such persons. Fees pursuant to these agreements were $284,000 in 1995, $300,000 in 1996 and $260,000 in 1997. Net charges from related parties for services provided in the ordinary course of business, principally charges for insuring property and other risks, aggregated $152,000 in 1995, $149,000 in 1996 and $208,000 in 1997. These fees and charges are principally pass-through in nature and, in the Company's opinion, are reasonable and not materially different from those that would have been incurred on a stand-alone basis.

Certain employees of the Company have been awarded shares of restricted Valhi common stock and/or granted options to purchase Valhi common stock under the terms of Valhi's stock option plans. Upon exercise of the options, the Company will pay Valhi the aggregate difference between the option price and the market value of Valhi's common stock on the exercise date of such options. For financial reporting purposes, the Company accounts for the related expense (credit) of $(12,000) in 1995, $9,000 in 1996 and $472,000 in 1997 in a manner similar to accounting for stock appreciation rights. At December 31, 1997,

employees of the Company held options to purchase 204,000 Valhi shares at prices ranging from $4.76 to $14.66 per share (185,000 shares at prices lower than the December 31, 1997 quoted market price of $9.44 per share).

Restricted stock is forfeitable unless certain periods of employment are completed. The Company will pay Valhi the market value of the restricted shares on the dates the restrictions expire, and accrue the related expense over the restriction period. Expense related to restricted stock was $6,000 in 1995 and $3,000 in 1996. All outstanding restricted stock vested in 1996.

NOTE 10 -- COMMITMENTS AND CONTINGENCIES:

Legal proceedings. The Company is involved in various routine legal proceedings incidental to its normal business activities. The Company believes none of such proceedings is material in relation to the Company's financial position, results of operations or liquidity.

Income taxes. The Company is undergoing examinations of certain of its income tax returns, and tax authorities have or may propose tax deficiencies. The Company believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from such examinations and believes that the ultimate disposition of all such examinations should not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

The Company and Valcor have entered into a tax sharing agreement (the "Tax Sharing Agreement") which provides for the allocation of tax liabilities and tax payments as described in Note 2. The Company is jointly and severally liable for the federal income tax of Contran and the other companies included in the Contran Tax Group for all periods in which the Company is included in Contran Tax Group. Valcor and Valhi has agreed, however, to indemnify the Company for any liability for income taxes of the Contran Tax Group in excess of the Company's tax liability computed in accordance with the Tax Sharing Agreement.

Concentration of credit risk. The Company's products are sold primarily to original equipment manufacturers in the U.S. and Canada. The ten largest customers accounted for approximately one-third of sales during each of the past three years with at least five of such customers in each year located in the United States.

At December 31, 1997, approximately 70% of the Company's cash and cash equivalents was invested in A1 or P1-grade commercial paper issued by various third parties having a maturity of three months or less (1996 -- approximately 75% was on deposit with a single Canadian bank).

Other. Royalty expense was $622,000 in 1995, $601,000 in 1996, and $849,000 in 1997. Royalties relate principally to certain Canadian-produced products sold in the United States and are based upon volume.

Rent expense, principally for equipment, was $295,000 in 1995, $387,000 in 1996 and $425,000 in 1997. At December 31, 1997, future minimum rentals under noncancellable operating leases are approximately $260,000 in 1998, $190,000 in 1999, $145,000 in 2000, $85,000 in 2001 and $15,000 in 2002.

NOTE 11 -- QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31

		(IN MILLIONS)		
1995:				
Net sales	$20.1	$19.2	$19.4	$21.5
Operating income	5.5	5.1	4.5	4.8
Net income	3.2	3.0	2.7	3.2
1996:				
Net sales	$21.2	$21.7	$21.8	$24.1
Operating income	4.4	5.0	5.4	7.3
Net income	2.6	2.9	3.2	4.3
1997:				
Net sales	$25.8	$27.4	$27.0	$28.4
Operating income	6.3	6.9	6.9	8.2
Net income	3.7	4.2	4.1	4.7

NOTE 12 -- SUBSEQUENT EVENTS:

New credit facility. On February 26, 1998, the Company entered into a new $100 million revolving senior credit facility (the "Revolving Senior Credit Facility"). The Revolving Senior Credit Facility is an unsecured five-year revolving facility. Borrowings are available for the Company's general corporate purposes, including potential acquisitions. On February 26, 1998, the Company utilized borrowings under the Revolving Senior Credit Facility to fully repay the Valcor Note.

Recapitalization. On February 4, 1998, the Company amended and restated its certificate of incorporation. The authorized capital stock of the Company now consists of shares of Class A Common Stock (20,000,000 shares authorized) and Class B Common Stock (10,000,000 shares authorized), each par value $.01 per share, and 1,000 shares of preferred stock, par value $.01 per share. Upon the effectiveness of the amendment and restatement of the certificate of incorporation, the 1,000 shares of the Company's common stock, $1 par value, previously outstanding and all held by Valcor, were reclassified into 10,000,000 shares of the Company's Class B Common Stock. The accompanying consolidated financial statements have been retroactively restated to reflect this recapitalization.

The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for certain voting rights and certain conversion rights in respect of the shares of the Class B Common Stock. Holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to one vote per share in all matters except for election of directors where such holders are entitled to ten votes per share. Holders of all classes of common stock entitled to vote will vote together as a single class on all matters presented to the stockholders for their vote or approval, except as otherwise required by applicable law. Each share of Class A Common Stock and Class B Common Stock have an equal and ratable

right to receive dividends to be paid from the Company's assets when, as and if declared by the Board of Directors. In the event of the dissolution, liquidation or winding up of the Company, the holders of Class A Common Stock and Class B Common Stock will be entitled to share equally and ratably in the assets available for distribution after payments are made to the Company's creditors and to the holders of any preferred stock of the Company that may be outstanding at the time. Shares of the Class A Common Stock will have no conversion rights. Under certain conditions, shares of Class B Common Stock will convert, on a share-for-share basis, into shares of Class A Common Stock.

Public offering. The Company has filed a registration statement with the Securities and Exchange Commission for an initial public offering of 5,200,000 shares of the Company's Class A Common Stock (5,980,000 shares if the underwriters over-allotment option is exercised in full) at an offering price to the public of $20.00 per share. A majority of the net proceeds to the Company from the offering is expected to be used to repay borrowings under the Revolving Senior Credit Facility discussed above. There can be no assurance that any such public offering will be completed.

Incentive compensation plan. The Company's board of directors has authorized, subject to successful completion of the public offering described above, the adoption of the CompX International Inc. 1997 Incentive Compensation Plan (the "Incentive Plan"). The Incentive Plan will provide for the award or grant of stock options, stock appreciation rights, performance grants and other awards to employees and other individuals providing services to the Company. Up to 1.5 million shares of Class A Common Stock may be issued pursuant to the Incentive Plan. Stock options will be granted at prices not less than the market price of the Company's stock on the date of grant, and will generally vest over five years and expire ten years from the date of grant. In addition to the 164,880 shares of Class A Common Stock described below which were awarded concurrent with the public offering, the Company has granted options to purchase 440,000 shares of the Company's Class A Common Stock pursuant to the Incentive Plan to certain employees and directors of the Company and Valhi at an exercise price equal to the public offering price. Other than the Management Shares and stock options described herein, the Company currently has no plans to grant any stock awards or stock options under the Incentive Plan, although it may do so in the future.

The Company will account for stock-based employee compensation in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and its various interpretations. Under APBO No. 25, no compensation cost is generally recognized for fixed stock options in which the exercise price is not less than the market price on the date of grant.

Stock award grants. The Company's board of directors has authorized, subject to successful completion of the public offering described above, the grant of 164,880 shares of Class A Common Stock to certain officers and directors of the Company (the "Management Shares") for their services in connection with the public offering. The Company will value all such Class A shares awarded at the public offering price, and the aggregate value of the Class A shares awarded will be approximately $3.3 million. The Company will recognize a charge, at the time of the completion of the public offering, equal to the aggregate value of the Class A shares awarded.

Acquisition. On March 3, 1998, the Company completed the purchase of a lock competitor for a total purchase price of approximately $32.9 million cash.

Unaudited pro forma net income and net income per common share. The unaudited pro forma net income in 1997 reflects the net-of-tax adjustment for the award of the Management Shares described above. The unaudited pro forma data uses the public offering price to the public of $20.00 per Class A share. Pro forma common shares outstanding used in the calculation of pro forma earnings per share include (i) the 10,000,000 shares of Class B Common Stock outstanding after the recapitalization discussed above, (ii) 164,880 shares of Class A Common Stock to be awarded to officers and directors of the Company and (iii) 2,703,000 shares of Class A Common Stock to be issued in the public offering, the net proceeds of which will be used to repay $50 million of borrowings under the Revolving Senior Credit Facility incurred to repay the Valcor Note.

INDEPENDENT AUDITORS' REPORT

To the Boards of Directors
Fort Lock Corporation and Fortronics, Inc.

We have audited the accompanying consolidated combined balance sheets of Fort Lock Group as of June 29, 1996 and June 28, 1997, and the related consolidated combined statements of income, changes in stockholders' equity and cash flows for the fiscal years ended June 24, 1995, June 29, 1996 and June 28, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated combined financial position of Fort Lock Group as of June 29, 1996 and June 28, 1997 and the results of its operations and its cash flows for the fiscal years ended June 24, 1995, June 29, 1996 and June 28, 1997, in conformity with generally accepted accounting principles.

ALTSCHULER, MELVOIN AND GLASSER LLP

Chicago, Illinois
September 26, 1997

FORT LOCK GROUP

CONSOLIDATED COMBINED BALANCE SHEETS

ASSETS
(Substantially all pledged -- Note 7)

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997
			(UNAUDITED)
Current assets:			
Cash	$ 31,641	$ 18,289	$ 129,240
Accounts receivable, trade (net of allowance for doubtful accounts of $117,800, $105,121 and $111,121 respectively)	1,954,029	2,621,570	2,288,726
Inventories (Notes 1 and 4)	2,336,692	3,079,128	4,012,076
Deferred income taxes (Note 8)	--	183,000	183,000
Income taxes refundable	--	--	150,453
Other current assets	347,798	132,522	40,154
	4,670,160	6,034,509	6,803,649
Property and equipment (at cost, net of accumulated depreciation -- Notes 1 and 5)	3,259,059	4,552,887	5,356,443
Other assets	169,612	211,827	163,434

	$8,098,831	$10,799,223	$12,323,526
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Checks issued in excess of funds on deposit	$ 311,707	$ 495,281	$ 879,045
Notes payable to bank (Note 6)	1,605,000	10,000	1,025,000
Accounts payable	1,724,300	2,371,635	2,285,656
Current portion of long-term debt (Note 7)	309,195	439,816	479,410
Current portion of amounts due to related parties (Notes 3 and 7)	70,497	116,388	60,000
Income taxes payable	43,162	651,944	--
Accrued expenses (Note 9)	587,953	839,348	878,003
	4,651,814	4,924,412	5,607,114
Long-term liabilities:			
Long-term debt	1,186,592	1,280,540	1,096,315
Due to related parties (Notes 3 and 7)	350,421	290,421	260,421
Deferred income taxes (Note 8)	--	267,000	292,246
	1,537,013	1,837,961	1,648,982
Minority interest in subsidiary (Note 1)	339,942	123,100	196,922
Stockholders' equity:			
Common stock of Fort Lock Corporation, $100 par value; 100 shares authorized, issued and outstanding	10,000	10,000	10,000
Common stock of Fortronics, Inc., no par value; 100,000 shares authorized; 1,000 shares issued and outstanding	1,000	1,000	1,000
Retained earnings	1,580,130	3,959,301	4,981,422
Foreign currency translation adjustment	(21,068)	(56,551)	(121,914)
	1,570,062	3,913,750	4,870,508
	$8,098,831	$10,799,223	$12,323,526

Commitments and contingencies (Note 10).

The accompanying notes are an integral part of these statements.

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENTS OF INCOME

	FISCAL YEARS ENDED			26 WEEKS ENDED	
	JUNE 24, 1995	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 28, 1996	DECEMBER 27, 1997
				(UNAUDITED)	
Net sales (Note 1)	$16,288,314	$19,977,460	$26,755,378	$12,559,719	$15,037,338
Cost of goods sold (Note 1)	12,332,537	15,097,200	18,835,353	9,656,711	11,166,043
Gross profit	3,955,777	4,880,260	7,920,025	2,903,008	3,871,295
Operating expenses:					
Engineering	847,422	1,040,429	971,489	519,537	569,183
Selling	1,328,388	1,564,568	1,551,471	758,180	702,216
General and administrative	1,240,161	1,589,290	1,770,134	865,173	903,369
	3,415,971	4,194,287	4,293,094	2,142,890	2,174,768
Income from operations	539,806	685,973	3,626,931	760,118	1,696,527
Other (income) expense:					
Interest expense	257,185	279,649	306,263	140,541	113,041
Other (net)	(20,922)	(17,525)	(11)	(24,652)	14,984

	236,263	262,124	306,252	115,889	128,025
Income before income taxes and minority interest.....	303,543	423,849	3,320,679	644,229	1,568,502
Income tax provision (Note 6).....	76,000	154,000	1,132,000	144,338	642,849
	227,543	269,849	2,188,679	499,891	925,653
Minority interest in net loss of subsidiary....	--	79,302	190,492	226,640	96,468
Net income.....	$ 227,543	$ 349,151	$ 2,379,171	$ 726,531	$ 1,022,121

The accompanying notes are an integral part of these statements.

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FISCAL YEARS ENDED JUNE 24, 1995, JUNE 29, 1996, JUNE 28, 1997
AND
26 WEEKS ENDED DECEMBER 27, 1997 (UNAUDITED)

	FORT LOCK CORPORATION COMMON STOCK	FORTRONICS, INC. COMMON STOCK	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	RETAINED EARNINGS	TOTAL STOCKHOLDERS' EQUITY
Balance, June 26, 1994.....	$10,000	$1,000	$ --	$1,003,436	$1,014,436
Net income.....	--	--	--	227,543	227,543
Balance, June 25, 1995.....	10,000	1,000	--	1,230,979	1,241,979
Foreign currency translation adjustment.....	--	--	(21,068)	--	(21,068)
Net income.....	--	--	--	349,151	349,151
Balance, June 29, 1996.....	10,000	1,000	(21,068)	1,580,130	1,570,062
Foreign currency translation adjustment.....	--	--	(35,483)	--	(35,483)
Net income.....	--	--	--	2,379,171	2,379,171
Balance June 28, 1997.....	10,000	1,000	(56,551)	3,959,301	3,913,750
Unaudited:					
Foreign currency translation adjustment.....	--	--	(65,363)	--	(65,363)
Net income.....	--	--	--	1,022,121	1,022,121
Balance, December 27, 1997.....	$10,000	$1,000	$(121,914)	$4,981,422	$4,870,508

The accompanying notes are an integral part of these statements.

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENT OF CASH FLOWS

FISCAL YEARS ENDED			26 WEEKS ENDED	
JUNE 24, 1995	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 28, 1996	DECEMBER 27, 1997
			(UNAUDITED)	

Cash flows from operating activities:					
Net income	$ 227,543	$ 349,151	$ 2,379,171	$ 726,531	$ 1,022,121
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	395,923	426,960	602,739	212,133	367,494
Minority interest in net loss of subsidiary	--	(79,302)	(190,492)	(26,073)	(96,468)
Other, net	--	206,656	22,166	(30,151)	(100,137)
(Increase) decrease in assets:					
Accounts receivable, net	(289,679)	(367,769)	(667,541)	(232,662)	332,844
Inventories	292,033	(131,446)	(742,436)	(63,811)	(932,948)
Income taxes refundable	(9,636)	15,136	--	--	(150,453)
Other assets	(5,898)	(466,162)	173,061	127,984	140,761
Increase (decrease) in liabilities:					
Checks issued in excess of funds on deposit	7,840	53,655	183,574	(132,540)	383,764
Accounts payable	599,669	(1,633)	647,336	1,123,552	(85,979)
Accrued expenses	24,885	91,787	251,395	264,853	38,655
Income taxes payable	(76,377)	43,162	608,782	(30,662)	(651,924)
Net cash provided by operating activities	1,166,303	140,195	3,267,755	1,939,154	267,730
Cash flows from investing activities:					
Purchases of property and equipment	(724,601)	(1,788,394)	(1,896,567)	(712,646)	(1,111,050)
Proceeds from sale of equipment	--	10,000	--	--	--
Proceeds from sale of shares in subsidiary	--	30,061	--	--	--
Cash contributed by minority shareholder	205,800	201,820	--	--	170,290
Net cash used in investing activities	(518,801)	(1,546,513)	(1,896,567)	(712,646)	(940,760)
Cash flows from financing activities:					
Net borrowings (repayments) from notes payable to bank	(389,859)	123,333	(1,595,000)	(876,000)	1,015,000
Repayments of shareholder and related-party loans	(31,073)	(63,395)	(70,497)	(77,215)	(30,000)
Proceeds from long-term debt	424,184	1,678,881	1,454,171	--	--
Repayment of long-term debt	(122,937)	(829,177)	(1,173,214)	(176,060)	(201,019)
Net cash provided by (used in) financing activities	(119,685)	909,642	(1,384,540)	(1,129,275)	783,981
Net increase (decrease) in cash	527,817	(496,676)	(13,352)	97,233	110,951
Cash, beginning of period	500	528,317	31,641	528,317	18,289
Cash, end of period	$ 528,317	$ 31,641	$ 18,289	$ 625,550	$ 129,240
Supplemental disclosures of cash flow information:					
Cash paid during the year for:					
Interest	$ 261,702	$ 279,165	$ 206,373	$ 127,876	$ 24,426
Income taxes	160,013	90,000	355,000	55,000	130,000
Noncash investing and financing activities:					
Acquisition of assets under notes payable and capital leases	17,126	56,175	139,064	--	--

The accompanying notes are an integral part of these statements.

FORT LOCK GROUP

NOTES TO THE CONSOLIDATED COMBINED FINANCIAL STATEMENTS

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation and combination -- The consolidated combined financial statements include the consolidated financial statements of Fort Lock Corporation and its subsidiaries and Fortronics, Inc. (collectively the "Group"). The subsidiaries of Fort Lock Corporation (the "Corporation") include the following: Fort Lock International, Ltd. (a Domestic International Sales Corporation ("DISC")), Fort Lock (U.K.) Limited and Fort Securite S.A. (57%-owned). The DISC has been inactive since January 1, 1985. All significant intercompany accounts and transactions have been eliminated in consolidation and combination. The 43% ownership of Fort Securite S.A. not owned by the Corporation has been removed from income and equity and reflected as minority interest.

Fortronics, Inc. is related to Fort Lock Corporation by means of common ownership. The sole shareholder of Fortronics, Inc. contemplates transferring a majority interest in Fortronics, Inc. to the Corporation in fiscal 1998.

Unaudited interim information -- Information included in the consolidated combined financial statements for the interim periods ended in December 28, 1996 and December 27, 1997 is unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the information for the interim periods have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

Fiscal year -- The Group's operations are comprised of a 52 or 53 week year. The fiscal years ended in 1995, 1996 and 1997 each consisted of 52 weeks, and the interim periods ending in December 1996 and December 1997 each consisted of 26-week periods.

Use of estimates -- The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

Inventories -- Inventories are valued at the lower of cost, as determined under the first-in, first-out (FIFO) method, or market.

Net sales -- Sales are recorded when products are shipped.

Depreciation and amortization -- Provisions for depreciation and amortization of property and equipment are computed under the straight-line method for financial reporting purposes and under accelerated methods as permitted under the Internal Revenue Code for tax reporting purposes. All such assets are depreciated over periods within reasonable ranges of economic life.

Capital leases -- Leases required to be capitalized under criteria of Financial Accounting Standards Board Statement No. 13 are recorded at the present value of future rental payments (Note 7). Amortization of capital leases is computed under the straight-line method over the terms of the related leases for financial reporting purposes and under accelerated methods for tax reporting purposes.

Income taxes -- See Note 8 for discussion of income taxes.

Research and development costs -- Research and development costs are charged to operations as incurred. Such costs approximated $959,000 in fiscal 1995, $883,000 in fiscal 1996 and $839,000 in fiscal 1997, and were $437,000 and $423,000 in the 1996 and 1997 interim periods, respectively.

Advertising costs -- Advertising costs are charged to operations as incurred. Such costs approximated $146,000 in fiscal 1995, $239,000 in fiscal 1996 and $159,000 in fiscal 1997, and were $92,000 and $100,000 in the 1996 and 1997 interim periods, respectively.

Major customers -- Sales to one major customer amounted to approximately 23% of the Group's consolidated combined net sales for fiscal 1997. Sales to two major customers amounted to 24% of the Group's consolidated combined sales in fiscal 1996. Sales to two major customers amounted to approximately 18% of the Group's consolidated net sales for fiscal 1995. No other single supplier accounted for more than 10% of consolidated combined purchases in any period presented.

Major supplier -- Purchases from one major supplier amounted to approximately 12% of fiscal 1997 consolidated combined purchases. Purchases from

two major suppliers amounted to approximately 26% of fiscal 1996 consolidated combined purchases. Purchases from one major supplier amounted to approximately 18% of fiscal 1995 consolidated combined purchases. No other single supplier accounted for more than 10% of consolidated combined purchases in any period presented.

Foreign currency translation -- The financial statements of Fort Lock (U.K.) Limited and Fort Securite S.A. have been translated in accordance with the requirements of Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". Currency transaction gains and losses are recognized in income currently and for all periods presented were not material.

NOTE 2 -- NATURE OF ACTIVITIES

The Group operates in one business segment -- the design, manufacture and distribution of a wide variety of locks. The Corporation is engaged in the manufacture and distribution of cam, switch and special purpose locks to customers located throughout the United States. Operations are conducted from a manufacturing facility (leased from a related party -- Note 3) in River Grove, Illinois. Fort Lock (U.K.) Limited distributes locks in the United Kingdom. Fort Securite S.A. is a French company which was formed to manufacture, market and sell locks in the European market. Operations commenced March 1996 and are conducted from a manufacturing facility in France. Fortronics, Inc. is engaged in the design, manufacture and distribution of electronic locking systems to customers located throughout the United States.

Geographic segment data is presented below:

	FISCAL YEARS ENDED			26 WEEKS ENDED	
	JUNE 24, 1995	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 28, 1996	DECEMBER 27, 1997
				(UNAUDITED)	
Net sales:					
Point of origin:					
United States	$16,151,869	$19,558,999	$25,454,688	$12,132,994	$14,161,934
France	--	248,923	1,147,489	332,683	839,335
United Kingdom	577,430	1,594,488	1,021,913	512,821	203,998
Eliminations	(440,985)	(1,424,950)	(868,712)	(418,779)	(167,929)
	$16,288,314	$19,977,460	$26,755,378	$12,559,719	$15,037,338
Point of destination:					
United States	$14,879,780	$17,128,481	$23,868,850	$11,353,806	$13,685,960
Europe	1,408,534	2,848,979	2,886,528	1,205,913	1,351,378
	$16,288,314	$19,977,460	$26,755,378	$12,559,719	$15,037,338
Operating profit:					
United States	$ 480,681	$ 740,561	$ 4,019,130	$ 972,042	$ 1,866,238
France	--	(67,401)	(401,261)	(251,727)	(155,405)
United Kingdom	59,125	12,813	9,062	39,803	(14,306)
	$ 539,806	$ 685,973	$ 3,626,931	$ 760,118	$ 1,696,527

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997

			(UNAUDITED)
Identifiable assets:			
United States	$6,553,471	$ 8,972,178	$10,319,411
France	1,487,656	1,881,704	2,068,425
United Kingdom	245,575	234,376	159,635
Eliminations	(187,871)	(289,035)	(223,945)
	$8,098,831	$10,799,223	$12,323,526

NOTE 3 -- RELATED-PARTY TRANSACTIONS

The Corporation has entered into various loan agreements (Note 7) with shareholders and certain members of their families. The interest expense on these loans amounted to $52,000 in fiscal 1995, $49,000 in fiscal 1996 and $48,000 in fiscal 1997, and was $24,000 and $21,000 in the 1996 and 1997 interim periods, respectively.

The Corporation leases its manufacturing facilities (Note 10) from its president, who is also a shareholder. Rent expense was $163,000 in each of fiscal 1995 and 1996 and $168,820 in fiscal 1997, and was $84,000 and $94,000 in the 1996 and 1997 interim periods, respectively.

The Corporation sold inventory to a former shareholder in the total amount of approximately $50,000 during each of the past three fiscal years.

In fiscal 1995, lease payments of $11,378 were made to the Corporation's president for a production machine.

NOTE 4 -- INVENTORIES

Inventories consisted of the following:

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997
			(UNAUDITED)
Raw materials, purchased parts and subassemblies	$1,773,418	$2,294,404	$3,127,977
Work in process	355,881	550,004	552,025
Finished goods	207,393	234,720	332,074
	$2,336,692	$3,079,128	$4,012,076

NOTES TO THE CONSOLIDATED COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 5 -- PROPERTY AND EQUIPMENT

Property and equipment stated at acquisition cost, consisted of the following:

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997
			(UNAUDITED)
Operating assets:			

Machinery and equipment	$3,629,040	$4,078,375	$3,278,918
Tools and dies	1,340,745	2,099,974	1,042,611
Office furniture and equipment	266,268	280,367	135,526
Leasehold improvements	874,223	1,117,132	942,699
Transportation equipment	271,670	223,989	151,229
Data processing equipment	529,266	538,556	287,776
Capital lease equipment	204,204	326,268	326,268
	7,115,416	8,664,661	6,165,027
Less accumulated depreciation and amortization (including capital lease amortization of $144,722, $172,992 and $92,947, respectively)	3,856,357	4,416,766	2,173,981
	3,259,059	4,247,895	3,991,046
Construction in progress	--	304,992	1,365,397
	$3,259,059	$4,552,887	$5,356,443

Depreciation and amortization expense amounted to $395,923 in fiscal 1995, $426,960 in fiscal 1996 and $602,739 in fiscal 1997, and $212,133 and $307,494 in the 1996 and 1997 interim periods, respectively.

NOTE 6 -- NOTES PAYABLE

Note payable to bank of $1,605,000 at June 29, 1996, $10,000 at June 28, 1997 and $1,025,000 at December 27, 1997 were owing to Harris Trust and Savings Bank ("Harris") under revolving note agreements.

On October 11, 1995, the Corporation executed a Secured Credit Agreement with Harris, which provides for a revolving line of credit. The revolving line of credit commitment is secured by the Corporation's accounts receivable, inventory and equipment.

Also on October 11, 1995, the Corporation executed a Term Credit Agreement with Harris which provided for two term loans, the proceeds from which were used to repay indebtedness to another bank. On December 31, 1996, the two term notes were replaced with a single term note and additional borrowings totaling $150,000 were made under the replacement term note. The term loan is secured by the Corporation's accounts receivable, inventory and equipment and requires monthly principal payments of $19,000 plus interest with final payment due December 31, 2001.

The significant provisions of the Harris agreements are summarized below:

Maximum Borrowings:	
Revolving line of credit	$2,500,000
Term loan (original amount)	$ 996,000
Interest Rate:	
Revolving line of credit	Prime rate
Term loan	Prime rate
Borrowing Base:	
Eligible accounts receivable	85%
Eligible inventories:	
Percent	50%
Maximum amount (limited to 50% of outstanding borrowings)	$ 900,000
Personal guarantees of certain shareholders	$ 600,000

The Harris agreement contains various financial, administrative and other covenants customary in lending transactions of this type, including provisions which limit additional indebtedness and require the maintenance of certain financial ratios. At June 28, 1997 the Corporation was in violation of certain covenants concerning limitations on the amount of capital expenditures and limitations on additional permitted liens, indebtedness and advances to subsidiaries and affiliates. The Company received waivers of these past violations and subsequently amended the agreement to increase the amount of permitted capital expenditures.

NOTES TO THE CONSOLIDATED COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 7 -- LONG-TERM DEBT

Long-term debt consisted of the following:

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997
			(UNAUDITED)
Financial and Credit Institutions:			
Term loan under agreement dated December 31, 1996, payable to Harris (due December 31, 2001 -- See Note 6)	$ --	$ 901,000	$ 787,000
Term loans payable to Harris (repaid in full during fiscal 1997 -- See Note 6)	912,000	--	--
Equipment notes payable (secured by certain automotive equipment; payable in monthly installments totaling $2,893)	79,612	42,106	24,824
Capitalized lease obligation, in the original amount of $39,076 payable to Hewlett-Packard (secured by certain computer equipment and software; payable in monthly installments of $889; final payment due June 2000)	33,143	26,391	22,673
Capitalized lease obligation in the original amount of $83,510 payable to Leasetec Corporation (secured by certain computer software; payable in monthly installments of $3,857; final payment due January 1999)	--	67,465	47,193
Capitalized lease obligation in the original amount of $38,554 payable to Ameritech (secured by certain telephone equipment; payable in monthly installments of $1,220, final payment due November 1999)	--	31,769	25,708
Note payable under agreement dated March 29, 1996, payable to SOFIREM (unsecured, payable in annual installments of $13,624 for years 1999 and 2004 ($27,248 for interim years), plus interest at 7% per annum, due June 30, 2004)	77,680	68,120	65,960
Note payable under agreement dated February 21, 1997 payable to SOFIREM (unsecured payable in quarterly installments of $6,812 plus interest of 6% per annum, due December 30, 2003)	--	136,240	122,612
Note payable under agreement dated February 22, 1996, payable to two French banks (maximum borrowings of $510,900, secured by certain equipment, payable in monthly installments of $3,983 inclusive of interest and quarterly installments and quarterly installments of $15,327 plus interest, interest at 6.25% per annum, due December 10, 2001)	393,352	447,265	423,367
	1,495,787	1,720,356	1,519,337
Shareholders and other related parties:			
Other subordinate long-term notes due to shareholders and related parties (unsecured; due on demand or absent demand, payable under various installment terms and rates of interest -- see below and Note 3)	420,918	406,809	376,809
	1,916,705	2,127,165	1,896,146
Less current portion	379,692	556,204	539,410

	$1,537,013	$1,570,961	$1,356,736

One shareholder has indicated that he will not demand payment of his subordinated notes ($350,421 at June 29, 1996, $290,421 at June 28, 1997 and $260,421 at December 27, 1997) within the next twelve months of each respective balance sheet date. Accordingly, this liability is reflected as long-term in the accompanying balance sheet.

Maturities of long-term debt as of June 28, 1997 are as follows:

FISCAL YEAR	AMOUNT
1998	$ 556,204
1999	707,573
2000	392,544
2001	363,937
2002	66,037
Thereafter	40,870
	$2,127,165

NOTE 8 -- INCOME TAXES

In fiscal 1995, the difference between the effective income tax rate reflected in the financial statements and the statutory federal income tax rate of 34% is primarily due to alternative minimum taxes, utilization of credit carryforwards and change in the valuation allowance. In fiscal 1996 and 1997 and the 1996 and 1997 interim periods, the effective tax rate approximates the statutory tax rate.

The provisions for income taxes relates principally to the Group's U.S. operations and is as follows:

	FISCAL YEARS ENDED			26 WEEKS ENDED	
	JUNE 24, 1995	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 28, 1996	DECEMBER 27, 1997
				(UNAUDITED)	
Currently payable	$100,000	$ 98,000	$1,048,000	$ 102,338	$617,603
Deferred	(58,000)	110,000	778,000	389,000	25,246
Utilization of general business and alternative minimum tax credit carry forwards	--	--	(360,000)	(180,000)	--
Change in valuation allowance	34,000	(54,000)	(334,000)	(167,000)	--
Provision for income taxes	$ 76,000	$154,000	$1,132,000	$ 144,338	$642,849

Deferred income taxes are provided for temporary differences, which are differences between the tax basis of an asset or liability and the amounts reported in the financial statements that will result in taxable or deductible

amounts in future years when the reported amount of the asset or liability is recovered or settled. Gross deferred tax liabilities consist primarily of accelerated depreciation methods utilized for tax reporting purposes. Gross deferred assets consist of uniform capitalization rules with respect to additional inventory costs, allowance for doubtful accounts, inventory valuation allowances, vacation pay, and in fiscal 1996, general business and alternative minimum tax credit carryforwards.

The Group's deferred tax liabilities are as follows:

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997
			(UNAUDITED)
Gross deferred tax assets	$543,000	$183,000	$ 183,000
Gross deferred tax liabilities	209,000	267,000	292,246
Net deferred tax asset (liability)	334,000	(84,000)	(109,246)
Less valuation allowance	334,000	--	--
Net deferred tax liability	$ --	$(84,000)	$(109,246)

The valuation allowance at June 29, 1996 of $334,000 relates to certain deferred tax assets for which realization requires substantial taxable income in future years. At June 28, 1997, the Corporation has utilized all of its general business and alternative minimum tax credit carryforwards.

NOTE 9 -- ACCRUED EXPENSES

Accrued expenses consisted of the following:

	JUNE 29, 1996	JUNE 28, 1997	DECEMBER 27, 1997
			(UNAUDITED)
Accrued wages and vacation pay	$338,996	$351,944	$314,877
Taxes, other than income	35,341	48,429	98,624
Rent and real estate taxes	89,444	93,400	90,702
Employee benefit plans (including amounts due to a foreign government)	77,860	217,047	205,882
Other	46,312	128,528	167,918
	$587,953	$839,348	$878,003

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

The Corporation leases from a related party (Note 3) its premises in River Grove, Illinois under an operating lease (expiring on December 31, 2001), which provides for a minimum annual rental of $168,820 plus payment of applicable real estate taxes, utilities, insurance and maintenance.

In addition, the Group has entered into various leases for machinery and equipment, some of which have been capitalized for financial reporting purposes. Future minimum lease payments to be made under the capitalized and operating

leases as of June 28, 1997 are as follows:

FISCAL YEAR	CAPITAL LEASES	OPERATING LEASE
1998	$ 71,585	$ 286,284
1999	52,303	279,324
2000	16,731	269,580
2001	--	269,580
2002	--	236,552
Thereafter	--	466,957
Total minimum lease payments	140,619	$1,808,277
Less amount representing imputed interest	14,994	
Present value of net minimum lease payments	$125,625	

Rent expense charged to operations amounted to $163,200 in fiscal 1995, $187,000 in fiscal 1996 and $280,815 in fiscal 1997, and $86,000 and $96,000 in the 1996 and 1997 interim periods, respectively.

The Corporation and its president/shareholder have entered into a stock repurchase agreement which (i) requires the president/shareholder to give the Corporation a right of first refusal on his Corporation shares, prior to their transfer or sale, (ii) if the Corporation does not exercise such right, then the other shareholders have a secondary right to purchase such shares, prior to such transfer or sale, and (iii) if the president/shareholder should die, or if his employment is terminated, the Corporation is required to purchase his shares at their book value, as defined in the agreement.

NOTE 11 -- EMPLOYEE BENEFIT PLAN

The Corporation maintains the 401(k) Plan of the Fort Lock Corporation, under the provisions of Section 401(k) of the Internal Revenue Code. The plan provides for elective contributions by eligible participants plus matching contributions from the Corporation at a rate of $0.25 for each $1.00 contributed by the employee, to the extent of the first 5% of compensation. Employer-matching contributions to the plan amounted to $25,263 in fiscal 1995, $35,448 in fiscal 1996 and $39,410 in fiscal 1997, and $18,482 and $22,833 in the 1996 and 1997 interim periods, respectively.

[INSIDE BACK COVER CONTAINS TWO 4"X7" PHOTOGRAPHS: ONE PHOTOGRAPH OF THE WATERLOO FURNITURE COMPONENTS LIMITED PLANT IN KITCHNER, ONTARIO AND ONE PHOTOGRAPH OF THE NATIONAL CABINET LOCK PLANT IN MAULDIN, SOUTH CAROLINA.]

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NO DEALER, SALESPERSON OR ANY OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR BY ANY OF THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES OR AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THOSE TO WHICH IT RELATES IN ANY STATE TO ANY PERSON TO WHOM IT IS NOT LAWFUL TO MAKE SUCH OFFER IN SUCH STATE. THE DELIVERY OF THIS PROSPECTUS AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

TABLE OF CONTENTS

Until March 31, 1998 (25 days after the commencement of the offering), all dealers effecting transactions in the Class A Common Stock, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as Underwriters and with respect to their unsold allotments or subscriptions.

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5,200,000 SHARES

COMPX INTERNATIONAL INC.

CLASS A COMMON STOCK

COMPX LOGO

PROSPECTUS

MARCH 6, 1998

SALOMON SMITH BARNEY

NATIONSBANC MONTGOMERY SECURITIES LLC

WHEAT FIRST UNION

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following tables sets forth the expenses to be paid in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions, and all such expenses will be borne by the Registrant. All amounts are estimates except for the Commission registration fee, the National Association of Securities Dealers ("NASD") filing fee and the NYSE listing fee.

Commission Registration Fee	$ 35,282
NASD Fee	12,460
NYSE Listing Fee	100,000
Printing and mailing expenses	100,000
Legal fees and expenses	200,000
Accounting fees and expenses	30,000
Transfer Agent's fees and expenses	10,000
Miscellaneous expenses	12,258
Total	$500,000

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 102(b)(7) of the DGCL permits a Delaware corporation to limit the personal liability of its directors in accordance with the provisions set forth therein. The Restated Certificate of Incorporation of the Registrant provides that the personal liability of its directors shall be limited to the fullest extent permitted by applicable law.

Section 145 of the DGCL contains provisions permitting Delaware corporations to indemnify directors, officers, employees or agents against

expenses, including attorneys, fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person was or is a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, provided that (i) such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the corporation's best interest, and (ii) in the case of a criminal proceeding such person had no reasonable cause to believe his or her conduct was unlawful. In the case of actions or suits by or in the right of the corporation, no indemnification shall be made in a case in which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall have determined upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses. Indemnification as described above shall only be granted in a specific case upon a determination that indemnification is proper in the circumstances because the indemnified person has met the applicable standard of conduct. Such determination shall be made (a) by a majority vote of the directors who are not parties to such proceeding, even though less than a quorum, (b) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (c) by the stockholders of the corporation. Notwithstanding the foregoing, to the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) or (b) of Section 145, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorney fees) actually and reasonably incurred by him in connection therewith. The Restated Certificate of Incorporation and the Bylaws of the Registrant provide for indemnification of its directors and officers to the fullest extent permitted by applicable law.

The form of Underwriting Agreement attached hereto as Exhibit 1.1, which provides for, among other things, the Registrant's sale to the Underwriters of the securities being registered herein, will obligate the Underwriters to indemnify the Registrant and Registrant's officers and directors against certain liabilities under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

The following exhibits are filed pursuant to Item 601 of Regulation S-K.

EXHIBIT NO.	DESCRIPTION
1.1	-- Form of Underwriting Agreement.
3.1**	-- Restated Certificate of Incorporation of Registrant.
3.2**	-- Bylaws of Registrant.
4.1	-- Form of Class A Common Stock certificate.
5.1	-- Opinion and Consent of Rogers & Hardin LLP.
10.1**	-- Intercorporate Services Agreement between the Registrant and Valhi, Inc. effective as of January 1, 1997.

10.2**	-- CompX International Inc. 1997 Long-Term Incentive Plan.
10.3**	-- Agreement between Haworth, Inc. and Waterloo Furniture Components, Ltd. and Waterloo Furniture Components, Inc. effective October 1, 1992.
10.4**	-- Tax Sharing Agreement, among the Registrant, Valcor, Inc. and Valhi, Inc., dated as of January 2, 1998.
10.5	-- $100,000,000 Credit Agreement between the Registrant, Bankers Trust Company, as Agent and Various Lending Institutions, dated as of February 26, 1998.
10.6**	-- Demand Promissory Note of the Registrant in the amount of $50 million payable to Valcor, Inc. dated December 12, 1997.
10.7**	-- Stock Purchase Agreement between CompX International Inc. and Shareholders of Fort Lock Corporation dated February 3, 1998.
21.1**	-- Subsidiaries of the Registrant.
23.1	-- Consent of Rogers & Hardin LLP (included in Exhibit 5.1).
23.2	-- Consent of Coopers & Lybrand L.L.P.
23.3**	-- Consent of Altschuler, Melvoin and Glasser L.L.P.
24.1**	-- Powers of Attorney. See signature page to this Registration Statement.
27.1**	-- Financial Data Schedule for the year ended December 31, 1997.

(b) Financial Statement Schedules.

Schedule III and IV are omitted because they are not applicable.

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** Previously filed.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Pre-effective Amendment No. 2 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mauldin, State of South Carolina, on the 6th day of March, 1998.

COMPX INTERNATIONAL INC.

By: *

Joseph S. Compofelice

Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Pre-effective Amendment No. 2 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* Joseph S. Compofelice	Chief Executive Officer and Chairman of the Board (Principal Executive Officer and Principal Financial Officer)	March 6, 1998
* David A. Bowers	President and Director	March 6, 1998
/s/ BOBBY D. O'BRIEN	Vice President and Treasurer (Principal	March 6, 1998

Bobby D. O'Brien		Accounting Officer)	
Glenn R. Simmons	*	Director	March 6, 1998
Robert W. Singer	*	Director	March 6, 1998
Edward J. Hardin	*	Director	March 6, 1998
Paul M. Bass	*	Director	March 6, 1998

*By: /s/ BOBBY D. O'BRIEN
Bobby D. O'Brien
Attorney-in-Fact

COMPX INTERNATIONAL INC.

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedules III and IV are omitted because they are not applicable.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder and Board of Directors of CompX International Inc.:

Our report on the consolidated financial statements of CompX International Inc. as of December 31, 1996 and 1997, and for each of the three years in the period ended December 31, 1997, is herein included in this Registration Statement on Form S-1. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statement schedules based on our audits.

In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

COOPERS & LYBRAND L.L.P.

Dallas, Texas
January 23, 1998

COMPX INTERNATIONAL INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED BALANCE SHEETS
DECEMBER 31, 1996 AND 1997
(IN THOUSANDS)

ASSETS

	1996	1997
Current assets:		
Cash and cash equivalents	$ 2,092	$13,973
Accounts receivable	3,185	3,173
Receivable from affiliates	578	251
Inventories	5,405	5,395
Prepaid expenses	138	25
Deferred income taxes	343	438
Total current assets	11,741	23,255
Other assets:		
Investment in Waterloo Furniture Components Limited	25,441	24,317
Deferred income taxes	--	133
	25,441	24,450
Property and equipment	11,135	12,196
Less accumulated depreciation	5,657	6,600
Net property and equipment	5,478	5,596
	$42,660	$53,301

LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)

Current liabilities:		
Demand note payable to Valcor	$ --	$50,000
Current maturities of long-term debt	88	113
Accounts payable and accrued liabilities	2,776	3,661
Other payable to affiliates	9	331
Income taxes	74	3
Total current liabilities	2,947	54,108
Noncurrent liabilities:		
Long-term debt	74	262
Deferred income taxes	388	--
Other	9	94
Total noncurrent liabilities	471	356
Stockholder's equity (deficit)	39,242	(1,163)
	$42,660	$53,301

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(IN THOUSANDS)

	1995	1996	1997
Revenues:			
Net sales	$22,611	$23,185	$28,020
Other income	3,216	2,764	3,640
	25,827	25,949	31,660
Costs and expenses:			
Cost of sales	14,929	15,253	18,147
Selling, general and administrative	4,451	5,011	6,178
Interest	13	18	199
	19,393	20,282	24,524
Income before income taxes	6,434	5,667	7,136
Provision for income taxes	2,179	3,181	3,282
	4,255	2,486	3,854
Equity in earnings of Waterloo Furniture Components Limited	7,846	10,543	12,796
Net income	$12,101	$13,029	$16,650

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997
(IN THOUSANDS)

	1995	1996	1997
Cash flows from operating activities:			
Net income	$12,101	$ 13,029	$ 16,650
Equity in earnings of Waterloo	(7,846)	(10,543)	(12,796)
Dividends from Waterloo	4,200	6,683	12,400
Depreciation and amortization	788	876	998
Deferred income taxes	(561)	(872)	(85)
Other, net	9	13	23
Change in assets and liabilities, net	(64)	(2,003)	1,652
Net cash provided by operating activities	8,627	7,183	18,842
Cash flows from investing activities:			
Capital expenditures	(679)	(627)	(1,123)
Other, net	6	43	15
Net cash used by investing activities	(673)	(584)	(1,108)

Cash flows from financing activities:			
Indebtedness, net	(42)	(74)	213
Loans from affiliates:			
Loans	--	--	--
Repayments	(250)	--	--
Dividends	(6,000)	(6,247)	(6,098)
Net cash used by financing activities	(6,292)	(6,321)	(5,885)
Cash and cash equivalents:			
Net increase (decrease) from:			
Operating, investing and financing activities	1,662	278	11,849
Currency translation	--	(39)	32
Balance at beginning of year	191	1,853	2,092
Balance at end of year	$ 1,853	$ 2,092	$ 13,973
Supplemental disclosures:			
Cash paid for:			
Interest	$ 13	$ 18	$ 35
Income taxes	3,030	4,028	2,887
Dividend in the form of a demand note payable	$ --	$ --	$ 50,000

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 -- BASIS OF PRESENTATION:

The Consolidated Financial Statements of the Company are incorporated herein by reference. The Company's investment in Waterloo Furniture Components Limited is presented herein by the equity method.

NOTE 2 -- INVENTORIES:

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Raw materials	$ 188	$ 232
Work in process	4,209	4,079
Finished products	959	1,036
Supplies	49	48
	$5,405	$5,395

COMPX INTERNATIONAL INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS	RECOVERIES AND OTHER	BALANCE AT END OF YEAR
Allowance for doubtful accounts -- year ended:					
December 31, 1995	$ 88	$142	$(158)	$66	$ 138
December 31, 1996	$138	$184	$(199)	$44	$ 167
December 31, 1997	$167	$193	$ (58)	$ 9	$ 311

EXHIBIT INDEX

Sequentially Numbered

EXHIBIT NO.	DESCRIPTION
1.1	-- Form of Underwriting Agreement.
3.1**	-- Restated Certificate of Incorporation of Registrant.
3.2**	-- Bylaws of Registrant.
4.1	-- Form of Class A Common Stock certificate.
5.1	-- Opinion and Consent of Rogers & Hardin LLP.
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10.5	-- $100,000,000 Credit Agreement between the Registrant, Bankers Trust Company, as Agent and Various Lending Institutions, dated as of February 26, 1998.
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10.7**	-- Stock Purchase Agreement between CompX International Inc. and Shareholders of Fort Lock Corporation dated February 3, 1998
10.8**	-- Severance Agreement between CompX International Inc. and Mr. Compofelice dated as of February 13, 1998.
21.1**	-- Subsidiaries of the Registrant.
23.1	-- Consent of Rogers & Hardin LLP (included in Exhibit 5.1).
23.2	-- Consent of Coopers & Lybrand L.L.P.
23.3**	-- Consent of Altschuler, Melvoin and Glasser L.L.P.
24.1**	-- Powers of Attorney. See signature page to this Registration Statement.
27.1**	-- Financial Data Schedule for the year ended December 31, 1997.

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** Previously filed.

EXHIBIT 1.1

[Draft--03/04/98]

CompX International Inc.

4,700,000 Shares 1/
Class A Common Stock
($.01 par value)

Underwriting Agreement

New York, New York
March [5], 1998

Salomon Smith Barney
Smith Barney Inc.
NationsBanc Montgomery Securities LLC
Wheat First Securities, Inc.
As Representatives of the several Underwriters,
In care of Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

CompX International Inc., a Delaware corporation (the "Company"), proposes to sell to the several underwriters named in Schedule I hereto (the "Underwriters"), for whom you (the "Representatives") are acting as representatives, 4,700,000 shares of Class A Common Stock, $.01 par value ("Common Stock") of the Company (said shares to be issued and sold by the Company being hereinafter called the "Underwritten Securities"). The Company also proposes to grant to the Underwriters an option to purchase up to 705,000 additional shares of Common Stock to cover over- allotments (the "Option Securities"; the Option Securities, together with the Underwritten Securities, being hereinafter called the "Securities"). As part of the offering contemplated by this Agreement, the Representatives have agreed to reserve out of the Underwritten Securities up to 100,000 shares of Common Stock, for sale to directors, officers and employees of the Company (collectively, "Participants"), as set forth in the Prospectus under the heading "Underwriting" (the "Directed Share Program"). The shares of Common Stock to be sold by the Representatives pursuant to the Directed Share Program (the "Directed Shares") will be sold by the Representatives pursuant to this Agreement at the public offering price. Any Directed

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1/ Plus an option to purchase from the Company, up to 705,000 additional Securities to cover over- allotments.

Shares not orally confirmed for purchase by any Participants by the end of the

first business day after the Execution Time will be offered to the public by the Representatives as set forth in the Prospectus. To the extent there are no additional Underwriters listed on Schedule I other than you, the term Representatives as used herein shall mean you, as Underwriters, and the terms Representatives and Underwriters shall mean either the singular or plural as the context requires. Certain terms used herein are defined in Section 17 hereof.

1. Representations and Warranties. The Company represents and warrants to, and agrees with, each Underwriter as set forth below in this Section 1.

(a) The Company has prepared and filed with the Commission a registration statement (file number 333- 42643) on Form S-1, including a related preliminary prospectus, for the registration under the Act of the offering and sale of the Securities. The Company may have filed one or more amendments thereto, including a related preliminary prospectus, each of which has previously been furnished to you. The Company will next file with the Commission either (1) prior to the Effective Date of such registration statement, a further amendment to such registration statement (including the form of final prospectus) or (2) after the Effective Date of such registration statement, a final prospectus in accordance with Rules 430A and 424(b). In the case of clause (2), the Company has included in such registration statement, as amended at the Effective Date, all information (other than Rule 430A Information) required by the Act and the rules thereunder to be included in such registration statement and the Prospectus. As filed, such amendment and form of final prospectus, or such final prospectus, shall contain all Rule 430A Information, together with all other such required information, and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the latest Preliminary Prospectus) as the Company has advised you, prior to the Execution Time, will be included or made therein.

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(b) On the Effective Date, the Registration Statement did or will, and when the Prospectus is first filed (if required) in accordance with Rule 424(b) and on the Closing Date (as defined herein) and on any date on which Option Securities are purchased, if such date is not the Closing Date (a "settlement date"), the Prospectus (and any supplements thereto) will, comply in all material respects with the applicable requirements of the Act and the rules thereunder; on the Effective Date and at the Execution Time, the Registration Statement did not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; and, on the Effective Date, the Prospectus, if not filed pursuant to Rule 424(b), will not, and on the date of any filing pursuant to Rule 424(b) and on the Closing Date and any settlement date, the Prospectus (together with any supplement thereto) will not, include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to the information contained in or omitted from the Registration Statement, or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished herein or in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in the Registration Statement or the Prospectus (or any supplement thereto).

(c) Each of the Company and its subsidiaries has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized with full corporate power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction wherein it owns or leases material properties or conducts material business and where the failure to be so qualified would, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business,

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except as set forth in or contemplated in the Prospectus.

(d) All the outstanding shares of capital stock of the Company's subsidiaries have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Prospectus, all outstanding shares of capital stock of the Company's subsidiaries are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest or any other security interests, claims, liens or encumbrances.

(e) the Company's authorized equity capitalization is as set forth in the Prospectus; the capital stock of the Company conforms in all material respects to the description thereof contained in the Prospectus; the outstanding shares of Common Stock and Class B Common Stock ("Class B Common Stock") have been duly and validly authorized and issued and are fully paid and nonassessable; the Securities have been duly and validly authorized, and, when issued and delivered to and paid for by the Underwriters pursuant to this Agreement, will be fully paid and nonassessable; the Securities are duly listed, and admitted and authorized for trading, subject to official notice of issuance and evidence of satisfactory distribution, on the New York Stock Exchange; the certificates for the Securities are in valid and sufficient form; the holders of outstanding shares of capital stock of the Company are not entitled to preemptive or other rights to subscribe for the Securities; and, except as set forth in the Prospectus, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company are outstanding.

(f) There is no franchise, contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required; and the statements in the Prospectus under the headings "Business--Environmental Matters", "Business--Legal Proceedings", "Certain Relationships and Related Transactions" and "Certain United States Tax Consequences to Non-United States Holders" fairly summarize the matters therein described.

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(g) This Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable in accordance with its terms.

(h) The Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be an

"investment company" as defined in the Investment Company Act of 1940, as amended.

(i) No consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated herein and in the Prospectus, and except where any failure to obtain such, either individually or in the aggregate, would have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus.

(j) Neither the issue and sale of the Securities nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to, (i) the charter or by-laws of the Company or any of its subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or any of its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or any of its subsidiaries or any of its or their properties, which violation or default would, in the case of clauses (ii) and (iii) above,

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either individually or in the aggregate with all other violations and defaults referred to in this paragraph (j) (if any), have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus.

(k) No holders of securities of the Company have rights to the registration of such securities under the Registration Statement.

(l) The consolidated historical financial statements and schedules of the Company and its consolidated subsidiaries included in the Prospectus and the Registration Statement present fairly in all material respects the financial condition, results of operations and cash flows of the Company as of the dates and for the periods indicated, comply as to form with the applicable accounting requirements of the Act and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as otherwise noted therein). The selected financial data set forth under the caption "Selected Financial Data" in the Prospectus and Registration Statement fairly present in all material respects, on the basis stated in the Prospectus and the Registration Statement, the information included therein.

(m) No action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries or its or their property is pending or, to the best knowledge of the Company, threatened that (i) could

reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of any of the transactions contemplated hereby or (ii) could reasonably be expected to have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(n) Each of the Company and each of its subsidiaries owns or leases all such properties as are reasonably necessary to the conduct of its operations as presently conducted.

(o) Neither the Company nor any subsidiary is in violation or default of (i) any provision of its charter or bylaws, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which its property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or such subsidiary or any of their respective properties, as applicable, where such violation or default would, individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus.

(p) There are no transfer taxes or other similar fees or charges under Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or sale by the Company of the Securities.

(q) The Company has filed all foreign, federal, state and local tax returns that are required to be filed or has requested extensions thereof (except in any case in which the failure so to file would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto)) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it, to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as would not have a material

adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(r) No labor problem or dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is threatened or imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its or its subsidiaries' principal suppliers, contractors or

customers, that could have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(s) The Company and each of its subsidiaries are insured through certain self-insurance programs of Contran Corporation. These programs include certain stop loss and reinsurance policies obtained through insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged. All policies of insurance and fidelity or surety bonds insuring the Company or any of its subsidiaries or their respective businesses, assets, employees, officers and directors are in full force and effect; the Company and its subsidiaries are in compliance with the terms of such policies and instruments in all material respects; and there are no claims by the Company or any of its subsidiaries under any such policy or instrument as to which any insurance company is denying liability or defending under a reservation of rights clause, except such

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as would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto); neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for, except such as would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto); and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(t) No subsidiary of the Company is currently prohibited, directly or indirectly, from paying any dividends to the Company, from making any other distribution on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in or contemplated by the Prospectus.

(u) The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus

(exclusive of any supplement thereto).

(v) The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(w) The Company has not taken, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result in, under the Exchange Act or otherwise, stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(x) The Company and its subsidiaries are (i) in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) have not received notice of any actual or potential liability for the investigation or remediation of any disposal or release of hazardous or toxic substances or wastes, pollutants or contaminants, except where such non-compliance with Environmental Laws, failure to receive required permits, licenses or other approvals, or liability would not, individually or in the aggregate, have a material adverse change in the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto). Except as set forth in the Prospectus, neither the Company nor any of its subsidiaries has been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, where such liability would,

individually or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business.

(y) In the ordinary course of its business, the Company periodically reviews the effect of Environmental Laws on the business, operations and properties of the Company and its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, the Company has reasonably concluded that such associated costs and liabilities would not, singly or in the aggregate, have a material adverse effect on the condition (financial or otherwise), prospects,

earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(z) Each of the Company and its subsidiaries has fulfilled its obligations, if any, under the minimum funding standards of Section 302 of the United States Employee Retirement Income Security Act of 1974 ("ERISA") and the regulations and published interpretations thereunder with respect to each "plan" (as defined in Section 3(3) of ERISA and such regulations and published interpretations) in which employees of the Company and its subsidiaries are eligible to participate and each such plan is in compliance in all material respects with the presently applicable provisions of ERISA and such regulations and published interpretations. The Company and its subsidiaries have not incurred any unpaid liability to the Pension Benefit Guaranty Corporation (other than for the payment of premiums in the ordinary course) or to any such plan under Title IV of ERISA.

(aa) (i) The Registration Statement, the Prospectus, any Preliminary Prospectus and the Directed Share Program supplement delivered to the employees of Waterloo (as defined herein) comply, and any further

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amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus or any Preliminary Prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program, and (ii) no authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States.

(bb) Offers and sales of Directed Shares to eligible employees in the Province of Ontario, Canada, will be effected by the Underwriters or their affiliates at the request of and as agent of the Company pursuant to prospectus exemptions in the Province of Ontario.

(cc) The persons to whom the Company directs the Underwriters or their affiliates, as agents of the Company, to offer and sell Directed Shares in the Province of Ontario, Canada, are bona fide employees of the Company resident in such Province and have not been required by the Company or any of its affiliates to purchase Directed Shares.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters on the Closing Date in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

2. Purchase and Sale. (a) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at a purchase price of $[ ] per share, the amount of the Underwritten Securities set forth opposite such Underwriter's name in Schedule I hereto.

(b) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, up to 705,000 Option Securities at the same purchase price per share as the

Underwriters shall pay for the Underwritten

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Securities. Said option may be exercised only to cover over-allotments in the sale of the Underwritten Securities by the Underwriters. Said option may be exercised in whole or in part at any time (but not more than once) on or before the 30th day after the date of the Prospectus upon written or telegraphic notice by the Representatives to the Company setting forth the number of shares of the Option Securities as to which the several Underwriters are exercising the option and the settlement date. Delivery of certificates for the shares of Option Securities by the Company, and payment therefor to the Company, shall be made as provided in Section 3 hereof. The number of Option Securities to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Securities to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Securities, subject to such adjustments as you in your absolute discretion shall make to eliminate any fractional shares.

3. Delivery and Payment. Delivery of and payment for the Underwritten Securities and the Option Securities (if the option provided for in Section 2(b) hereof shall have been exercised on or before the third Business Day prior to the Closing Date) shall be made at 10:00 AM, New York City time, on [ ], 1998, or at such time on such later date not more than three Business Days after the foregoing date as the Representatives shall designate, which date and time may be postponed by agreement between the Representatives and the Company or as provided in Section 9 hereof (such date and time of delivery and payment for the Securities being herein called the "Closing Date"). Delivery of the Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Company by wire transfer payable in same-day funds to an account specified by the Company. Delivery of the Underwritten Securities and the Option Securities shall be made through the facilities of The Depository Trust Company unless the Representatives shall otherwise instruct.

If the option provided for in Section 2(b) hereof is exercised after the third Business Day prior to the Closing Date, the Company will deliver the Option Securities (at the expense of the Company) to the Representatives on the date specified by the Representatives (which shall be within three Business Days after exercise of said option) for the respective accounts of the several Underwriters, against payment by the several Underwriters through the

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Representatives of the purchase price thereof to or upon the order of the Company by wire transfer payable in same-day funds to an account specified by the Company. If settlement for the Option Securities occurs after the Closing Date, the Company will deliver to the Representatives on the settlement date for the Option Securities, and the obligation of the Underwriters to purchase the Option Securities shall be conditioned upon receipt of, supplemental opinions, certificates and letters confirming as of such date the opinions, certificates and letters delivered on the Closing Date pursuant to Section 6 hereof.

4. Offering by Underwriters. It is understood that the several Underwriters propose to offer the Securities for sale to the public as set forth in the Prospectus.

5. Agreements. The Company agrees with the several Underwriters that:

(a) The Company will use its best efforts to cause the Registration Statement, if not effective at the Execution Time, and

any amendment thereof, to become effective. Prior to the termination of the offering of the Securities, the Company will not file any amendment of the Registration Statement or supplement to the Prospectus or any Rule 462(b) Registration Statement unless the Company has furnished you a copy for your review prior to filing and will not file any such proposed amendment or supplement to which you reasonably object. Subject to the foregoing sentence, if the Registration Statement has become or becomes effective pursuant to Rule 430A, or filing of the Prospectus is otherwise required under Rule 424(b), the Company will cause the Prospectus, properly completed, and any supplement thereto to be filed with the Commission pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to the Representatives of such timely filing. The Company will promptly advise the Representatives (1) when the Registration Statement, if not effective at the Execution Time, shall have become effective, (2) when the Prospectus, and any supplement thereto, shall have been filed (if required) with the Commission pursuant to Rule 424(b) or when any Rule 462(b) Registration Statement shall have been filed with the Commission, (3) when, prior to termination of the offering of the Securities, any amendment to the Registration Statement shall have been filed or become effective, (4) of any request by the

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Commission or its staff for any amendment of the Registration Statement, or any Rule 462(b) Registration Statement, or for any supplement to the Prospectus or for any additional information, (5) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (6) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose. The Company will use its best efforts to prevent the issuance of any such stop order or the suspension of any such qualification and, if issued, to obtain as soon as possible the withdrawal thereof.

(b) If, at any time when a prospectus relating to the Securities is required to be delivered under the Act, any event occurs as a result of which the Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Prospectus to comply with the Act or the rules thereunder, the Company promptly will (1) notify the Representatives of any such event; (2) prepare and file with the Commission, subject to the second sentence of paragraph (a) of this Section 5, an amendment or supplement which will correct such statement or omission or effect such compliance; and (3) supply any supplemented Prospectus to you in such quantities as you may reasonably request.

(c) As soon as practicable, the Company will make generally available to its security holders and to the Representatives an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158 under the Act.

(d) The Company will furnish to the Representatives and counsel for the Underwriters signed copies of the Registration Statement (including exhibits thereto) and to each other Underwriter a copy of the Registration Statement (without exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act, as many copies of each Preliminary Prospectus and the Prospectus and any

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supplement thereto as the Representatives may reasonably request.

(e) The Company will arrange, if necessary, for the qualification of the Securities for sale under the laws of such jurisdictions as the Representatives may designate and will maintain such qualifications in effect so long as required for the distribution of the Securities; provided that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would subject it to service of process in suits, other than those arising out of the offering or sale of the Securities, in any jurisdiction where it is not now so subject.

(f) The Company and Valcor, Inc. ("Valcor"), and each of their respective officers and directors, will not, without the prior written consent of Smith Barney Inc., for a period of 180 days following the Execution Time, offer, sell or contract to sell, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate of the Company or any person in privity with the Company or any affiliate of the Company) directly or indirectly, or announce the offering of, any other shares of Common Stock or any shares of Class B Common Stock or any securities convertible into, or exchangeable for, shares of Common Stock or Class B Common Stock; provided, however, that the Company may issue and sell Common Stock pursuant to any employee stock option plan, stock ownership plan or dividend reinvestment plan of the Company in effect at the Execution Time and the Company may issue Common Stock issuable upon the conversion of securities or the exercise of warrants outstanding at the Execution Time.

(g) The Company will not take, directly or indirectly, any action designed to or which has constituted or which might reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

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(h) The Company agrees to pay the costs and expenses relating to the following matters: (i) the preparation, printing or reproduction and filing with the Commission of the Registration Statement (including financial statements and exhibits thereto), each Preliminary Prospectus, the Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Preliminary Prospectus, the Prospectus, and all amendments or supplements to any of them, as may, in each case, be reasonably requested for use in connection with the offering and sale of the Securities; (iii) the preparation, printing, authentication, issuance and delivery of certificates for the Securities, including any stamp or transfer taxes in connection with the original issuance and sale of the Securities; (iv) the printing (or reproduction) and delivery of this Agreement, any blue sky memorandum and all other agreements or documents printed (or reproduced) and delivered in connection with the offering of the Securities; (v) the registration of the Securities under the Exchange Act and the listing of the Securities on the New York Stock Exchange; (vi) any registration or qualification of the Securities for offer and sale under the securities or blue sky laws of the several states (including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such registration and qualification); (vii) any filings required to be made with the

National Association of Securities Dealers, Inc. ("NASD")(including filing fees and the reasonable fees and expenses of counsel for the Underwriters relating to such filings); (viii) any fees of the NASD incurred by Salomon Smith Barney in its capacity as a qualified independent underwriter (the "Independent Underwriter") pursuant to the rules of the NASD; (ix) the transportation and other expenses incurred by or on behalf of Company representatives in connection with presentations to prospective purchasers of the Securities; (x) the fees and expenses of the Company's accountants and the fees and expenses of counsel (including local and special counsel) for the Company; and (xi) all other costs and expenses incident to the performance by the Company of its obligations hereunder.

(i) In connection with the Directed Share Program, the Company will ensure that the Directed Shares will be restricted to the extent required by the NASD or the NASD rules from sale, transfer, assignment,

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pledge or hypothecation for a period of three months following the Effective Date. The Representatives will notify the Company as to which Participants will need to be so restricted. The Company will direct the transfer agent to place stop transfer restrictions upon such securities for such period of time.

(j) The Company will pay all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program.

(k) The Company will comply with all applicable securities and other applicable laws, rules and regulations in each foreign jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

6. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwritten Securities and the Option Securities, as the case may be, shall be subject to the accuracy of the representations and warranties on the part of the Company contained herein as of the Execution Time, the Closing Date and any settlement date pursuant to Section 3 hereof, to the accuracy of the statements of the Company made in any certificates pursuant to the provisions hereof, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(a) If the Registration Statement has not become effective prior to the Execution Time, unless the Representatives agree in writing to a later time, the Registration Statement will become effective not later than (i) 6:00 PM New York City time on the date of determination of the public offering price, if such determination occurred at or prior to 3:00 PM New York City time on such date or (ii) 9:30 AM on the Business Day following the day on which the public offering price was determined, if such determination occurred after 3:00 PM New York City time on such date; if filing of the Prospectus, or any supplement thereto, is required pursuant to Rule 424(b), the Prospectus, and any such supplement, will be filed in the manner and within the time period required by Rule 424(b); and no stop order suspending the effectiveness of the Registration Statement shall have been issued and no

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proceedings for that purpose shall have been instituted or threatened.

(b) The Company shall have furnished to the Representatives the opinion of Rogers & Hardin LLP, counsel for the Company, dated the Closing Date and addressed to the Representatives, to the effect that:

(i) each of the Company and its subsidiaries, (other than Waterloo Furniture Components Limited ("Waterloo"), as to which such counsel need not express an opinion), has been duly incorporated and is validly existing as a corporation in good standing under the laws of the jurisdiction in which it is chartered or organized, with full corporate power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification;

(ii) all the outstanding shares of capital stock of the Company's subsidiaries (other than Waterloo, as to which such counsel need not express an opinion for the purposes of the first clause of this paragraph), have been duly and validly authorized and issued and are fully paid and nonassessable; and, except as otherwise set forth in the Prospectus, all outstanding shares of capital stock of the Company's subsidiaries (including Waterloo) are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interest, claim, lien or encumbrance;

(iii) the Company's authorized equity capitalization is as set forth in the Prospectus; the capital stock of the Company conforms in all material respects to the description thereof contained in the Prospectus; the outstanding shares of Common Stock and Class B Common Stock have been duly and validly authorized and issued and are fully paid and nonassessable; the Securities have been duly and validly authorized, and, when issued and delivered to and paid for by the Underwriters pursuant to this Agreement, will

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be fully paid and nonassessable; the Securities are duly listed, and admitted and authorized for trading, subject to official notice of issuance and evidence of satisfactory distribution, on the New York Stock Exchange; the certificates for the Securities are in valid and sufficient form; the holders of outstanding shares of capital stock of the Company are not entitled to preemptive or other rights to subscribe for the Securities; and, except as set forth in the Prospectus, no options, warrants or other rights to purchase, agreements or other obligations to issue, or rights to convert any obligations into or exchange any securities for, shares of capital stock of or ownership interests in the Company are outstanding;

(iv) to the knowledge of such counsel, there is no pending or threatened action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries or its or their property of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Prospectus, and there is no franchise, contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required; and the statements in the Prospectus under the headings "Business--Environmental Matters",

"Business--Legal Proceedings", "Certain Relationships and Related Transactions" and "Certain United States Tax Consequences to Non-United States Holders" fairly summarize the matters therein described;

(v) the Registration Statement has become effective under the Act; any required filing of the Prospectus, and any supplements thereto, pursuant to Rule 424(b) has been made in the manner and within the time period required by Rule 424(b); to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued, no proceedings for that purpose have been instituted or threatened and the Registration Statement and the Prospectus (other than the financial statements and other financial information contained

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therein, as to which such counsel need express no opinion) comply as to form in all material respects with the applicable requirements of the Act and the rules thereunder; and such counsel has no reason to believe that on the Effective Date or at the Execution Time the Registration Statement contains or contained any untrue statement of a material fact or omitted or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus as of its date and on the Closing Date includes any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(vi) this Agreement has been duly authorized, executed and delivered by the Company;

(vii) the Company is not and, after giving effect to the offering and sale of the Securities and the application of the proceeds thereof as described in the Prospectus, will not be, an "investment company" as defined in the Investment Company Act of 1940, as amended;

(viii) no consent, approval, authorization, filing with or order of any court or governmental agency or body is required in connection with the transactions contemplated herein, except such as have been obtained under the Act and such as may be required under the blue sky laws of any jurisdiction in connection with the purchase and distribution of the Securities by the Underwriters in the manner contemplated in this Agreement and in the Prospectus and such other approvals (specified in such opinion) as have been obtained;

(ix) neither the issue and sale of the Securities, nor the consummation of any other of the transactions herein contemplated nor the fulfillment of the terms hereof will conflict with, result in a breach or violation of or imposition of any lien, charge or encumbrance upon any property or assets of the Company or its subsidiaries pursuant to, (i) the charter or by-laws of the Company or its subsidiaries, (ii) the terms of any indenture, contract, lease, mortgage,

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deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to

which the Company or its subsidiaries is a party or bound or to which its or their property is subject, or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or its subsidiaries or any of its or their properties; and

(x) no holders of securities of the Company have rights to the registration of such securities under the Registration Statement.

In rendering such opinion, such counsel may rely (A) as to matters involving the application of laws of any jurisdiction other than the State of Delaware or the Federal laws of the United States, to the extent they deem proper and specified in such opinion, upon the opinion of other counsel of good standing whom they believe to be reliable and who are satisfactory to counsel for the Underwriters and (B) as to matters of fact, to the extent they deem proper, on certificates of responsible officers of the Company and public officials. References to the Prospectus in this paragraph (b) include any supplements thereto at the Closing Date. The opinion of such counsel shall be rendered to the Underwriters at the request of the Company and shall so state therein.

(c) The Company shall have furnished to the Representatives the opinion of Sims Clement Eastman, special Canadian counsel for Waterloo, dated the Closing Date and addressed to the Representatives, to the effect that:

(i) Waterloo has been duly incorporated and is validly existing as a corporation in good standing under the laws of Canada, with full corporate power and authority to own its properties and conduct its business as described in the Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing under the laws of each jurisdiction which requires such qualification; and

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(ii) all the outstanding shares of capital stock of Waterloo have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise set forth in the Prospectus, all outstanding shares of capital stock of Waterloo are owned by the Company either directly or through wholly owned subsidiaries free and clear of any perfected security interest and, to the knowledge of such counsel, after due inquiry, any other security interest, claim, lien or encumbrance;

(d) The Representatives shall have received from Cravath, Swaine & Moore, counsel for the Underwriters, such opinion or opinions, dated the Closing Date and addressed to the Representatives, with respect to the issuance and sale of the Securities, the Registration Statement, the Prospectus (together with any supplement thereto) and other related matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters.

(e) The Company shall have furnished to the Representatives a certificate of the Company, signed by the Chairman of the Board or the President and the principal financial or accounting officer of the Company, dated the Closing Date, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Prospectus, any supplements to the Prospectus and this Agreement

and that:

(i) the representations and warranties of the Company in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or, to the Company's knowledge, threatened; and

(iii) since the date of the most recent financial statements included in the Prospectus (exclusive

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of any supplement thereto), there has been no material adverse effect on the condition (financial or otherwise), prospects, earnings, business or properties of the Company and its subsidiaries, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto).

(f) At the Execution Time and at the Closing Date, Coopers & Lybrand L.L.P. shall have furnished to the Representatives letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the Representatives, confirming that they are independent accountants within the meaning of the Act and the applicable published rules and regulations thereunder and stating in effect that:

(i) in their opinion the audited financial statements and financial statement schedules of the Company included in the Registration Statement and the Prospectus and reported on by them comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by the Company and its subsidiaries; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, directors and audit and management development and compensation committees of the Company and its subsidiaries; and inquiries of certain officials of the Company who have responsibility for financial and accounting matters of the Company and its subsidiaries as to transactions and events subsequent to December 31, 1997, nothing came to their attention which caused them to believe that:

(1) with respect to the period subsequent to December 31, 1997, there were any changes, at a specified date not more than five days prior to the date of the letter, in the long-term debt of the Company and its

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subsidiaries or decreases in the stockholder's equity of the Company as compared with the amounts shown on the December 31, 1997 consolidated balance sheet included in the Registration Statement and the Prospectus, or for the period from January 1, 1998 to such specified date there were any decreases, as compared with the corresponding period in the preceding year in net sales or income before income taxes or in total or per share amounts of net income of the Company and its subsidiaries, except in all instances for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by the Company as to the significance thereof unless said explanation is not deemed necessary by the Representatives;

(2) the information included in the Registration Statement and Prospectus in response to Regulation S-K, Item 301 (Selected Financial Data) and Item 402 (Executive Compensation) is not in conformity with the applicable disclosure requirements of Regulation S-K;

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of the Company and its subsidiaries) set forth in the Registration Statement and the Prospectus, including the information set forth under the captions "Prospectus Summary", "Risk Factors", "Use of Proceeds", "Dividend Policy", "Capitalization", "Dilution", "Selected Financial Data", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Business", "Management", "Certain Relationships and Related Transactions", "Security Ownership in the Company and Its Affiliates" and "Description of Capital Stock" in the Prospectus, agrees with the accounting records of the Company and its subsidiaries, excluding any questions of legal interpretation; and

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(iv) on the basis of a reading of the unaudited pro forma financial statements of the Company included in the Registration Statement and the Prospectus (the "pro forma financial statements"); carrying out certain specified procedures; inquiries of certain officials of the Company who have responsibility for financial and accounting matters; and proving the arithmetic accuracy of the application of the pro forma adjustments to the historical amounts in the pro forma financial statements, nothing came to their attention which caused them to believe that the pro forma financial statements do not comply as to form in all material respects with the applicable accounting requirements of Rule 11-02 of Regulation S-X or that the pro forma adjustments have not been properly applied to the historical amounts in the compilation of such statements.

References to the Prospectus in this paragraph (f) include any supplement thereto at the date of the letter.

(g) At the Execution Time and at the Closing Date, Altschuler, Melvoin & Glasser L.L.P. shall have furnished to the Representatives letters, dated respectively as of the Execution Time and as of the Closing Date, in form and substance satisfactory to the

Representatives, confirming that they are independent accountants within the meaning of the Act and the applicable published rules and regulations thereunder and that they have performed a review of the unaudited interim financial information of Fort Lock Corporation and its subsidiaries and affiliates ("Fort Lock") for the 26-week period ended December 28, 1996, and December 27, 1997, and as at December 27, 1997, in accordance with Statement on Auditing Standards No. 71 and stating in effect that:

(i) in their opinion the audited financial statements of Fort Lock and financial statement schedules included in the Registration Statement and the Prospectus and reported on by them comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations;

(ii) on the basis of a reading of the latest unaudited financial statements made available by Fort Lock; their limited review, in accordance

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with standards established under Statement on Auditing Standards No. 71, of the unaudited interim financial information for the 26-week period ended December 28, 1996, and December 27, 1997, and as at December 27, 1997; carrying out certain specified procedures (but not an examination in accordance with generally accepted auditing standards) which would not necessarily reveal matters of significance with respect to the comments set forth in such letter; a reading of the minutes of the meetings of the stockholders, directors and audit and management development and compensation committees of Fort Lock; and inquiries of certain officials of Fort Lock who have responsibility for financial and accounting matters of Fort Lock as to transactions and events subsequent to December 27, 1997, nothing came to their attention which caused them to believe that:

(1) any unaudited financial statements of Fort Lock included in the Registration Statement and the Prospectus do not comply as to form in all material respects with applicable accounting requirements of the Act and with the published rules and regulations of the Commission with respect to registration statements on Form S-1; and said unaudited financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited financial statements included in the Registration Statement and the Prospectus;

(2) with respect to the period subsequent to December 27, 1997, there were any changes, at a specified date not more than five days prior to the date of the letter, in the long-term debt of Fort Lock or decreases in the stockholder's equity of Fort Lock as compared with the amounts shown on the December 27, 1997 consolidated balance sheet included in the Registration Statement and the Prospectus, or for the period from December 28, 1997 to such specified date there were any decreases, as compared with the corresponding period in the preceding year in net sales or income before income taxes or in total or per share amounts of net income of Fort Lock, except in all instances

for changes or decreases set forth in such letter, in which case the letter shall be accompanied by an explanation by Fort Lock as to the significance thereof unless said explanation is not deemed necessary by the Representatives; and

(iii) they have performed certain other specified procedures as a result of which they determined that certain information of an accounting, financial or statistical nature (which is limited to accounting, financial or statistical information derived from the general accounting records of Fort Lock) set forth in the Registration Statement and the Prospectus agrees with the accounting records of Fort Lock, excluding any questions of legal interpretation.

References to the Prospectus in this paragraph (g) include any supplement thereto at the date of the letter.

(h) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto), there shall not have been (i) any change or decrease specified in the letter or letters referred to in paragraphs (f) or (g) of this Section 6 or (ii) any change, or any development involving a prospective change, in or affecting the condition (financial or otherwise), earnings, business or properties of (x) the Company and its subsidiaries taken as a whole or (y) Fort Lock, taken as a whole, whether or not arising from transactions in the ordinary course of business, except as set forth in or contemplated in the Prospectus (exclusive of any supplement thereto) the effect of which, in any case referred to in clause (i) or (ii) above, is, in the sole judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto).

(i) The Securities shall have been listed and admitted and authorized for trading on the New York Stock Exchange, and satisfactory evidence of such actions shall have been provided to the Representatives.

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(j) At the Execution Time, the Company shall have furnished to the Representatives a letter substantially in the form of (i) Exhibit A hereto from each officer and director of the Company and (ii) Exhibit B hereto from Valcor, addressed to the Representatives.

(k) On or prior to the Closing Date, the Company shall have furnished evidence satisfactory to the Representatives of the reclassification of 1,000 shares of the Company's common stock, $1 par value, into 10,000,000 shares of Class B Common Stock, $.01 par value.

(l) Prior to the Closing Date, the Company shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

If any of the conditions specified in this Section 6 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Representatives and counsel for the Underwriters, this Agreement and all obligations of the Underwriters hereunder may be canceled at, or at any time prior to, the Closing Date by the Representatives. Notice of such cancelation shall be given to the Company in

writing or by telephone or facsimile confirmed in writing.

The documents required to be delivered by this Section 6 shall be delivered at the office of Cravath, Swaine & Moore, counsel for the Underwriters, at 825 Eighth Avenue, New York, New York, on the Closing Date.

7. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 6 hereof is not satisfied, because of any termination pursuant to Section 10 hereof or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof other than by reason of a default by any of the Underwriters, the Company will reimburse the Underwriters severally through Salomon Smith Barney on demand for all out-of-pocket expenses (including reasonable fees and disbursements of counsel) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities.

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8. Indemnification and Contribution. (a) The Company agrees to indemnify and hold harmless each Underwriter (including the Independent Underwriter in its role as qualified independent underwriter pursuant to the rules of the NASD), the directors, officers, employees and agents of each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement for the registration of the Securities as originally filed or in any amendment thereof, or in any Preliminary Prospectus or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion therein. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

The Company also will indemnify and hold harmless the Independent Underwriter, its officers and employees and each person, if any, who controls the Independent Underwriter within the meaning of the Act, from and against any and all losses, claims, damages, liabilities and judgments incurred as a result of the Independent Underwriter's participation as a "qualified independent underwriter" within the meaning of Rule 2720 of the Conduct Rules of the NASD in connection with the offering of the Securities, except for any losses, claims, damages, liabilities and judgments found in a final judgment by a court to have resulted from the Independent Underwriter's or

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such officer's, employee's or controlling person's wilful misconduct or gross negligence.

The Company also will indemnify and hold harmless each Underwriter, the directors, officers, employees and agents of each Underwriter

and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with investigating or defending any such loss, claim, damage, liability or action), to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the prospectus wrapper material prepared by or with the consent of the Company for distribution in foreign jurisdictions in connection with the Directed Share Program attached to the Prospectus or any Preliminary Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, not misleading; (ii) arise out of or are based upon the failure of any Participant to pay for and accept delivery of the shares which, immediately following the Effective Date, were subject to a properly confirmed agreement to purchase; or (iii) are related to, arise out of, or are in connection with the Directed Share Program; provided however, the Company shall not be responsible under this subparagraph (iii) for any losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or negligence of any Underwriter.

(b) Each Underwriter severally and not jointly agrees to indemnify and hold harmless the Company, each of its directors, each of its officers who signs the Registration Statement, and each person who controls the Company within the meaning of either the Act or the Exchange Act, to the same extent as the foregoing indemnity to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the Company by or on behalf of such Underwriter through the Representatives specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any Underwriter may otherwise have. The Company acknowledges that the statements

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set forth in the last paragraph of the cover page regarding delivery of the Securities, the legend in block capital letters on page 2 related to stabilization, syndicate covering transactions and penalty bids and, under the heading "Underwriting", (i) the sentences related to concessions and reallowances and (ii) the paragraph related to stabilization, syndicate covering transactions and penalty bids in any Preliminary Prospectus and the Prospectus constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in any Preliminary Prospectus or the Prospectus.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a) or (b) above. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the

indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel satisfactory to the indemnified

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party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. If indemnity is sought pursuant to the second paragraph of Section 8(a), then, in addition to such counsel for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate counsel (in addition to any necessary local counsel) for the Independent Underwriter in its capacity as a "qualified independent underwriter," its officers and employees and all persons, if any, who control the Independent Underwriter within the meaning of the Act, if, in the reasonable judgment of the Independent Underwriter, there may exist a conflict of interest between the Independent Underwriter and the other indemnified parties. In the case of any such separate counsel for the Independent Underwriter and such officers, employees and control persons of the Independent Underwriter, such counsel shall be designated in writing by the Independent Underwriter. If indemnity is sought pursuant to the third paragraph of Section 8(a), then, in addition to such counsel for the indemnified parties, the indemnifying party shall be liable for the reasonable fees and expenses of not more than one separate counsel (in addition to any necessary local counsel) for the indemnified party for the defense of any losses, claims, damages and liabilities arising out of the Directed Share Program. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 8 is unavailable to or insufficient to hold harmless an indemnified party for any reason, the Company and the Underwriters severally agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses") to which the Company and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and by the Underwriters on the other

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from the offering of the Securities; provided, however, that in no case shall any Underwriter (except as may be provided in any agreement among underwriters relating to the offering of the Securities) be responsible for any amount in excess of the underwriting discount or commission applicable to the Securities purchased by such Underwriter hereunder. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the Company and the Underwriters severally shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Benefits received by the

Company shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by the Underwriters shall be deemed to be equal to the total underwriting discounts and commissions, in each case as set forth on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Company on the one hand or the Underwriters on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Underwriters agree that Salomon Smith Barney will not receive any additional benefits hereunder for services as Independent Underwriter in connection with the offering and sale of the Securities. The Company and the Underwriters agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Underwriter within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of an Underwriter shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to

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contribution as the Company, subject in each case to the applicable terms and conditions of this paragraph (d).

9. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters shall be obligated severally to take up and pay for (in the respective proportions which the amount of Securities set forth opposite their names in Schedule I hereto bears to the aggregate amount of Securities set forth opposite the names of all the remaining Underwriters) the Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase; provided, however, that in the event that the aggregate amount of Securities which the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of Securities set forth in Schedule I hereto, the remaining Underwriters shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Securities, and if such nondefaulting Underwriters do not purchase all the Securities, this Agreement will terminate without liability to any nondefaulting Underwriter or the Company. In the event of a default by any Underwriter as set forth in this Section 9, the Closing Date shall be postponed for such period, not exceeding five Business Days, as the Representatives shall determine in order that the required changes in the Registration Statement and the Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company and any nondefaulting Underwriter for damages occasioned by its default hereunder.

10. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company prior to delivery of and payment for the Securities, if at any time prior to such time (i) trading in the Company's Common Stock shall have been suspended by the Commission or trading in securities generally on the New York Stock Exchange shall have been suspended or limited or minimum prices shall have been established on such Exchange, (ii) a banking moratorium shall have been declared either by Federal or New York State authorities or (iii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other

calamity or crisis the effect of which on financial markets is such as

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to make it, in the sole judgment of the Representatives, impractical or inadvisable to proceed with the offering or delivery of the Securities as contemplated by the Prospectus (exclusive of any supplement thereto).

11. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 8 hereof, and will survive delivery of and payment for the Securities. The provisions of Sections 7 and 8 hereof shall survive the termination or cancelation of this Agreement.

12. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered or telefaxed to the Salomon Smith Barney General Counsel (fax no.: (212) 816-7912) and confirmed to the General Counsel, Salomon Smith Barney, at 388 Greenwich Street, 35th Floor, New York, New York, 10013, Attention: General Counsel; or, if sent to the Company, will be mailed, delivered or telefaxed to (972) 239-0142 and confirmed to it at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas, 75240, attention of the Legal Department.

13. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the officers and directors and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder.

14. Applicable Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York.

15. Counterparts. This Agreement may be signed in one or more counterparts, each of which shall constitute an original and all of which together shall constitute one and the same agreement.

16. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

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17. Definitions. The terms which follow, when used in this Agreement, shall have the meanings indicated.

"Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Business Day" shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which banking institutions or trust companies are authorized or obligated by law to close in New York City.

"Commission" shall mean the Securities and Exchange Commission.

"Effective Date" shall mean each date and time that the Registration Statement, any post-effective amendment or amendments thereto and any Rule 462(b) Registration Statement became or become effective.

"Exchange Act" shall mean the Securities Exchange Act of 1934,

as amended, and the rules and regulations of the Commission promulgated thereunder.

"Execution Time" shall mean the date and time that this Agreement is executed and delivered by the parties hereto.

"Preliminary Prospectus" shall mean any preliminary prospectus referred to in paragraph 1(a) above and any preliminary prospectus included in the Registration Statement at the Effective Date that omits Rule 430A Information.

"Prospectus" shall mean the prospectus relating to the Securities that is first filed pursuant to Rule 424(b) after the Execution Time or, if no filing pursuant to Rule 424(b) is required, shall mean the form of final prospectus relating to the Securities included in the Registration Statement at the Effective Date.

"Registration Statement" shall mean the registration statement referred to in paragraph 1(a) above, including exhibits and financial statements, as amended at the Execution Time (or, if not effective at the Execution Time, in the form in which it shall become effective) and, in the event any post-effective amendment thereto or any Rule 462(b) Registration Statement becomes effective prior to the Closing Date,

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shall also mean such registration statement as so amended or such Rule 462(b) Registration Statement, as the case may be. Such term shall include any Rule 430A Information deemed to be included therein at the Effective Date as provided by Rule 430A.

"Rule 424", "Rule 430A" and "Rule 462" refer to such rules under the Act.

"Rule 430A Information" shall mean information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A.

"Rule 462(b) Registration Statement" shall mean a registration statement and any amendments thereto filed pursuant to Rule 462(b) relating to the offering covered by the initial registration statement.

"Salomon Smith Barney" shall mean Smith Barney Inc. or Salomon Brothers Inc to the extent that either such party is a signatory to this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the

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enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company and the several Underwriters.

Very truly yours,

COMPX INTERNATIONAL INC.

By:

Name:
Title:

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

SMITH BARNEY INC.
NATIONSBANC MONTGOMERY SECURITIES LLC
WHEAT FIRST SECURITIES, INC.

By: SMITH BARNEY INC.

By:

Name:
Title:

For themselves and the other several Underwriters named in Schedule I to the foregoing Agreement.

SCHEDULE I

Underwriters	Number of Underwritten Securities to be Purchased
Smith Barney Inc.	
NationsBanc Montgomery Securities LLC	
Wheat First Securities, Inc	
Total	

EXHIBIT A

[Letterhead of officer or director of CompX International Inc.]

CompX International Inc.
Public Offering of Common Stock

[Date]

Smith Barney Inc.
NationsBanc Montgomery Securities LLC

Wheat First Securities, Inc.
As Representatives of the several Underwriters,
c/o Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

This letter is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement"), between CompX International Inc., a Delaware corporation (the "Company"), and each of you as representatives of a group of Underwriters named therein, relating to an underwritten public offering of Common Stock, $.01 par value (the "Common Stock"), of the Company.

In order to induce you and the other Underwriters to enter into the Underwriting Agreement, the undersigned will not, without the prior written consent of Smith Barney Inc., offer, sell, contract to sell, pledge or otherwise dispose of, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder with respect to, any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for such capital stock, or publicly announce an intention to effect any such transaction, for a period of 180 days after the date of this Agreement, other than shares of Common Stock disposed of as bona fide gifts approved by Smith Barney Inc.

If for any reason the Underwriting Agreement shall be terminated prior to the Closing Date (as defined in the Underwriting Agreement), the agreement set forth above shall likewise be terminated.

Yours very truly,

[Signature of officer or director]

[Name and address of officer
or director]

EXHIBIT B

[Letterhead of Valcor, Inc.]

CompX International Inc.
Public Offering of Common Stock

[Date]

Smith Barney Inc.
NationsBanc Montgomery Securities, Inc.
Wheat First Securities, Inc.
As Representatives of the several Underwriters,
c/o Smith Barney Inc.
388 Greenwich Street

New York, New York 10013

Ladies and Gentlemen:

This letter is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement"), between CompX International Inc., a Delaware corporation (the "Company"), and each of you as representatives of a group of Underwriters named therein, relating to an underwritten public offering of Common Stock, $.01 par value (the "Common Stock"), of the Company.

In order to induce you and the other Underwriters to enter into the Underwriting Agreement, the undersigned will not, without the prior written consent of Smith Barney Inc., offer, sell, contract to sell, pledge or otherwise dispose of, or file (or participate in the filing of) a registration statement with the Securities and Exchange Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder with respect to, any shares of capital stock of the Company or any securities convertible into or exercisable or exchangeable for such capital stock, or publicly announce an intention to effect any such transaction, for a period of 180 days after the date of this Agreement, other than shares of Common Stock disposed of as bona fide gifts approved by Smith Barney Inc.

If for any reason the Underwriting Agreement shall be terminated prior to the Closing Date (as defined in the Underwriting Agreement), the agreement set forth above shall likewise be terminated.

Yours very truly,

[Signature of authorized officer or director]

[Name and address of Valcor, Inc.]

EXHIBIT 4.1

TEMPORY CERTIFICATE: EXCHANGEABLE FOR DEFINITIVE ENGRAVED CERTIFICATE WHEN READY FOR DELIVERY.

[Logo]

CLASS A COMMON STOCK
PAR VALUE $.01 PER SHARE

THIS
CERTIFICATE IS
TRANSFERABLE IN CHICAGO,
ILLINOIS AND NEW YORK NEW YORK

SHARES

CUSIP 20563P 10 1
SEE REVERSE FOR CERTAIN DEFINITIONS

COMPX INTERNATIONAL INC.
INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

THIS CERTIFIES THAT

is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF CLASS A COMMON STOCK OF

CompX International Inc. (hereinafter and on the back hereof called the "Corporation") transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares represented hereby are issued and shall be subject to all the provisions of the Restated Certificate of Incorporation of the Corporation (copies of which are on file with the Transfer Agent), as now or hereafter amended, to all of which the holder hereof by acceptance hereof assents. This Certificate is not valid unless countersigned and registered by a Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

[Seal] /s/ Joseph Compofelice
CHAIRMAN OF THE BOARD

/s/ Steven L. Watson
SECRETARY

COUNTERSIGNED AND REGISTERED:
HARRIS TRUST AND SAVINGS BANK
TRANSFER AGENT AND REGISTRAR
BY
AUTHORIZED SIGNATURE

COMPX INTERNATIONAL INC.

This Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such statement may be obtained by a request in writing to the office of the Transfer Agent.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	as tenants in common
TEN ENT	as tenants by the entireties
JT TEN	as joint tenants with right of survivorship and not as tenants in common
UNIF GIFT MIN ACT	Custodian _____ (Cust) _____ (Minor) under Uniform Gifts to Minors Act
	_____ (State)

Additional abbreviations may also be used though not in the above list.

For Value Received,_____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE
[ ]

- ---

(Please print or typewrite name and address, including zip code, of assignee)

- ---

- ---

- ---

Shares of the capital stock represented by the within Certificate, and do hereby irrevocably constitute and appoint _____ Attorney to transfer the said

stock on the books of the within named Corporation with full power of substitution in the premises.

Dated
_____

NOTICE:

X _____
(SIGNATURE)

THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

X _____
(SIGNATURE)

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN "ELIGIBLE GUARANTOR INSTITUTION" AS DEFINED IN RULE 17Ad-15 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SIGNATURE(S) GUARANTEED BY:

EXHIBIT 5.1

[The following text appears as letterhead:

Rogers & Hardin
Attorneys At Law
2700 International Tower, Peachtree Center
229 Peachtree Street, N.E.
Atlanta, Georgia 30303
(404) 522-4700
TELECOPIER: (404) 525-2224]

March 5, 1998

COMPX INTERNATIONAL INC
200 Old Mill Road
Mauldin, South Carolina 29662

Gentlemen:

We have acted as counsel to CompX International Inc (the "Company") in connection with the registration (Registration Number 333-42643) by the Company on Form S-1 (hereinafter referred to, together with any amendments thereto, as the "Registration Statement") under the Securities Act of 1933, as amended, of an aggregate of 5,980,000 shares of Class A Common Stock, $.01 par value per share, of the Company (the "Shares"), of which (a) 5,200,000 shares will be purchased by certain underwriters (the "Underwriters") from the Company and (b) up to 780,000 additional shares will be purchased by the Underwriters from the Company if the Underwriters exercise the option granted to them by the Company solely to cover over-allotments, if any.

In connection with this opinion, we have examined such corporate records and documents and have made such examinations of law as we have deemed necessary. In rendering this opinion, we have relied, without investigation, upon various certificates of public officials and of officers and representatives of the Company. In our examination of documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the originals of all documents submitted to us as copies.

Based upon the foregoing and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that the Shares have been duly authorized and, when sold as contemplated in the Registration Statement and in the Underwriting Agreement to be entered into among the Company, Salomon Smith Barney, Smith Barney Inc., NationsBanc Montgomery Securities LLC and Wheat First Securities ,Inc. as representatives of the several Underwriters, will be legally issued, fully paid and non-assessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement and as an exhibit to applications to the securities commissioners of the various states and other jurisdictions of the United States for registration or qualification of the Shares in such states and other jurisdictions. We further consent to the reference to our firm under the caption "Legal Matters" in the Prospectus which is a part of the Registration Statement.

Very truly yours,

/s/ Rogers & Hardin

ROGERS & HARDIN

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EXHIBIT 10.5

COMPX INTERNATIONAL INC.

$100,000,000
CREDIT AGREEMENT

dated as of February 26, 1998

BANKERS TRUST COMPANY,
as Agent

and

VARIOUS LENDING INSTITUTIONS

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Schedules

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CREDIT AGREEMENT

THIS CREDIT AGREEMENT, dated as of February 26, 1998, among CompX International Inc., a Delaware corporation ("Borrower"), the several banks and other financial institutions from time to time parties to this Agreement (the "Lenders"), and BANKERS TRUST COMPANY, a New York banking corporation, as agent for the Lenders hereunder (in such capacity, the "Agent").

The parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the following meanings, such meanings to be equally applicable to both the singular and plural forms of the terms defined:

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a Subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) provided that the Company or the Subsidiary is the surviving entity.

"Agent": as defined in the preamble.

"Affiliate": with respect to any Person, any Person or group acting in concert in respect of the Person in question that, directly or indirectly, controls or is controlled by or is under common control with such Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through the ownership of voting securities or by contract or otherwise.

"Agent-Related Persons": as defined in Section 10.3.

"Agreement": this Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Facility Fee": at any date, the applicable percentage amount of the aggregate Revolving Commitments of the Lenders as such percentage amount is set forth in the table below based upon the Most Recent Ratio of Consolidated Debt to Consolidated EBITDA on such date:

MOST RECENT RATIO OF CONSOLIDATED DEBT TO CONSOLIDATED EBITDA	FACILITY FEE
Less than 1.0 to 1.0	.200%
Less than 1.5 to 1.0 but greater than or equal to 1.0 to 1.0	.225%
Less than 2.0 to 1.0 but greater than or equal to 1.5 to 1.0	.250%
Less than 2.5 to 1.0 but greater than or equal to 2.0 to 1.0	.300%
Greater than 2.5 to 1.0	.350%

"Applicable Margin": with respect to each Revolving Loan at any date shall be the applicable percentage amount set forth in the table below based upon the Type of such Loan and the Most Recent Ratio of Consolidated Debt to Consolidated EBITDA on such date.

MOST RECENT RATIO OF CONSOLIDATED DEBT TO CONSOLIDATED EBITDA	EURODOLLAR LOANS	BASE RATE LOANS
Less than 1.0 to 1.0	.300%	0%
Less than 1.5 to 1.0 but greater than or equal to 1.0 to 1.0	.400%	0%
Less than 2.0 to 1.0 but greater than or equal to 1.5 to 1.0	.625%	0%
Less than 2.5 to 1.0 but greater than or equal to 2.0 to 1.0	.825%	0%
Greater than or equal to 2.5 to 1.0	1.025%	0%

provided, however, that upon consummation of an initial public offering of common stock with Net Offering Proceeds to Borrower of not less than $50 million, the Applicable Margin for Eurodollar Loans as set forth above shall be reduced by .125%.

"Asset Disposition": any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) of shares of Capital Stock of a Subsidiary of Borrower (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by Borrower or any of its Subsidiaries the fair market value of which, as determined in good faith by the board of directors of Borrower or such Subsidiary, as the case may be, exceeds $3,000,000 (other than (i) a disposition by a Subsidiary to Borrower or by Borrower or a Subsidiary to a Wholly-Owned Subsidiary, (ii) a disposition of property or other assets at fair market value in the ordinary course of business, including non-exclusive licenses to use trademarks, trade names or other similar property of Borrower or its Subsidiaries and (iii) a disposition of obsolete property or other assets in the ordinary course of business).

"Assignee": an Eligible Assignee which is an "Assignee" party to an Assignment and Assumption Agreement pursuant to Section 11.9.

"Assignment and Assumption Agreement": an Assignment and Assumption Agreement substantially in the form of Exhibit 11.9 annexed hereto and made a part hereof made by any applicable Lender, as assignor and such Lender's assignee in accordance with Section 11.9, with such modifications (including, without limitation, additional representations, warranties and covenants) as such assignor Lender and assignee Lender may agree to from time to time which solely affect the relative rights and/or obligations of the assignor Lender and assignee Lender as between themselves.

"Attorney Costs": all reasonable fees and disbursements of

any law firm or other external counsel and the reasonable allocated cost of internal legal services, including all reasonable disbursements of internal counsel.

"Attributable Debt": as of the date of determination thereof in connection with a Sale and Leaseback Transaction occurring after the Closing Date, the greater of (1) the fair value of the assets subject to such transaction (as determined in good faith by the applicable lessee) and (2) the present value (discounted according to GAAP at the cost of debt implied in the lease) of the obligations of the lessee for rental payments during the term of any applicable lease.

"Available Revolving Commitment": as to any Lender at any time, an amount in Dollars equal to the excess, if any, of (a) such Lender's Revolving Commitment over (b) the sum of (i) the aggregate principal amount then outstanding of Revolving Loans made by such Lender and (ii) such Lender's Commitment Percentage of the LC Obligations and Commitment Percentage of the Swing Line Loans then outstanding.

"Bankruptcy Code": Title 11 of the United States Code entitled Bankruptcy as now or hereafter in effect or any successor thereto.

"Base Rate": the higher of (i) the Prime Lending Rate and (ii) the Federal Funds Effective Rate plus one-half of one percent (1/2%).

"Base Rate Loans": Revolving Loans bearing interest at a rate determined by reference to the Base Rate or Swing Line Loans, as the context shall require.

"Board": the Board of Governors of the Federal Reserve System (or any successor thereto).

"Borrower": as defined in the preamble.

"Borrowing": a group of Loans of a single Type made by the Lenders or the Swing Line Lender, as appropriate, on a single date and as to which a single Interest Period is in effect.

"BT": Bankers Trust Company, a New York banking corporation.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, however, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Canadian Credit Agreement": Revolver and Term Credit Agreement between Waterloo Furniture Components Limited and the Bank of Montreal dated May 30, 1990, as amended.

"Capital Lease": as applied to any Person, any lease of any property (whether real, personal or mixed) by that Person as lessee which would, in conformity with GAAP, be required to be accounted for as a capital lease on the balance sheet of that Person.

"Capital Stock": with respect to any Person, any and all

shares, interests, participations, rights in or other equivalents (however designated) of such Person's capital stock partnership interests, membership interests or other equivalent interests and any rights (other than debt securities convertible into or exchangeable for capital stock or such interests), warrants or options exchangeable for or convertible into such capital stock or other interests.

"Capitalized Lease Obligation" means, at the time any determination thereof is to be made, the amount of the liability in respect of a Capital Lease which would at such time be so required to be capitalized on such a balance sheet in accordance with GAAP.

"Cash Equivalents" means Investments of the type specified in clauses (i), (ii), (iii), (iv) and (ix) of the definition of "Permitted Investments".

"Change of Control": (i) the sale, lease or transfer of all or substantially all of Borrower's assets to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act), (ii) the liquidation or dissolution of Borrower, (iii) any person or group of persons (within the meaning of the Exchange Act) other than the Permitted Holders acquiring beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under the Exchange Act) of 35% or more of the issued and outstanding shares of Borrower's Voting Securities; or (iv) during any period of twelve consecutive calendar months, individuals who at the beginning of such period constituted Borrower's board of directors (together with any new directors whose election by Borrower's board of directors or whose nomination for election by Borrower's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the directors then in office.

"Closing Date": February 26, 1998.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral Account" has the meaning assigned to that term in Section 4.4(a).

"Commercial Letter of Credit" has the meaning assigned to that term in Section 2.9(a).

"Committed Loan": any Revolving Loan or Swing Line Loan.

"Commitment": as to any Lender at any time, the aggregate of such Lender's outstanding Revolving Commitment and its Swing Line Commitment.

"Commitment Percentage": as to any Lender at any time, the percentage which such Lender's Revolving Commitment then constitutes of the aggregate Revolving Commitments (or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Loans then outstanding constitutes of the aggregate principal amount of the Loans then outstanding; provided, however, that for purposes of determining the amount of a Lender's Loans, Swing Line Loans shall be deemed to be held not by the Swing Line Lender, but rather each Lender shall be

deemed to hold the amount of Swing Line Loans equal to its Commitment Percentage of the Swing Line Loans then outstanding).

"Commitment Period": the period from and including the date hereof to but not including the Termination Date.

"Commodity Price Protection Agreement" any Contractual Obligation or other arrangement designed to protect Borrower or any of its Subsidiaries from fluctuations in the price of commodities.

"Consolidated Capital Expenditures": for any period, the aggregate of all expenditures (whether paid in cash or accrued as a liability and including that portion of Capital Leases which is capitalized on the consolidated balance sheet of Borrower and its Subsidiaries for the applicable period) by Borrower and its Subsidiaries during that period that, in conformity with GAAP, are included in "additions to property, plant or equipment" or comparable items reflected in the consolidated statement of cash flows of Borrower and its Subsidiaries.

"Consolidated Debt": indebtedness for money borrowed of Borrower and its Subsidiaries that should be shown as a liability on a consolidated balance sheet of Borrower and its Subsidiaries prepared in accordance with GAAP plus, without duplication, the amount of Indebtedness of the type described in clauses (iii) and (x) of the definition thereof plus, without duplication, Attributable Debt.

"Consolidated EBITDA": without duplication for any Person for any period for which such amount is being determined, Consolidated Net Income or Consolidated Net Loss for such period plus the sum of the amounts for such period of (i) Consolidated Interest Expense, (ii) provision for taxes based on income, (iii) depreciation expense, and (iv) amortization expense, minus any non-cash non-operating income for such period to the extent included in Consolidated Net Income or Consolidated Net Loss and excluding any gain or loss recognized in respect of post-retirement benefits as a result of the application of FASB 106 and any foreign currency translation adjustments as a result of the application of FASB 52, all as determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP. For purpose of this definition, "Consolidated EBITDA" shall be calculated after giving effect on a pro forma basis to any Acquisition as if such Acquisition occurred on the first day of the applicable period on the same basis as is required in clauses (A) through (C) for the pro forma test under clause (iii) of the definition of Permitted Acquisition.

"Consolidated Interest Expense": with respect to any Person, for any period for which such amount is being determined, total interest expense of such Person and its Subsidiaries on a consolidated basis in accordance with GAAP for such period.

"Consolidated Net Income" and "Consolidated Net Loss": for any Person for any period for which such amount is being determined, the net income (loss) of such Person and its consolidated Subsidiaries during such period determined on a consolidated basis for such period taken as a single accounting period in accordance with GAAP, provided that there shall be excluded (i) income (or loss) of any Person (other than a consolidated Subsidiary of such Person) in which any other Person (other than such Person or any of its consolidated Subsidiaries) has a joint interest, except to the extent of the amount of

dividends or other distributions actually paid to such Person or any of its consolidated Subsidiaries by such other Person during such period, (ii) the income (or loss) of any Person accrued prior to the date it becomes a consolidated Subsidiary of such Person or is merged into or consolidated with such Person or any of its consolidated Subsidiaries or the Person's assets are acquired by such Person or any of its consolidated Subsidiaries and (iii) the income of any consolidated Subsidiary of such Person to the extent that the declaration or payment of dividends or similar distributions by that consolidated Subsidiary of the income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that consolidated Subsidiary.

"Consolidated Net Worth": the total amount shown on the balance sheet of Borrower and its consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, as (i) the par or stated value of all outstanding Capital Stock of such Person plus (ii) paid-in capital or capital surplus relating to such Capital Stock plus (iii) any retained earnings or earned surplus less (A) any accumulated deficit, (B) any amounts attributable to Redeemable Stock and (C) any amounts attributable to Exchangeable Stock, excluding, where applicable, any adjustments in respect of foreign currency translation.

"Contaminant": any material with respect to which any Environmental Law imposes a duty, obligation or standard of conduct, including without limitation any pollutant, contaminant (as those terms are defined in 42 U.S.C. Section 9601(33)), toxic pollutant (as that term is defined in 33 U.S.C. Section 1362(13)), hazardous substance (as that term is defined in 42 U.S.C. Section 9601(14)), hazardous chemical (as that term is defined by 29 CFR Section 1910.1200(c)), hazardous waste (as that term is defined in 42 U.S.C. Section 6903(5)), or any state or local equivalent of such laws and regulations, including, without limitation, radioactive material, special waste, polychlorinated biphenyls, asbestos, petroleum, including crude oil or any petroleum- derived substance, (or any fraction thereof), waste, or breakdown or decomposition product thereof, or any constituent of any such substance or waste, including but not limited to polychlorinated biphenyls and asbestos.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound or to which it may be subject.

"Credit Event" means the making of any Loan or the issuance of any Letter of Credit.

"Currency Protection Agreement": any foreign exchange contract, currency swap agreement, or other financial agreement or arrangement designed to protect Borrower or any of its Subsidiaries against fluctuations in currency values.

"Debts": all liabilities, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent.

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"Default Rate": a variable rate per annum which shall be two percent (2%) per annum plus either (i) the then applicable interest rate hereunder in respect of the amount on which the Default Rate is being assessed, or (ii) if there is no such applicable interest rate, the Base Rate plus the Applicable Margin, but in no event in excess of that permitted by applicable law.

"Defaulting Lender" shall mean any Lender with respect to which a Lender Default is in effect.

"Dollars" and "$": dollars in lawful currency of the U.S.

"Domestic Subsidiary": any Subsidiary of Borrower that is incorporated under the laws of any State of the U.S., the District of Columbia or any territory or possession of the U.S.

"Drawing" shall have the meaning set forth in Section 2.9(d)(ii).

"Effective Date": the effective date of the applicable Assignment and Assumption Agreement, as defined therein.

"Eligible Assignee": (i) a commercial bank organized under the laws of the U.S., or any State thereof, (ii) a commercial bank organized under the laws of any other country which is a member of OECD, or a political subdivision of any such country; provided, however, that such bank is acting through a branch or agency located in the country in which it is organized or another country which is also a member of the OECD or the Cayman Islands, (iii) the central bank of any country which is a member of the OECD, (iv) a finance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans in the ordinary course of its business, (v) an insurance company organized under the laws of the U.S. (or any State thereof), (vi) a savings bank or savings and loan association organized under the laws of the U.S., or any State thereof, (vii) any Lender party to this Agreement, (viii) any Affiliate of any Lender party to this Agreement, and (ix) any other Person approved by Agent and Borrower, such approval not to be unreasonably withheld; provided, however, that an affiliate of Borrower shall not qualify as an Eligible Assignee.

"Environmental Laws": any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect that are applicable to the Borrower or its Subsidiaries.

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"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate": each trade or business (whether or not incorporated) which together with Borrower or a Subsidiary of Borrower would be deemed to be a "single employer" within the meaning of Section 4001(b)(1) of ERISA or would be included in a "controlled

group of corporations," a group of "trades or businesses under common control" or an "affiliated service group" within the meaning of Section 414(b), (c), (m) or (o) of the Code. Unless otherwise qualified, all references to an "ERISA Affiliate" in this Agreement shall refer to an ERISA Affiliate of Borrower or any Subsidiary.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for Eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of the Federal Reserve System.

"Eurodollar Borrowing": a Borrowing comprised of Eurodollar Loans.

"Eurodollar Loan": any Loan bearing interest at a rate determined by reference to the Eurodollar Rate.

"Eurodollar Rate": the arithmetic average (rounded upwards to the nearest 1/16 of 1%) of the offered quotation, if any, to first class banks in the Eurodollar market by BT for Dollar deposits of amounts in immediately available funds comparable to the principal amount of the applicable Eurodollar Loan for which the Eurodollar Rate is being determined with maturities comparable to the Interest Period for which such Eurodollar Rate will apply, as of approximately 10:00 A.M. (New York City time) on the applicable Interest Rate Determination Date. The determination of the Eurodollar Rate by Agent shall be conclusive and binding on Borrower absent manifest error.

"Eurodollar Reserve Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Event of Default": any of the events specified in Section 9.1; provided, however, that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"Exchange Act": the Securities Exchange Act of 1934, as amended and codified in U.S.C. 78a et seq. and as hereafter amended from time to time.

"Exchangeable Stock": any Capital Stock which is exchangeable or convertible into another security (other than Capital Stock of Borrower which is neither Exchangeable Stock nor Redeemable Stock).

"Facing Agent" has the meaning assigned to that term in Section 2.9(a).

"Federal Funds Effective Rate": for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions

with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by BT, as Agent, from three Federal funds brokers of recognized standing selected by it.

"Financial Officer": with respect to any Person, the chief financial officer, principal accounting officer, a financial vice president, treasurer or assistant treasurer of such Person.

"GAAP": generally accepted accounting principles in the U.S. as in effect from time to time. If any changes in GAAP or the application thereof from that used in the preparation of the financial statements referred to in Section 7.1(a) hereof occur after the Closing Date and such changes result in, in the judgment of Agent, a material change in the calculation of any financial covenants or restrictions set forth in this Agreement, then the parties hereto agree to enter into and diligently pursue negotiations in order to amend such financial covenants and restrictions so as to equitably reflect such changes, with the desired result that the criteria for evaluating the financial condition and results of operations of Borrower and its Subsidiaries shall be the same after such changes as if such changes had not been made.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"Guarantee Obligations" means, as to any Person, without duplication, any direct or indirect obligation of such Person guaranteeing or intended to guarantee any Indebtedness, Capital Lease or operating lease, dividend or other obligation ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent: (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor; (ii) to advance or supply funds (a) for the purchase or payment of any such primary

obligation, or (b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation; or (iv) otherwise to assure or hold harmless the owner of such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include any endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation at any time shall be deemed to be an amount equal to the lesser at such time of (y) the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made or (z) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation; or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Indebtedness": as applied to any Person (without

duplication):

(i) all indebtedness of such Person for borrowed money;

(ii) the deferred and unpaid balance of the purchase price of assets or services (other than trade payables and other accrued liabilities incurred in the ordinary course of business that are not overdue by more than 90 days unless being contested in good faith) which purchase price is (y) due more than six months from the date of incurrence of the obligation in respect thereof or (z) evidenced by a note or a similar written instrument;

(iii) that portion of obligations of such Person with respect to Capital Leases which is or should be classified as a liability on a balance sheet in accordance with GAAP;

(iv) all indebtedness secured by any Lien on any property owned by such Person, whether or not such indebtedness has been assumed by such Person or is nonrecourse to such Person;

(v) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money (other than such notes or drafts for the deferred purchase price of assets or services which does not constitute Indebtedness pursuant to clause (ii) above);

(vi) indebtedness or obligations of such Person, in each case, evidenced by bonds, notes or similar written instrument;

(vii) the face amount of all letters of credit and bankers' acceptances issued for the account of such Person, and without duplication, all drafts drawn thereunder other than, in each case, commercial or standby letters of credit or the functional

equivalent thereof issued in connection with performance, bid or advance payment obligations incurred in the ordinary course of business, including, without limitation, performance requirements under workers compensation or similar laws;

(viii) all obligations of such Person under Interest Rate Protection Agreements or Currency Protection Agreements;

(ix) Guarantee Obligations of such Person; and

(x) the principal balance outstanding under any synthetic lease, tax retention operation lease, off-balance sheet loan or similar off-balance sheet financing product to which such Person is a party, where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP.

"Insolvent": with respect to any Person, that the present fair saleable value of the assets of such Person is less than the amount that will be required to pay the probable liability on existing

Debts of such Person or such Person is unable to pay its Debts, as such Debts become absolute and matured.

"Initial Borrowing" means the first Borrowing by Borrower under this Agreement.

"Initial Borrowing Date" means the date of the Initial Borrowing.

"Intellectual Property": as defined in Section 5.13.

"Intercompany Indebtedness": Indebtedness of Borrower or any of its Subsidiaries which, in the case of Borrower, is owing to any such Subsidiary and which, in the case of any Subsidiary of Borrower, is owing to Borrower or any of its other Subsidiaries.

"Interest Payment Date": (a) as to any Base Rate Loan, the last Business Day of each March, June, September and December to occur while such Loan is outstanding and on the date all of the Loans hereunder are paid in full, (b) as to any Eurodollar Loan, the last day of the Interest Period applicable thereto and (c) as to any Eurodollar Loan having an Interest Period longer than three months each day which is three months after the first day of the Interest Period applicable thereto; provided, however, that, in addition to the foregoing, each of (x) the date upon which both the Revolving Commitments have been terminated and the Loans have been paid in full and (y) the Termination Date shall be deemed to be an "Interest Payment Date" with respect to any interest which is then accrued hereunder.

"Interest Period" has the meaning assigned to that term in Section 3.4.

"Interest Rate Determination Date": the date for calculating the Eurodollar Rate for an Interest Period, which date shall be the second Business Day prior to the first day of the related Interest Period for such Eurodollar Loan.

"Interest Rate Protection Agreement": any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement designed to protect Borrower or any of its Subsidiaries against fluctuations in interest rates.

"Investment": as applied to any Person, any direct or indirect purchase or other acquisition by that Person of, or a beneficial interest in, stock or other securities of any other Person, or a capital contribution by that Person to any other Person or any direct or indirect loan or advance to any other Person or any purchase by that Person of all or a significant part of the assets of a business conducted by another Person or any purchase by that Person of a futures contract or such person otherwise becoming liable for the purchase or sale of currency or other commodity at a future date in the nature of a futures contract. The amount of any Investment by any Person shall be the original Investment (including the amount of any liability assumed to the extent that such liability would be reflected on a balance sheet prepared in accordance with GAAP) plus the cost of all additions, thereto, without any adjustments for increases or decreases in value, or write-ups, write-downs or write-offs with respect to such Investment.

"IRS": the United States Internal Revenue Service, or any

successor or analogous organization.

"LC Commission" has the meaning assigned to that term in Section 2.9(g)(ii).

"LC Obligations" means, at any time, an amount equal to the sum of (a) the aggregate Stated Amount of the then outstanding Letters of Credit and (b) the aggregate amount of Unpaid Drawings. The LC Obligation of any Lender at any time shall mean its pro rata Share of the aggregate LC Obligations outstanding at such time.

"LC Participant" shall have the meaning assigned to that term in Section 2.9(e).

"LC Supportable Indebtedness" shall mean (i) obligations of Borrower or its Subsidiaries incurred in the ordinary course of business with respect to insurance obligations and workers' compensation, surety bonds and other similar statutory obligations and (ii) such other obligations of Borrower or any of its Subsidiaries as are reasonably acceptable to Agent and the respective Facing Agent and otherwise permitted to exist pursuant to the terms of this Agreement.

"Lender Default" shall mean (i) the refusal (which has not been retracted) of a Lender to make available its portion of any Borrowing or to fund its portion of any unreimbursed payment under Section 2.1(b)or (ii) a Lender having notified in writing Borrower and/or Agent that it does not intend to comply with its obligations under Section 2.1, as a result of any takeover of such Lender by any regulatory authority or agency.

"Lenders": as defined in the preamble.

"Lending Office": with respect to each Lender, the office specified on such Lender's signature page or in the applicable Assignment and Assumption Agreement with respect to each type of Loan, or such other office as such Lender may designate in writing from time to time to Borrower and Agent with respect thereto.

"Letter of Credit" has the meaning assigned to that term in Section 2.9(a).

"Letter of Credit Payment" means as applicable (a) all payments made by the Facing Agent pursuant to either a draft or demand for payment under a Letter of Credit or (b) all payments made by the Lenders to the Facing Agent in respect thereof.

"Letter of Credit Request" has the meaning assigned to that term in Section 2.9(c).

"Lien": any judgment lien or execution, attachment, levy, distraint or similar legal process and any mortgage, pledge, security interest, encumbrance, lien, option, charge or deposit arrangement (other than a deposit in the ordinary course of business and not intended as security) of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale of receivables with recourse (in whole or in part) against the seller or any other Person except the account debtors, any filing or agreement to file a financing statement as debtor under the UCC or any similar statute other than to reflect ownership by a third party of property leased to Borrower or any of

its Subsidiaries under a lease which is not in the nature of a conditional sale or title retention agreement, or any subordination arrangement in favor of another Person).

"Liquidity": as of any date of determination cash and Cash Equivalents of the Borrower (determined on a consolidated basis) plus the Total Available Revolving Commitments.

"Loan": a Revolving Loan or a Swing Line Loan, as the context shall require; collectively, the "Loans."

"Loan Documents": this Agreement, the Notes, each Letter of Credit, the Subsidiary Guarantee Agreement and any other instruments, documents and agreements delivered to Agent in favor of the Lenders or for the benefit of the Lenders.

"Loan Party": Borrower or any Subsidiary or Affiliate thereof which is a party to any Loan Document.

"Majority Lenders": at any time, Lenders whose Commitment Percentages represent at least 51%.

"Material Adverse Effect": a material adverse effect on (a) the business, condition (financial or otherwise), assets, liabilities, property or operations of Borrower and its Subsidiaries taken as a whole, (b) the ability of Borrower or any Subsidiary to perform its obligations under any Loan Document to which it is a party, or (c) the validity or enforceability of this Agreement, any Note, or the Subsidiary Guarantee Agreement or the rights or remedies of Agent and the Lenders hereunder or thereunder.

"Material Asset Disposition": any Asset Disposition of all or any substantial part of the assets of Borrower and its Subsidiaries, taken as a whole, to any Person (other than Borrower or any of its Subsidiaries). For purposes of this definition, any subsidiary or the assets of a business operation which, in each case, if separately counted would constitute a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X promulgated by the United States Securities and Exchange Commission shall be deemed to constitute a "substantial part of the assets" of such Borrower and its Subsidiaries, taken as a whole.

"Material Subsidiary": a Subsidiary, including its subsidiaries, which meets any of the following conditions:

(i) the Borrower's and its Subsidiaries' other investments in and advances to the Subsidiary exceed 10 percent of the total assets of the Borrower and its Subsidiaries as of the end of the most recently completed fiscal year (for a proposed business combination to be accounted for as a pooling of interests, this condition is also met when the number of common shares exchanged or to be exchanged by the Borrower exceeds 10 percent of its total common shares outstanding at the date the combination is initiated); or

(ii) the Borrower's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the subsidiary exceeds 10 percent of the total assets of the Borrower and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(iii) the Borrower's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exceeds 10 percent of such income of the Borrower and its Subsidiaries consolidated for the most recently completed fiscal year.

"Minimum Borrowing Amount" means, with respect to Base Rate Loans, $5,000,000, and with respect to Eurodollar Loans, $5,000,000, and with respect to Swing Line Loans, $1,000,000.

"Modification": as defined in Section 11.1.

"Moody's": Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"Most Recent Ratio of Consolidated Debt to Consolidated EBITDA": at any date, the ratio of Consolidated Debt as of the end of the most recently ended fiscal quarter of Borrower for which financial statements have been delivered pursuant to Section 7.1 (after giving effect to all payments made on such date) to Consolidated EBITDA for the period of four consecutive fiscal quarters ending on the last day of the most recently ended fiscal quarter of Borrower for which financial statements have been delivered pursuant to Section 7.1; provided, however, that on the date of any Acquisition, the "Most Recent Ratio of Consolidated Debt to Consolidated EBITDA" shall be recalculated effective until the date of delivery of the next quarterly financial statements as the ratio of Consolidated Debt as of the date of any such Acquisition (and after giving effect to any Indebtedness incurred or assumed in connection therewith) to Consolidated EBITDA for the four fiscal quarter period ending as of the most recently ended fiscal quarter for which financial statements have been delivered pursuant to Section 7.1 (calculated on a pro forma basis as set forth in the definition of Consolidated EBITDA after giving effect to the Acquisition); provided, further, however, that if Borrower fails to deliver such financial statements as required by Article VII and further fails to remedy such default within five days of notice thereof from Agent, then, without prejudice to any other rights of any Lender hereunder, the Most Recent Ratio of Consolidated Debt to Consolidated EBITDA" shall be deemed to be greater than 2.5 to 1.0 as of the date such financial statements were required to be delivered under Section 7.1.

"Multiemployer Plan": any plan described in Section 4001(a)(3) of ERISA to which contributions are or, within the immediately preceding six years, have been made or required by Borrower or any of its Subsidiaries or ERISA Affiliates.

"Net Offering Proceeds" means the proceeds received from (a) the issuance of any Capital Stock or (b) the incurrence of any Indebtedness, in each case net of the actual liabilities for reasonably anticipated cash taxes in connection with such issuance or incurrence, if any, any underwriting, brokerage and other customary selling commissions incurred in connection with such issuance or incurrence, and reasonable legal, advisory and other fees and expenses, including title and recording tax expenses, if any, incurred in connection with such issuance or incurrence.

"Net Sale Proceeds": means the aggregate cash proceeds

received from any Asset Disposition (including, without limitation, cash received by way of deferred payment pursuant to a note receivable, conversion of non- cash consideration, cash payments in respect of purchase price adjustments or otherwise, but only as and when such cash is received) by Borrower or any Subsidiary minus the reasonable costs and expenses incurred in connection therewith and any provision for taxes in respect thereof made in accordance with GAAP.

"Non-Convertible Capital Stock": with respect to any corporation, any non-convertible Capital Stock of such corporation and any Capital Stock of such corporation convertible solely into non-convertible common stock of such corporation; provided, however, that Non-Convertible Capital Stock shall not include any Redeemable Stock or Exchangeable Stock.

"Non-Defaulting Lender" shall mean each Lender which is not a Defaulting Lender.

"Notes": means, respectively (i) individually, each Revolving Note or Swing Line Note and (ii) collectively, all such promissory notes.

"Notice of Borrowing" has the meaning assigned to that term in Section 2.5.

"Notice of Conversion or Continuation" has the meaning assigned to that term in Section 2.6.

"Obligations": all Loans and other Indebtedness, advances, debts, liabilities, obligations, covenants and duties owing by any Loan Party to any Lender, any Agent or any other Person required to be indemnified under any Loan Document, of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, arising under this Agreement or under any other Loan Document, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired.

"OECD": the Organization for Economic Cooperation and Development.

"Payment Office": the address for such payments for such Loans set forth on Schedule 11.3 hereto in relation to Agent, or such other address as Agent may from time to time specify in accordance with Section 11.3.

"PBGC": the Pension Benefit Guaranty Corporation created by Section 4002(a) of ERISA or any successor thereto.

"Permitted Acquisition": means any Acquisition where (i) the Person or assets to be acquired are in a business which is reasonably related to the business the Borrower or any Subsidiary of the Borrower is engaged in as of the date hereof; (ii) the Person acquired is a Wholly-Owned Subsidiary or the assets acquired are owned by the Borrower or a Wholly-Owned Subsidiary; (iii) after giving effect thereto on a pro forma basis for the period (the "Pro Forma Period") of four fiscal quarters ending with the fiscal quarter for which financial statements have most recently been delivered (or were required to be delivered) under Section 7.1 (on the basis that (A)

Indebtedness incurred or assumed in connection with such Acquisition was incurred or assumed at the beginning of the Pro

Forma Period, (B) if such Indebtedness bears interest at a floating rate, interest expense for the Pro Forma Period shall be calculated at the rate in effect on the date of such Acquisition, and (C) all income and expenses associated with the assets or entity acquired in connection with such Acquisition for the most recently ended four fiscal quarter period for which such income and expense amounts are available (with good faith estimates thereof being permitted if financial statements indicating such amounts are not available) shall be treated as being earned or incurred by Borrower over the Pro Forma Period on a pro forma basis), no Event of Default or Unmatured Event of Default would exist hereunder; (iv) after giving effect thereto on a pro forma basis the Borrower's Liquidity shall not be less than $20,000,000; (v) Borrower and its Subsidiaries have complied with the requirement of Section 7.10 hereof with respect to any required execution of the Subsidiary Guarantee Agreement; and (vi) such Acquisition has been approved by the board of directors of the Person to be acquired;

"Permitted Holders" means (i) Harold C. Simmons, (ii) the trustees of the Harold C. Simmons Family Trust No. 1 dated January 1, 1964, the Harold C. Simmons Family Trust No. 2 dated January 1, 1964 and any trust or trusts, established after the Closing Date for the benefit of Harold C. Simmons and/or his spouse or his descendants whether natural or adopted (such trusts collectively, the "Trusts" and such individuals collectively, the "Beneficiaries"), (iii) each of the Trusts, (iv) each of the Beneficiaries, (v) any Person controlled, directly or indirectly, by one or more of the Persons described in clauses (i) through (iv) above, (v) any employee benefit plan or pension fund of the Company or any Subsidiary, (vi) any Person holding Voting Securities for or pursuant to the terms of any such plan or fund, and (vii) any group made up of Persons described in clauses (i) through (vi) above.

"Permitted Investments":

(i) any demand deposits with any bank or trust company maintained in the ordinary course of business or shares of any money market mutual fund rated at least AAA or the equivalent thereof by S&P or at least Aaa or the equivalent thereof by Moody's, including, without limitation, any such mutual fund managed or advised by any Lender or Agent;

(ii) any evidence of Indebtedness, maturing not more than two (2) years after the date of acquisition thereof, issued by the U.S., or an instrumentality or agency thereof and guaranteed fully as to principal, interest and premium, if any, by the U.S.;

(iii) any certificate of deposit that is denominated in Dollars, maturing not more than six (6) months after the date of purchase, issued by a Lender or a commercial banking institution which is a member of the Federal Reserve System and which has a combined capital and surplus and undivided profits of not less than $200,000,000;

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(iv) commercial paper, maturing not more than ninety (90) days after the date of acquisition, issued by a corporation organized and existing under the laws of any State of the U.S. or the District of Columbia or Canada, which is denominated in Dollars, with a rating, at any date of determination, of "Prime-2" (or better) according to Moody's, or "A-2" (or better) according to S & P;

(v) Intercompany Indebtedness to the extent permitted by Section 8.2(b);

(vi) Investments made solely as a result of mergers, acquisitions or consolidations permitted under Section 8.4;

(vii) Investments in connection with a Permitted Acquisition;

(viii) loans or advances to employees made in the ordinary course of business;

(ix) Investments in overnight Nassau time deposits and Eurodollar deposits in branches or offices of banking institutions described in clause (ii) of this definition of the term "Permitted Investments";

(x) Investments in Subsidiaries;

(xi) Investments not otherwise permitted hereunder not to exceed $5,000,000 in the aggregate outstanding at any time.

"Permitted Liens": The following Liens:

(i) Liens for property taxes and assessments or governmental charges or levies and Liens securing claims or demands of mechanics and materialmen; provided, however, payment thereof is not later than the time required by Section 7.5;

(ii) Liens in an aggregate amount not to exceed $3,000,000 at any time of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which Borrower or a Subsidiary of Borrower shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(iii) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or

other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money; provided, however, in each case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(iv) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of Borrower and its Subsidiaries;

(v) Liens securing Indebtedness of a Subsidiary of Borrower to Borrower;

(vi) Liens existing as of the Closing Date and reflected on Schedule 8.3 hereto and Liens incurred in connection with the refinancing of Indebtedness secured thereby so long as no such Lien extends to any property not subject thereto as of the Closing Date (other than improvements thereto or, if required by the terms of the document or instrument creating or governing such Lien as in effect on the Closing Date, additions thereto and replacements and substitutions therefor);

(vii) customary rights of setoff, revocation, refund or chargeback under deposit agreements or under the UCC of banks or other financial institutions where Borrower or its Subsidiaries maintain deposits in the ordinary course of business; and

(viii) additional Liens incurred by Borrower and its Subsidiaries so long as the value of the property subject to such Liens and other obligations secured thereby, do not exceed $5,000,000.

"Person": an individual or a corporation, limited liability company, partnership, trust, incorporated or unincorporated association, joint venture, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind provided; references to Persons include their respective permitted successors and assigns or, in the case of governmental Persons, Persons succeeding to the relevant functions of such persons; and all references to statutes and related regulations shall include any amendments of same and any successor statutes and regulations.

"Plan": any plan described in Section 4021(a) of ERISA and not excluded pursuant to Section 4021(b) thereof, which may hereafter be or has been established or maintained, within the immediately preceding six years, or to which contributions are or, within the immediately preceding six years, have been made, by Borrower or any of its Subsidiaries or ERISA Affiliates, but not including any Multiemployer Plan.

"Plan Administrator": has the meaning assigned to the term "administrator" in Section 3(16)(A) of ERISA.

"Plan Sponsor": has the meaning assigned to the term "plan sponsor" in Section 3(16)(B) of ERISA.

"Prime Lending Rate": the rate which BT announces from time to time as its prime lending rate, base rate or equivalent, as in effect from time to time. The Prime Lending Rate is a reference rate and does not necessarily represent the lowest or best rate actually charged to any customer. Any Lender may make commercial loans or other loans at rates of interest at, above or below the Prime Lending Rate. The Prime Lending Rate shall change automatically and without notice from time to time as and when BT changes its prime lending rates, base rates or equivalent.

"Quarterly Payment Date" means the last Business Day of each March, June, September and December of each year.

"Redeemable Stock": any Capital Stock that by its terms or otherwise is required to be redeemed on or prior to the first anniversary of the Termination Date (as the same may be extended pursuant to the terms hereof) or is redeemable at the option of the holder thereof at any time on or prior to the first anniversary of such Termination Date.

"Refunded Swing Line Loans": as defined in Section 2.2(d).

"Register": as defined in Section 11.9(c).

"Regulation D", "Regulation G", "Regulation T", "Regulation U" and "Regulation X": respectively, Regulation D, G, T, U and X of the Board as from time to time in effect and any successor to all or a portion of any thereof.

"Release": any release, spill, emission, leaking, pumping, pouring, emptying, dumping, injection, deposit, disposal, discharge, dispersal, escape, leaching or migration in violation of any Environmental Law into the indoor or outdoor environment or into or out of any property of Borrower or its Subsidiaries, or at any other location, including any location to which Borrower or any Subsidiary has transported or arranged for the transportation of any Contaminant, including the movement of Contaminants through or in the air, soil, surface water, groundwater or property of Borrower or its Subsidiaries or at any other location, including any location to which Borrower or any Subsidiary has transported or arranged for the transportation of any Contaminant.

"Remedial Action": actions required to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment, (ii) prevent or minimize the Release or threat of Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; or (iii) perform

pre-remedial or post-remedial studies and investigations and post-remedial monitoring and care or any other studies, reports or investigations relating to Contaminants.

"Reportable Event": a "reportable event" described in Section 4043(b) of ERISA or in the regulations thereunder or receipt of a notice of withdrawal liability with respect to a Multiemployer Plan pursuant to Section 4202 of ERISA.

"Requirement of Law": as to any Person, any law (including common law), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, including without limitation, any Environmental Law, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": means any of the President, any Executive Vice President, the Chief Financing Officer or the Treasurer of Borrower.

"Revolving Commitment": as to any Lender, the obligation of such Lender to (a) make Revolving Loans to Borrower, (b) participate in Swing Line Loans made to Borrower and (c) to participate in Letters of Credit, in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.1 under the heading "Revolving Commitment", as such amount may be reduced from time to time in accordance with the terms hereof; collectively, as to all Lenders, the "Revolving Commitments".

"Revolving Loans": as defined in Section 2.1(a).

"Revolving Note": as defined in Section 2.1(b).

"Sale and Leaseback Transaction": any arrangement, directly or indirectly, with any Person whereby a seller or transferor shall sell or otherwise transfer any real or personal property and then or thereafter lease, or repurchase under an extended purchase contract, conditional sales or other title retention agreement, the same or similar property.

"S&P": Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, Inc. or any successor to the rating agency business thereof.

"Standby Letter of Credit" shall have the meaning set forth in Section 2.9(a).

"Stated Amount" or "Stated Amounts" means with respect to any Letter of Credit issued in Dollars, the stated or face amount of such Letter of Credit to the extent available at the time for drawing (subject to presentment of all requisite documents), as the same may be increased or decreased from time to time in accordance with the terms of such Letter of Credit. For purposes of calculating the Stated Amount of any Letter of Credit at any time:

(i) any increase in the Stated Amount of any Letter of Credit by reason of any amendment to any Letter of Credit shall be deemed effective under this Agreement as of the date Facing Agent actually issues an amendment purporting to increase the Stated Amount of such Letter of Credit, whether or not Facing Agent receives the consent of the Letter of Credit beneficiary or beneficiaries to the amendment, except that if Borrower has required that the increase in Stated Amount be given effect as of an earlier date and Facing Agent issues an amendment to that effect, then such increase in Stated Amount shall be deemed effective under this Agreement as of such earlier date requested by Borrower; and

(ii) any reduction in the Stated Amount of any Letter of Credit by reason of any amendment to any Letter of Credit shall be deemed effective under this Agreement as of the later of (x) the date Facing Agent actually issues an amendment purporting to

reduce the Stated Amount of such Letter of Credit, whether or not the amendment provides that the reduction be given effect as of an earlier date, or (y) the date Facing Agent receives the written consent (including by telex or facsimile transmission) of the Letter of Credit beneficiary or beneficiaries to such reduction, whether written consent must be dated on or after the date of the amendment issued by Facing Agent purporting to effect such reduction.

"Subsidiary": as to any Person, any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person, or by one or more Subsidiaries, or by such Person and one or more Subsidiaries. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of Borrower.

"Subsidiary Guarantee Agreement": the Subsidiary Guarantee Agreement in substantially the form of Exhibit 1.1 hereto, as the same may be amended, supplemented or otherwise modified from time to time in accordance with its terms and the terms hereof.

"Subsidiary Guarantor": such Material Subsidiaries which pursuant to Section 7.10 from time to time become a party to the Subsidiary Guarantee Agreement and collectively, all of such Material Subsidiaries.

"Swing Line Commitment": of the Swing Line Lender at any date, the obligation of the Swing Line Lender to make Swing Line Loans pursuant to Section 2.2 in the amount referred to therein.

"Swing Line Lender": BT.

"Swing Line Loans": as defined in Section 2.2(a).

"Swing Line Loan Participation Certificate": a certificate, substantially in the form of Exhibit 2.2(e).

"Swing Line Note": as defined in Section 2.2(b).

"Syndication Date" shall mean that date upon which the Agent determines in its sole discretion (and notifies Borrower) that the primary syndication (and resultant additions of institutions as Lenders pursuant to Section 11.9(c)) has been completed.

"Taxes": any present or future taxes, levies, imposts, duties or other charges of whatever nature imposed by any government or any political subdivision or taxing authority thereof, other than any tax on, or measured by, the net income of any applicable Lender pursuant to the income tax laws of the U.S. or the jurisdictions where such Lender's principal or Lending Offices are located.

"Termination Date": the earlier to occur of

(a) February 26, 2003; and

(b) the date on which the Revolving Commitments shall otherwise terminate in accordance with the provisions of this Agreement.

"Termination Event" means (i) a Reportable Event (other than a Reportable Event not subject to the provisions for 30-day notice to the PBGC under such regulations), or (ii) the withdrawal of Borrower or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (iii) the filing of a notice of intent to terminate a Plan in a distress termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the involuntary termination of, or the appointment of a trustee to administer, any Plan, or (vi) the imposition of liability of Borrower or any of its ERISA Affiliates pursuant to Sections 4064 or 4069 of ERISA, which, in the case of any event described in clauses (i) through (vi) above, would cause the sum of Borrower's and its ERISA Affiliates' liabilities (after giving effect to the tax consequences thereof) resulting from or otherwise associated with such event to exceed $10,000,000.

"Total Available Revolving Commitment" means, at the time any determination thereof is made, the sum of the respective Available Revolving Commitments of the Lenders at such time.

"Transaction" shall mean and include each of the Borrowings occurring on the Closing Date and the payment of fees and expenses in connection with the foregoing.

"Type": as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"Unmatured Event of Default": an event, act, condition or occurrence which with the giving of notice or the lapse of time (or both) would become an Event of Default.

"Unpaid Drawing" shall have the meaning set forth in Section 2.9(d).

"U.S.": the United States of America, its territories, its possessions and all other areas subject to its jurisdiction.

"Valcor Note" means that certain demand promissory note, dated December 12, 1997, issued by the Borrower to Valcor, Inc. in the original principal amount of $50,000,000.

"Voting Securities": any class of Capital Stock of a Person pursuant to which the holders thereof have, at the time of determination, the general voting power under ordinary circumstances to vote for the election of directors, managers, trustees or general partners of such Person (irrespective of whether or not at the time any other class or classes will have or might have voting power by reason of the happening of any contingency).

"Wholly-Owned Subsidiary": with respect to any Person, any Subsidiary of such Person, all of the outstanding shares of capital stock of which (other than qualifying shares required to be owned by directors) are at the time owned directly or indirectly by such Person and/or one or more Wholly-Owned Subsidiaries of such Person.

"Withdrawal Liability": liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of

ERISA.

"written" or "in writing": any form of written communication or a communication by means of a telecopier device or authenticated telex, telegraph or cable.

1.2 Accounting Terms, Financial Statements. All accounting terms used herein shall have the respective meanings given to them in accordance with GAAP, unless otherwise provided herein. All computations and determinations for purposes of determining compliance with the financial requirements of this Agreement shall be made in accordance with GAAP, unless otherwise provided herein.

1.3 Other Definitional Terms. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Recital, Schedule, Exhibit and like references are to this Agreement unless otherwise specified.

ARTICLE II
AMOUNT AND TERMS OF CREDIT

2.1 The Commitments.

(a) Revolving Loans. Each Lender having a Revolving Commitment, severally and for itself alone, hereby agrees, on the terms and subject to the conditions hereinafter set forth and in reliance upon the representations and warranties set forth herein and in the other Loan Documents, to make loans to Borrower on a revolving basis from time to time during the Commitment Period, in an amount not to exceed its Commitment Percentage of the Total Available Revolving Commitment (each such loan by any Lender, a "Revolving Loan" and collectively, the "Revolving Loans"). All Revolving Loans comprising the same Borrowing hereunder shall be made by the Revolving Lenders simultaneously and in proportion to their respective Revolving Commitments. Prior to the Termination Date, Revolving Loans may be repaid and reborrowed by Borrower in accordance with the provisions hereof and, except as otherwise specifically provided in Section 3.6, all Revolving Loans comprising the same Borrowing shall at all times be of the same Type and no Revolving Loans maintained as Eurodollar Loans may be incurred prior to the earlier of (1) the 30th day after the Initial Borrowing Date and (2) the Syndication Date.

(b) Swing Line Loans.

(i) Swing Line Commitment. Subject to the terms and conditions hereof, the Swing Line Lender in its individual capacity agrees to make swing line loans in Dollars ("Swing Line Loans") to Borrower on any Business Day from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed $10,000,000; provided, however, that in no event may the amount of any Borrowing of Swing Line Loans (A) exceed the Total Available Revolving Commitment immediately prior to such Borrowing (after giving effect to the use of proceeds thereof) or (B) cause the outstanding Revolving Loans of any Lender, when added to such Lender's Commitment Percentage of the then outstanding Swing Line Loans and Commitment Percentage of the aggregate LC Obligations (exclusive of Unpaid Drawings relating to LC Obligations which are repaid with the proceeds of, and simultaneously with the incurrence of, Revolving Loans or Swing Line Loans) to exceed such Lender's Revolving Commitment. Amounts borrowed by Borrower under this Section 2.1(b)(i) may be repaid and, to but excluding the Termination Date, reborrowed. The Swing Line Loans shall be made in Dollars and maintained

as Base Rate Loans and, notwithstanding Section 2.6, shall not be entitled to be converted into any other Type of Loan.

(ii) Refunding of Swing Line Loans. The Swing Line Lender, at any time in its sole and absolute discretion, may on behalf of Borrower (which hereby irrevocably directs the Swing Line Lender to so act on its behalf) notify each Lender (including the Swing Line Lender) to make a Revolving Loan in an amount equal to such Lender's Commitment Percentage of the principal amount of the Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date such notice is given, provided, however, that such notice shall be deemed to have automatically been given upon the occurrence of an Event of Default under Sections 9.1(g) or 9.1(h) or upon the occurrence of a Change of Control. Unless any of the events described in Sections 9.1(g) or 9.1(h)

shall have occurred (in which event the procedures of Section 2.1(b)(iii) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Loan are then satisfied, each Lender shall make the proceeds of its Revolving Loan available to the Swing Line Lender at the Payment Office prior to 11:00 A.M., New York City time, in funds immediately available on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Loans shall be immediately applied to repay the Refunded Swing Line Loans.

(iii) Participation in Swing Line Loans. If, prior to refunding a Swing Line Loan with a Revolving Loan pursuant to Section 2.1(b)(ii), one of the events described in Sections 9.1(g) or 9.1(h) shall have occurred, or if for any other reason a Revolving Loan cannot be made pursuant to Section 2.1(b)(ii), then, subject to the provisions of Section 2.1(c)(iv) below, each Lender will, on the date such Revolving Loan was to have been made, purchase (without recourse or warranty) from the Swing Line Lender an undivided participation interest in the Swing Line Loans in an amount equal to its Commitment Percentage of such Swing Line Loans. Upon request, each Lender will immediately transfer to the Swing Line Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swing Line Lender will deliver to such Lender a Swing Line Loan Participation Certificate dated the date of receipt of such funds and in such amount.

(iv) Lenders' Obligations Unconditional. Each Lender's obligation to make Revolving Loans in accordance with Section 2.1(b)(ii) and to purchase participating interests in accordance with Section 2.1(b)(iii) above shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (A) any setoff, counterclaim, recoupment, defense or other right which such Lender may have against the Swing Line Lender, Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Event of Default or Unmatured Event of Default; (C) any adverse change in the condition (financial or otherwise) of Borrower or any other Person; (D) any breach of this Agreement by Borrower or any other Person; (E) any inability of Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which such participating interest is to be purchased or (F) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Lender does not make available to the Swing Line Lender the amount required pursuant to Section 2.1(b)(ii) or (iii) above, as the case may be, the Swing Line Lender shall be entitled to recover such amount on demand from such Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Rate for the first two Business Days and at the Base Rate thereafter. Notwithstanding the foregoing provisions of this Section 2.1(b)(iv), no Lender shall be required to make a Revolving Loan to Borrower for the purpose of refunding a Swing Line Loan pursuant to Section 2.1(b)(ii) above or to purchase

a participating interest in a Swing Line Loan pursuant to Section 2.1(b)(iii) if an Event of Default or Unmatured Event of Default has occurred and is continuing and, prior to the making by the Swing Line Lender of such Swing Line Loan, the Swing Line Lender had received written notice from such Lender specifying that such Event of Default or Unmatured Event of Default has occurred and is continuing, describing the nature thereof and stating that, as a result thereof, such Lender shall cease to make such Refunded Swing Line Loans and purchase such participating interests, as the case may be; provided, however, that the obligation of such Lender to make such Refunded Swing Line Loans and to purchase such participating interests shall be reinstated upon the earlier to occur of (y) the date

upon which such Lender notifies the Swing Line Lender that its prior notice has been withdrawn and (z) the date upon which the Event of Default or Unmatured Event of Default specified in such notice no longer is continuing.

2.2 Notes.

(a) Evidence of Indebtedness. Borrower's obligation to pay the principal of and interest on all the Loans made to it by each Lender shall be evidenced, (y) if Revolving Loans, by a promissory note (each, a "Revolving Note" and, collectively, the "Revolving Notes") duly executed and delivered by Borrower substantially in the form of Exhibit 2.2(a)-1 hereto, with blanks appropriately completed in conformity herewith and (z) if Swing Line Loans, by a promissory note (the "Swing Line Note") duly executed and delivered by Borrower substantially in the form of Exhibit 2.2(a)-2 hereto, with blanks appropriately completed in conformity herewith.

(i) Provisions of the Revolving Notes. The Revolving Note issued to each Lender shall (A) be executed by Borrower, (B) be payable to the order of such Lender and be dated the Initial Borrowing Date, (C) be in a stated principal amount equal to the Revolving Commitment of such Revolving Lender and be payable in the aggregate principal amount of the Revolving Loans evidenced thereby, (D) mature, with respect to each Loan evidenced thereby, on the Termination Date, (E) be subject to mandatory prepayment as provided in Section 4.3, (F) bear interest as provided in the appropriate clause of Section 3.1 in respect of the Base Rate Loans or Eurodollar Loans, as the case may be, evidenced thereby and (G) be entitled to the benefits of this Agreement and the other applicable Loan Documents.

(ii) Provisions of the Swing Line Note. The Swing Line Note issued to the Swing Line Lender shall (A) be executed by Borrower, (B) be payable to the order of Swing Line Lender or its registered assigns and be dated the Initial Borrowing Date, (C) be in a stated principal amount equal to the Swing Line Commitment and be payable in the aggregate principal amount of the Swing Line Loans evidenced thereby, (D) mature, with respect to each Loan evidenced thereby, five (5) Business Days prior to the Termination Date, (E) be subject to mandatory prepayment as provided in Section 4.3, (F) bear interest as provided in Section 3.1 in respect of the Base Rate Loans evidenced thereby and (G) be entitled to the benefits of this Agreement and the other applicable Loan Documents.

(b) Notation of Payments. Each Lender will note on its internal records the amount of each Loan made by it and each payment in respect thereof and will, prior to any transfer of any of its Notes, endorse on the reverse side thereof the outstanding principal amount of Loans evidenced thereby. Failure to make any such notation shall not affect Borrower's or any guarantor's obligations hereunder or under the other applicable Loan Documents

in respect of such Loans.

2.3 Minimum Amount of Each Borrowing; Maximum Number of Borrowings. The aggregate principal amount of each Borrowing by Borrower hereunder shall be not less than (i) in the case of a Base Rate Loan, $5,000,000 and, if greater, shall be in integral multiples of $1,000,000 above such minimum (or, if less, the then Total Available Revolving Commitment) and (ii) in the

case of a Eurodollar Loan, $5,000,000 and, if greater, shall be in integral multiples of $1,000,000 above such minimum and (iii) in the case of a Swing Line Loan, $1,000,000 and, if greater, shall be in integral multiples of $500,000 above such minimum. More than one Borrowing may be incurred on any date; provided that at no time shall there be outstanding more than five (5) Borrowings of Eurodollar Loans.

2.4 Borrowing Options. The Revolving Loans shall, at the option of Borrower except as otherwise provided in this Agreement, be (i) Base Rate Loans, (ii) Eurodollar Loans, or (iii) part Base Rate Loans and part Eurodollar Loans. As to any Eurodollar Loan, any Lender may, if it so elects, fulfill its commitment by causing a foreign branch or affiliate to make or continue such Loan, provided that in such event that Lender's Commitment Percentage of the Loan shall, for the purposes of this Agreement, be considered to have been made by that Lender and the obligation of Borrower to repay that Lender's Commitment Percentage of the Loan shall nevertheless be to that Lender and shall be deemed held by that Lender, for the account of such branch or affiliate.

2.5 Notice of Borrowing. Whenever Borrower desires to make a Borrowing of any Loan hereunder, it shall give Agent at its office located at One Bankers Trust Plaza, 130 Liberty Street, New York, New York 10006 (or such other address as the Agent may hereafter designate in writing to the parties hereto) (the "Notice Address") at least one Business Day's prior written notice (or telephonic notice promptly confirmed in writing), given not later than 12:00 P.M. (New York City time) of each Base Rate Loan, and at least three Business Days' prior written notice (or telephonic notice promptly confirmed in writing), given not later than 12:00 P.M. (New York City time), of each Eurodollar Loan to be made hereunder; provided, however, that a Notice of Borrowing with respect to Borrowings to be made on the date hereof may, at the discretion of Agent, be delivered later than the time specified above. Whenever Borrower desires that Swing Line Lender make a Swing Line Loan under Section 2.1(d), it shall deliver to Swing Line Lender prior to 11:00 A.M. (New York City time) on the date of Borrowing written notice (or telephonic notice promptly confirmed in writing). Each such notice (each a "Notice of Borrowing"), which shall be in the form of Exhibit 2.5 hereto, shall be irrevocable, shall be deemed a representation by Borrower that all conditions precedent to such Borrowing have been satisfied and shall specify (i) the aggregate principal amount of the Loans to be made pursuant to such Borrowing, (ii) the date of Borrowing (which shall be a Business Day) and (iii) whether the Loans being made pursuant to such Borrowing are to be Base Rate Loans or Eurodollar Loans and, with respect to Eurodollar Loans, the Interest Period to be applicable thereto. Agent shall as promptly as practicable give each Lender written or telephonic notice (promptly confirmed in writing) of each proposed Borrowing, of such Lender's Commitment Percentage thereof and of the other matters covered by the Notice of Borrowing. Without in any way limiting Borrower's obligation to confirm in writing any telephonic notice, Agent or the Swing Line Lender (in the case of Swing Line Loans) may act without liability upon the basis of telephonic notice believed by Agent in good faith to be from a Responsible Officer of Borrower prior to receipt of written confirmation. Agent's records shall, absent manifest error, be final, conclusive and binding on Borrower with respect to evidence of the terms of such telephonic Notice of Borrowing. Borrower hereby agrees not to dispute the Agent's or BT's record of

the time of telephonic notice.

2.6 Conversion or Continuation. Borrower may elect (i) on any Business Day occurring on or after the earlier of (i) the 30th day after the Initial Borrowing Date and (ii) the Syndication Date to convert Base Rate Loans or any portion thereof to Eurodollar Loans and (ii) at the end of any Interest Period with respect thereto, to convert Eurodollar Loans or any portion thereof into Base Rate Loans or to continue such Eurodollar Loans or any portion thereof for an additional Interest Period; provided, however, that the aggregate principal amount of the Eurodollar Loans for each Interest Period therefor must be in an aggregate principal amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof. Each conversion or continuation of Revolving Loans shall be allocated among the Revolving Loans of the Lenders in accordance with their respective Commitment Percentages. Each such election shall be in substantially the form of Exhibit 2.6 hereto (a "Notice of Conversion or Continuation") and shall be made by giving Agent at least three Business Days' prior written notice thereof to the Notice Address specifying (i) the amount and type of conversion or continuation, (ii) in the case of a conversion to or a continuation of Eurodollar Loans, the Interest Period therefor, and (iii) in the case of a conversion, the date of conversion (which date shall be a Business Day and, if a conversion from Eurodollar Loans, shall also be the last day of the Interest Period therefor). Notwithstanding the foregoing, no conversion in whole or in part of Base Rate Loans to Eurodollar Loans, and no continuation in whole or in part of Eurodollar Loans upon the expiration of any Interest Period therefor, shall be permitted at any time at which an Unmatured Event of Default or an Event of Default shall have occurred and be continuing. If, within the time period required under the terms of this Section 2.6, Agent does not receive a Notice of Conversion or Continuation from Borrower containing a permitted election to continue any Eurodollar Loans for an additional Interest Period or to convert any such Loans, then, upon the expiration of the Interest Period therefor, such Loans will be automatically converted to Base Rate Loans. Each Notice of Conversion or Continuation shall be irrevocable.

2.7 Disbursement of Funds; Funding Assumptions.

(a) No later than 12:00 P.M. (New York City time) on the date specified in each Notice of Borrowing, each Lender will make available its Commitment Percentage of Revolving Loans of the Borrowing requested to be made on such date in Dollars and in immediately available funds, at the office (the "Payment Office") of Agent located at One Bankers Trust Plaza, 130 Liberty Street, New York, New York 10006 (for the account of such non-U.S. office of Agent as Agent may direct in the case of Eurodollar Loans) and Agent will make available to Borrower at its Payment Office the aggregate of the amounts so made available by the Lenders.

(b) Unless Agent shall have been notified by any Lender at least one Business Day prior to the date of Borrowing that such Lender does not intend to make available to Agent such Lender's portion of the Borrowing to be made on such date, Agent may assume that such Lender has made such amount available to Agent on such date of Borrowing and Agent may, but shall not be required to, in reliance upon such assumption, make available to Borrower a corresponding amount. If such corresponding amount is not in fact made available to Agent by such Lender on the date of Borrowing, Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon Agent's demand therefor, Agent shall promptly notify Borrower and, if so notified, Borrower shall immediately pay such corresponding amount to Agent. Agent shall also be entitled to recover from Borrower interest

on such corresponding amount in respect of each day from the date such corresponding amount was made available by Agent to Borrower to the date such corresponding amount is recovered by Agent, at a rate per annum equal to the rate for Base Rate Loans or Eurodollar Loans, as the case may be, applicable during the period in question, provided, however, that any interest paid to Agent in respect of such corresponding amount shall be credited against interest payable by Borrower to such lender under Section 3.1 in respect of such corresponding amount. Any amount due hereunder to Agent from any Lender which is not paid when due shall bear interest payable by such Lender, from the date due until the date paid, at the Federal Funds Rate for the first three days after the date such amount is due and thereafter at the Federal Funds Rate plus 1%, together with Agent's standard interbank processing fee. Further, such Lender shall be deemed to have assigned any and all payments made of principal and interest on its Loans, amounts due with respect to its Letters of Credit (or its participations therein) and any other amounts due to it hereunder first to Agent to fund any outstanding Loans made available on behalf of such Lender by Agent pursuant to this Section 2.7 until such Loans have been funded (as a result of such assignment or otherwise) and then to fund Loans of all Lenders other than such Lender until each Lender has outstanding Loans equal to its Commitment Percentage of all Revolving Loans (as a result of such assignment or otherwise). Such Lender shall not have recourse against Borrower with respect to any amounts paid to Agent or any Lender with respect to the preceding sentence; provided, that such Lender shall have full recourse against Borrower to the extent of the amount of such loans it has so been deemed to have made. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its Revolving Commitment hereunder or to prejudice any rights which Borrower may have against the Lender as a result of any default by such Lender hereunder.

2.8 Pro Rata Borrowings. All Borrowings of Revolving Loans under this Agreement shall be loaned by the Lenders pro rata on the basis of their Revolving Commitments, as the case may be. No Lender shall be responsible for any default by any other Lender in its obligation to make Loans hereunder and each Lender shall be obligated to make the Loans provided to be made by it hereunder, regardless of the failure of any other Lender to fulfill its Revolving Commitment hereunder.

2.9 Letters of Credit.

(a) Letters of Credit Commitments. Subject to and upon the terms and conditions herein set forth, Borrower may request that Bankers Trust Company (the "Facing Agent") issue, at any time and from time to time on and after the Initial Borrowing Date, and prior to the Business Day (or the 30th day in the case of Commercial Letters of Credit) preceding the Termination Date, (x) for the account of Borrower and for the benefit of any holder (or any trustee, agent or other similar representative for any such holder) of LC Supportable Indebtedness of Borrower or any of its Subsidiaries, an irrevocable standby letter of credit, in a form customarily used by such Facing Agent, or in such other form as has been approved by such Facing Agent (each such standby letter of credit, a "Standby Letter of Credit") in support of such LC Supportable Indebtedness and (y) for the account of Borrower and in support of trade obligations of Borrower or any of its Subsidiaries, an irrevocable sight letter of credit in a form customarily used by such Facing Agent or in such other form as has been approved by such Facing Agent (each such letter of credit, a "Commercial Letter

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of Credit"; and each such Commercial Letter of Credit and each Standby Letter of Credit, a "Letter of Credit"), in support of commercial transactions of Borrower and its Subsidiaries.

(b) Obligation of Facing Agent to Issue Letter of Credit. The Facing Agent may agree, in its sole discretion, that it will (subject to the terms and conditions contained herein), at any time and from time to time on or after the Initial Borrowing Date and prior to the Termination Date, following its receipt of the respective Letter of Credit Request, issue for the account of Borrower one or more Letters of Credit (x) in the case of Standby Letters of Credit, in support of such LC Supportable Indebtedness of Borrower or any of its Subsidiaries as is permitted to remain outstanding without giving rise to an Event of Default or Unmatured Event of Default hereunder and (y) in the case of Commercial Letters of Credit, in support of trade obligations as referenced in Section 2.9(a), provided that the respective Facing Agent shall be under no obligation to issue any Letter of Credit of the types described above if at the time of such issuance:

(i) any order, judgment or decree of any Governmental Authority or arbitrator shall purport by its terms to enjoin or restrain such Facing Agent from issuing such Letter of Credit or any Requirement of Law applicable to such Facing Agent from any Governmental Authority with jurisdiction over such Facing Agent shall prohibit, or request that such Facing Agent refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Facing Agent with respect to such Letter of Credit any restriction or reserve or capital requirement (for which such Facing Agent is not otherwise compensated) not in effect on the date hereof, or any unreimbursed loss, cost or expense which was not applicable, in effect or known to such Facing Agent as of the date hereof and which such Facing Agent in good faith deems material to it: or

(ii) such Facing Agent shall have received notice from any Lender prior to the issuance of such Letter of Credit of the type described in Section 2.9(b)(A)(vi).

(A) Notwithstanding the foregoing, (i) no Letter of Credit shall be issued the Stated Amount of which, when added to the LC Obligations (exclusive of Unpaid Drawings relating to Letters of Credit which are repaid on the date of, and prior to the issuance of, the respective Letter of Credit) at such time, would exceed either (x) $25,000,000 or (y) when added to the aggregate principal amount of all Revolving Loans and Swing Line Loans then outstanding, the Revolving Commitments at such time; (ii) (x) each Standby Letter of Credit shall have an expiry date occurring not later than one year after such Standby Letter of Credit's date of issuance, provided, that any Standby Letter of Credit may be automatically extendable for periods of up to one year so long as such Standby Letter of Credit provides that the respective Facing Agent retains an option, satisfactory to such Facing Agent, to terminate such Standby Letter of Credit within a specified period of time prior to each scheduled extension date and (y) each Commercial Letter of Credit shall have an expiry date occurring not later than 180 days after such Commercial Letter of Credit's date

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of issuance; (iii) (x) no Standby Letter of Credit shall have an expiry date occurring later than the Business Day next preceding the Termination Date and (y) no Commercial Letter of Credit shall have an expiry date occurring later than 30 days prior to the Termination Date; (iv) each Letter of Credit shall be denominated in Dollars and be payable on a sight basis; (v) the Stated Amount

of each Letter of Credit shall not be less than $100,000 or such lesser amount as is acceptable to the Facing Agent; and (vi) no Facing Agent will issue any Letter of Credit after it has received written notice from Borrower or the Required Lenders stating that an Event of Default or Unmatured Event of Default exists until such time as Facing Agent shall have received a written notice of (x) rescission of such notice from the party or parties originally delivering the same or (y) a waiver of such Event of Default or Unmatured Event of Default by the Required Lenders (or all the Lenders to the extent required by Section 12.1).

(B) Notwithstanding the foregoing, in the event a Lender Default exists, no Facing Agent shall be required to issue any Letter of Credit unless the respective Facing Agent has entered into arrangements satisfactory to it and Borrower to eliminate such Facing Agent's risk with respect to the participation in Letters of Credit of the Defaulting Lender or Lenders, including by cash collateralizing such Defaulting Lender or Lenders' applicable Commitment Percentage of the applicable LC Obligations.

(c) Letter of Credit Requests; Notices of Issuance. Whenever it desires that a Letter of Credit be issued, Borrower shall give Agent and the respective Facing Agent written notice thereof prior to 1:00 p.m. (New York City time) at least five Business Days (or such shorter period as may be acceptable to such Facing Agent) prior to the proposed date of issuance (which shall be a Business Day) which written notice shall be in the form of Exhibit 2.9(c) (each a "Letter of Credit Request"). Each such notice shall specify (A) the proposed issuance date and expiration date, (B) the name(s) of each obligor with respect to such Letter of Credit, (C) Borrower as the account party, (D) the name and address of the beneficiary (which Person shall be acceptable to Facing Agent), (E) the Stated Amount of such proposed Letter of Credit and (F) the purpose of such Letter of Credit (which shall be acceptable to Agent and Facing Agent) and such other information as Facing Agent may reasonably request. In addition, each Letter of Credit Request shall contain a description of the terms and conditions to be included in such proposed Letter of Credit (all of which terms and conditions shall be acceptable to Facing Agent). Unless otherwise specified, all Letters of Credit will be governed by the Uniform Customs and Practice for Documentary Credits as in effect on the date of issuance of such Letter of Credit. Each Letter of Credit Request shall include any other documents as Facing Agent customarily requires in connection therewith.

(i) In the case of Standby Letters of Credit, each Facing Agent shall, on the date of each issuance of or amendment or modification to a Standby Letter of Credit by it, give Agent, each Lender and Borrower written notice of the issuance of or amendment or modification to such Letter of Credit, accompanied by a copy to Agent and each Lender of the Letter of Credit or Letters of Credit issued by it and each such amendment or modification thereto.

(ii) As to any Letters of Credit issued by a Facing Agent other than the Agent, the respective Facing Agent shall send to Agent, on the first Business Day of each week, by telefax, its outstanding Commercial Letter of Credit daily balances for the previous week. Agent

shall deliver to each Revolving Lender by the end of each calendar month and upon each Letter of Credit fee payment date a report setting forth for such period the aggregate daily amount available to be drawn under Commercial Letters of Credit issued by all Facing Agents that were outstanding during such period.

(d) Agreement to Repay Letter of Credit Payments. (i) Borrower hereby agrees to reimburse the respective Facing Agent, by making

payment to Agent in immediately available funds at the Payment Office, for any payment or disbursement made by such Facing Agent under any Letter of Credit (each such amount so paid or disbursed until reimbursed, an "Unpaid Drawing"), no later than one Business Day after the date of such payment or disbursement, with interest on the amount so paid or disbursed by such Facing Agent, to the extent not reimbursed prior to 12:00 Noon (New York City time) on the date of such payment or disbursement, from and including the date paid or disbursed to but excluding the date such Facing Agent is reimbursed therefor by Borrower at a rate per annum which shall be the Base Rate in effect from time to time plus the Applicable Margin for Base Rate Loans, provided, however, to the extent such amounts are not reimbursed prior to 12:00 Noon (New York City time) on the fifth Business Day following such payment or disbursement, interest shall thereafter accrue on the amounts so paid or disbursed by such Facing Agent (and until reimbursed by Borrower) at a rate per annum which shall be the Base Rate in effect from time to time plus the Applicable Margin for Revolving Loans maintained as Base Rate Loans (plus an additional 2% per annum if not reimbursed by the third Business Day after the date of such payment or disbursement), such interest also to be payable on demand. The respective Facing Agent shall give Borrower prompt notice of each Drawing under any Letter of Credit, provided that the failure to give any such notice shall in no way affect, impair or diminish Borrower's obligations hereunder.

(ii) The Obligations of Borrower under this Section 2.9(d) to reimburse the respective Facing Agent with respect to drawings on Letters of Credit (each, a "Drawing") (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which Borrower may have or have had against any Facing Agent, Agent or any Lender (including in its capacity as issuer of the Letter of Credit or as LC Participant), or any nonapplication or misapplication by the beneficiary of the proceeds of such Drawing, the respective Facing Agent's only obligation to Borrower being to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Facing Agent under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct, shall not create for such Facing Agent any resulting liability to Borrower.

(e) Letter of Credit Participations. Immediately upon the issuance by any Facing Agent of any Letter of Credit, such Facing Agent shall be deemed to have sold and transferred to each Lender, other than such Facing Agent (each such Lender, in its capacity under this Section 2.9(e), a "LC Participant"), and each such LC Participant shall be deemed irrevocably and unconditionally to have purchased and received from such Facing Agent, without recourse or warranty, an undivided interest and participation, to the extent of such Lender's Commitment Percentage, in such Letter of Credit, each substitute Letter of Credit, each Drawing made thereunder

and the obligations of Borrower under this Agreement with respect thereto (although Letter of Credit fees shall be payable directly to Agent for the account of the Lenders as provided in Section 2.9(g) and the LC Participants shall have no right to receive any portion of the facing fees), and any security therefor or guaranty pertaining thereto.

(i) In determining whether to pay under any Letter of Credit, such Facing Agent shall have no obligation relative to the LC Participants other than to confirm that any documents required to be delivered under such Letter of Credit appear to have been delivered and that they appear to substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Facing Agent under or

in connection with any Letter of Credit issued by it if taken or omitted in the absence of gross negligence or willful misconduct as determined by a court of competent jurisdiction, shall not create for such Facing Agent any resulting liability to Borrower or any Lender.

(f) Draws Upon Letter of Credit; Reimbursement Obligations. In the event that any Facing Agent makes any payment under any Letter of Credit issued by it and Borrower shall not have reimbursed such amount in full to such Facing Agent pursuant to Section 2.9(d), such Facing Agent shall promptly notify the Agent, and the Agent shall promptly notify each LC Participant of such failure, and each such LC Participant shall promptly and unconditionally pay to the Agent for the account of such Facing Agent, the amount of such LC Participant's applicable Commitment Percentage of such payment in Dollars and in same day funds; provided, however, that no LC Participant shall be obligated to pay to Agent its applicable Commitment Percentage of such unreimbursed amount for any wrongful payment made by such Facing Agent under a Letter of Credit issued by it as a result of acts or omissions constituting willful misconduct or gross negligence on the part of such Facing Agent. If Agent so notifies any LC Participant required to fund a payment under a Letter of Credit prior to 11:00 A.M. (New York City time) on any Business Day, such LC Participant shall make available to the Agent for the account of the respective Facing Agent such LC Participant's applicable Commitment Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such LC Participant shall not have so made its applicable Commitment Percentage of the amount of such payment available to Agent for the account of the respective Facing Agent, such LC Participant agrees to pay to Agent for the account of such Facing Agent, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to Agent for the account of such Facing Agent at the overnight Federal Funds rate. The failure of any LC Participant to make available to Agent for the account of the respective Facing Agent its applicable Commitment Percentage of any payment under any Letter of Credit issued by it shall not relieve any other LC Participant of its obligation hereunder to make available to Agent for the account of such Facing Agent its applicable Commitment Percentage of any payment under any such Letter of Credit on the day required, as specified above, but no LC Participant shall be responsible for the failure of any other LC Participant to make available to Agent for the account of such Facing Agent such other LC Participant's applicable Commitment Percentage of any such payment.

(A) Whenever any Facing Agent receives a payment of a reimbursement obligation as to which Agent has received for the account of such Facing Agent any payments from the LC Participants pursuant to this Section 2.9(f), such Facing Agent shall pay to Agent and Agent

shall pay to each LC Participant which has paid its Commitment Percentage thereof, in Dollars and in same day funds, an amounts equal to such LC Participant's Commitment Percentage of the principal amount of such reimbursement obligation and interest thereon accruing after the purchase of the respective participations.

(B) Upon the request of any LC Participant, each Facing Agent shall furnish to such LC Participant copies of any Letter of Credit issued by it.

(C) The obligations of the LC Participants to make payments to each Facing Agent with respect to Letters of Credit issued by it shall be irrevocable and not subject to any qualification or exception whatsoever and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

(i) any lack of validity or enforceability of this Agreement or any of the other Loan Documents;

(ii) The existence of any claim, setoff, defense or other right which Borrower or any of its Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), Agent, any LC Participant, or any other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between Borrower and the beneficiary named in any such Letter of Credit);

(iii) any draft, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect to any statement therein being untrue or inaccurate in any respect;

(iv) the surrender or impairment of any security for the performance or observance of any of the terms of any of the Loan Documents; or

(v) the occurrence of any Event of Default or Unmatured Event of Default.

(g) Fees for Letters of Credit.

(i) Facing Agent Fees. Borrower agrees to pay the following amount to Facing Agent with respect to the Letters of Credit issued by it for the account of Borrower:

(A) with respect to drawings made under any Letter of Credit, interest, payable on demand, on the amount paid by Facing Agent in respect of each such drawing from the date of the drawing through the date such amount is reimbursed by Borrower (including any such reimbursement out of the proceeds of Revolving Loans pursuant to Section 2.9(c)) at a rate which is at all times equal to 2% per annum in excess of the Base Rate;

(B) with respect to the issuance or amendment of each Letter of Credit and each drawing made thereunder, documentary and processing charges in accordance with Facing Agent's standard schedule for such charges in effect at the time of such issuance, amendment, transfer or drawing, as the case may be; and

(C) a facing fee as agreed to between Borrower and the applicable Facing Bank for the applicable Letter of Credit and unless otherwise agreed, shall be payable with respect to the maximum Stated Amount under such outstanding Letters of Credit payable in arrears on the last Business Day of each fiscal quarter, on the Termination Date and thereafter, on demand together with customary issuance and drawing charges payable pursuant to clause (B) above; provided, however, if calculation of the facing fee in the manner set forth above would result in a facing fee of less than $500 per year per Letter of Credit, Borrower shall be obligated to pay such additional amount to the applicable Facing Bank so as to provide for a minimum facing fee of $500 per year per Letter of Credit.

(ii) Participating Lender Fees. Borrower agrees to pay to Agent for distribution to each participating Lender in respect of all Letters of Credit outstanding such Lender's Commitment Percentage of a commission equal to the then Applicable Eurocurrency Margin per annum with respect to the maximum Stated Amount under such outstanding Letters of Credit

(the "LC Commission"), payable in arrears on the last Business Day of each fiscal quarter, on the Termination Date and thereafter, on demand. The LC Commission shall be computed from the first day of issuance of each Letter of Credit and on the basis of the actual number of days elapsed over a year of 360 days.

Promptly upon receipt by Facing Agent or Agent of any amount described in clause (i)(A) or (ii) of this Section 2.9(g), Facing Agent or Agent shall distribute to each Lender that has reimbursed Facing Agent in accordance with Section 2.9(d) its Commitment Percentage of such amount. Amounts payable under clause (i)(B) and (C) of this Section 2.9(e) shall be paid directly to Facing Agent.

(h) Indemnification. In addition to amounts payable as elsewhere provided in this Agreement, Borrower hereby agrees to protect, indemnify, pay and save Facing Agent harmless from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable attorneys' fees) (other than for Taxes, which shall be covered by Section 4.6) which Facing Agent may incur or be subject to as a consequence, direct or indirect, of (i) the issuance of the Letters of Credit, other than as a result of the gross negligence or willful misconduct of Facing Agent or (ii) the failure of Facing Agent to honor a Drawing under any Letter of Credit as a result of any act or omissions, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority (all such acts or omissions herein called "Government Acts"). As between Borrower and Facing Agent, Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit issued by Facing Agent by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, Facing Agent shall not be responsible: (i) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for and issuance of or any Drawing under such Letters of Credit, even if it should in fact prove to be in any or all

respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) for failure of the beneficiary of any such Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) for errors in interpretation of technical terms; (vi) for any loss or delay in the transmission or otherwise of any document required in order to make a Drawing under any such Letter of Credit or of the proceeds thereof; (vii) for the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any Drawing under such Letter of Credit; and (viii) for any consequences arising from causes beyond the control of Facing Agent, including, without limitation, any acts of Government Authority. None of the above shall affect, impair, or prevent the vesting of any of Facing Agent's rights or powers hereunder.

In furtherance and extension and not in limitation of the specific provisions hereinabove set forth, any action taken or omitted by Facing Agent under or in connection with the Letters of Credit issued by it or the related certificates, if taken or omitted in good faith, shall not put Facing Agent under any resulting liability to Borrower. Notwithstanding anything to the contrary contained in this Agreement, Borrower shall have no obligation to indemnify Facing Agent in respect of any liability incurred by Facing Agent arising solely out of the gross negligence or willful misconduct

of Facing Agent as determined by a court of competent jurisdiction. The right of indemnification in the first paragraph of this Section 2.9(h) shall not prejudice any rights that Borrower may otherwise have against Facing Agent with respect to a Letter of Credit issued hereunder.

(i) Increased Costs. If at any time after the date hereof the introduction of or any change in any applicable law, rule, regulation, order, guideline or request or in the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof, or compliance by Facing Agent or such Lender with any request or directive by any such authority (whether or not having the force of law or any change in GAAP), shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against letters of credit issued by Facing Agent or participated in by any Lender, or (ii) impose on Facing Agent or any Lender any other conditions relating, directly or indirectly, to this Agreement or any Letter of Credit; and the result of any of the foregoing is to increase the cost to Facing Agent or any Lender of issuing, maintaining or participating in any Letter of Credit, or reduce the amount of any sum received or receivable by Facing Agent or any Lender hereunder or reduce the rate of return on its capital with respect to Letters of Credit, then, upon demand to Borrower by Facing Agent or any Lender (a copy of which demand shall be sent by Facing Agent or such Lender to Agent), Borrower shall pay to Facing Agent or such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction in the amount receivable or reduction on the rate of return on its capital. Facing Agent or any Lender, upon determining that any additional amounts will be payable pursuant to this Section 2.9(i), will give prompt written notice thereof to Borrower, which notice shall include a certificate submitted to Borrower by Facing Agent or such Lender (a copy of which certificate shall be sent by Facing Agent or such Lender to Agent), setting forth in reasonable detail the basis for the calculation of such additional amount or amounts

necessary to compensate Facing Agent or such Lender, although failure to give any such notice shall not release or diminish Borrower's obligations to pay additional amounts pursuant to this Section 2.9(i). The certificate required to be delivered pursuant to this Section 2.9(i) shall, absent manifest error, be final, conclusive and binding on Borrower.

ARTICLE 3.

INTEREST AND FEES

3.1 Interest.

(a) Base Rate Loans. Borrower agrees to pay interest in respect of the unpaid principal amount of each Base Rate Loan at a rate per annum equal to the Base Rate plus the Applicable Margin from the date the proceeds thereof are made available to Borrower until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Base Rate Loan or (ii) the conversion of such Base Rate Loan to a Eurodollar Loan pursuant to Section 2.6.

(b) Eurodollar Loans. Borrower agrees to pay interest in respect of the unpaid principal amount of each Eurodollar Loan from the date the proceeds thereof are made available to Borrower until the earlier of (i) the maturity (whether by acceleration or otherwise) of such Eurodollar Loan or (ii) the conversion of such Eurodollar Loan to a Base Rate Loan pursuant to Section 2.6 at a rate per annum equal to the relevant Eurodollar Rate plus the Applicable Margin

(c) Payment of Interest. Interest on each Loan shall be payable in arrears on each Interest Payment Date; provided, however, that interest accruing pursuant to Section 3.1(e) shall be payable from time to time on demand. Interest shall also be payable on all then outstanding Revolving Loans on the Termination Date and on all Loans on the date of repayment (including prepayment) thereof (except that voluntary prepayments of Revolving Loans that are Base Rate Loans made pursuant to Section 4.2 on any day other than an Interest Payment Date or the Revolver Termination Date need not be made with accrued interest from the most recent Quarterly Payment Date, provided such accrued interest is paid on the next Interest Payment Date) and on the date of maturity (by acceleration or otherwise) of such Loans. During the existence of any Event of Default, interest on any Loan shall be payable on demand.

(d) Notification of Rate. Agent, upon determining the interest rate for any Borrowing of Eurodollar Loans for any Interest Period, shall promptly notify Borrower and the Lenders thereof. Such determination shall, absent manifest error and subject to Section 3.6, be final, conclusive and binding upon all parties hereto.

(e) Default Interest. Notwithstanding the rates of interest specified herein, effective on the date 30 days after the occurrence and continuance during such 30 day period of any Event of Default (other than the failure to pay Obligations when due) and for so long thereafter as any Event of Default shall be continuing, and effective immediately upon any failure to pay any Obligations or any other amounts due under any of the Loan Documents when due, whether by

acceleration or otherwise, the principal balance of each Loan then outstanding and, to the extent permitted by applicable law, any interest payment on each Loan not paid when due or other amounts then due and payable shall bear interest payable on demand, after as well as before judgment at a rate per annum equal to the Default Rate.

(f) Maximum Interest. If any interest payment or other charge or fee payable hereunder exceeds the maximum amount then permitted by applicable law, Borrower shall be obligated to pay the maximum amount then permitted by applicable law and Borrower shall continue to pay the maximum amount from time to time permitted by applicable law until all such interest payments and other charges and fees otherwise due hereunder (in the absence of such restraint imposed by applicable law) have been paid in full.

3.2 Fees.

(a) Facility Fee. On each Quarterly Payment Date, and on the Termination Date (or, if earlier, on the date upon which the Revolving Commitments are terminated and the Loans are paid in full and the LC Obligations are paid in full or cash collateralized in a manner satisfactory to Agent), Borrower shall pay to Agent, for the ratable benefit of the Lenders, a facility fee equal to the Applicable Facility Fee which accrued during the quarterly period most recently ended (or, in the case of the payment due on the Termination Date, the portion thereof ending on such date). Such facility fee shall be based upon the aggregate Revolving Commitments of the Lenders from time to time, regardless of the utilization from time to time thereunder.

(b) Agency Fees. Borrower shall pay to Agent for its own account, agency and other Loan fees in the amount and at the times set forth in the letter agreement between Borrower and Agent.

3.3 Computation of Interest and Fees. Interest on all Loans and

fees payable hereunder shall be computed on the basis of the actual number of days elapsed over a year of 360 days; provided that interest on all Base Rate Loans shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be. Each determination of an interest rate by Agent pursuant to any provision of this Agreement shall be conclusive and binding on Borrower and the Lenders in the absence of manifest error. Agent shall, at any time and from time to time upon request of Borrower, deliver to Borrower a statement showing the quotations used by Agent in determining any interest rate applicable to Revolving Loans pursuant to this Agreement. Each change in the Applicable Margin, the Applicable Facility Fee or any change in the applicable LC Commission as a result of a change in Borrower's Most Recent Ratio of Total Debt to EBITDA shall become effective on the date upon which such change in such ratio occurs.

3.4 Interest Periods. At the time it gives any Notice of Borrowing or a Notice of Conversion or Continuation with respect to Eurodollar Loans, Borrower shall elect, by giving Agent written notice, the interest period (each an "Interest Period") which Interest Period shall, at the option of Borrower, be one, two, three or six months or, if available to each of the applicable Lenders (as determined by each such applicable Lender in its sole discretion) a nine or twelve month period, provided that:

(i) all Eurodollar Loans comprising a Borrowing shall at all times have the same Interest Period;

(ii) the initial Interest Period for any Eurodollar Loan shall commence on the date of such Borrowing of such Eurodollar Loan (including the date of any conversion thereto from a Loan of a different Type) and each Interest Period occurring thereafter in respect of such Eurodollar Loan shall commence on the last day of the immediately preceding Interest Period;

(iii) if any Interest Period relating to a Eurodollar Loan begins on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period, such Interest Period shall end on the last Business Day of such calendar month;

(iv) if any Interest Period would otherwise expire on a day which is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, however, that if any Interest Period for a Eurodollar Loan would otherwise expire on a day which is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the next preceding Business Day;

(v) no Interest Period may be selected at any time when an Unmatured Event of Default or Event of Default is then in existence; and

(vi) no Interest Period shall extend beyond the Termination Date.

3.5 Compensation for Funding Losses.

(a) Borrower shall compensate each Lender, upon its written request (which request shall set forth the basis for requesting such amounts), for all losses, expenses and liabilities (including, without limitation, any interest paid by such Lender to lenders of funds borrowed by it to make or carry its Eurodollar Loans to the extent not recovered by the Lender in connection with the liquidation or re-employment of such funds and including the compensation payable by such Lender to a Participant but excluding loss of

anticipated profit with respect to any Loans) and any loss sustained by such Lender in connection with the liquidation or re-employment of such funds (including, without limitation, a return on such liquidation or re-employment that would result in such Lender receiving less than it would have received had such Eurodollar Loan remained outstanding until the last day of the Interest Period applicable to such Eurodollar Loans) which such Lender may sustain as a result of: (i) for any reason (other than a default by such Lender or Agent) a continuation or Borrowing of, or conversion from or into, Eurodollar Loans does not occur on a date specified therefor in a Notice of Borrowing or Notice of Conversion or Continuation (whether or not withdrawn); (ii) any payment, prepayment or conversion or continuation of any of its Eurodollar Loans occurring for any reason whatsoever on a date which is not the last day of an Interest Period applicable thereto; (iii) any repayment of any of its Eurodollar Loans not being made on the date specified in a notice of payment given by Borrower; or (iv) (A) any other failure by Borrower to repay its Eurodollar Loans when required by the terms of this Agreement or (B) an election made by Borrower pursuant to Section 3.7. A written notice as to additional amounts owed

such Lender under this Section 3.5 and delivered to Borrower and Agent by such Lender shall, absent manifest error, be final, conclusive and binding for all purposes.

(b) Calculation of all amounts payable to a Lender under this Section 3.5 shall be made as though that Lender had actually funded its relevant Eurodollar Loan through the purchase of a Eurodollar deposit bearing interest at the Eurodollar Rate in an amount equal to the amount of that Loan, having a maturity comparable to the relevant Interest Period and through the transfer of such Eurodollar deposit from an offshore office of that Lender to a domestic office of that Lender in the United States of America; provided, however, that each Lender may fund each of its Eurodollar Loans in any manner it sees fit and the foregoing assumption shall be utilized only for the calculation of amounts payable under this Section 3.5.

3.6 Increased Costs, Illegality, Etc.

(a) Generally. In the event that any Lender shall have determined (which determination shall, absent manifest error, be final and conclusive and binding upon all parties hereto but, with respect to clause (i) below, may be made only by Agent):

(i) on any Interest Rate Determination Date that, by reason of any changes arising after the date of this Agreement affecting the interbank Eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in the definition of Eurodollar Rate; or

(ii) at any time, that any Lender shall incur increased costs or reduction in the amounts received or receivable hereunder with respect to any Eurodollar Loan because of (x) any change since the date of this Agreement in any applicable law or governmental rule, regulation, order, guideline or request (whether or not having the force of law) or in the interpretation or administration thereof and including the introduction of any new law or governmental rule, regulation, order, guideline or request, such as, for example, but not limited to: (A) a change in the basis of taxation of payments to any Lender of the principal of or interest on the Notes or any other amounts payable hereunder (except for (a) changes in the rate of tax on, or determined by reference to, the net income or profits of such Lender imposed by the jurisdiction in which its principal office or applicable lending office is located and (b)

United States withholding taxes, which shall be governed by the provisions of Section 4.6) or (B) a change in official reserve requirements (but, in all events, excluding reserves required under Regulation D to the extent included in the computation of the Eurodollar Rate) and/or (y) other circumstances since the date of this Agreement affecting such Lender or the interbank Eurodollar market or the position of such Lender in such market (excluding, however, differences in a Lender's cost of funds from those of Agent which are solely the result of credit differences between such Lender and Agent); or

(iii) at any time, that the making or continuance of any Eurodollar Loan has been made (x) unlawful by any law or governmental rule, regulation or order, (y) impossible by compliance by any Lender in good faith with any governmental request (whether or not having force of law) or (z) impracticable as a result of a contingency

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occurring after the date of this Agreement which materially and adversely affects the interbank Eurodollar market;

then, and in any such event, such Lender (or Agent, in the case of clause (i) above) shall promptly give notice (by telephone confirmed in writing) to Borrower and, except in the case of clause (i) above, to Agent of such determination (which notice Agent shall promptly transmit to each of the other Lenders). Thereafter (x) in the case of clause (i) above, Eurodollar Loans shall no longer be available until such time as Agent notifies Borrower and the Lenders that the circumstances giving rise to such notice by Agent no longer exist, and any Notice of Borrowing or Notice of Conversion or Continuation given by Borrower with respect to Eurodollar Loans (other than with respect to conversions to Base Rate Loans) which have not yet been incurred (including by way of conversion) shall be deemed rescinded by Borrower, (y) in the case of clause (ii) above, Borrower shall pay to such Lender, upon written demand therefor, such additional amounts (in the form of an increased rate of, or a different method of calculating, interest or otherwise as such Lender shall reasonably determine) as shall be required to compensate such Lender for such increased costs or reductions in amounts received or receivable hereunder (a written notice as to the additional amounts owed to such Lender, showing the basis for the calculation thereof, submitted to Borrower by such Lender shall, absent manifest error, be final and conclusive and binding on all the parties hereto; however the failure to give any such notice (unless the respective Lender has intentionally withheld or delayed such notice, in which case the respective Lender shall not be entitled to receive additional amounts pursuant to this Section 3.6 (a)(y) for periods occurring prior to the 180th day before the giving of such notice) shall not release or diminish Borrower's obligations to pay additional amounts pursuant to this Section 3.6 (a)(y) and (z) in the case of clause (iii) above, Borrower shall take one of the actions specified in Section 3.6(b) as promptly as possible and, in any event, within the time period required by law. In determining such additional amounts pursuant to clause (y) of the immediately preceding sentence, each Lender shall act reasonably and in good faith and will, to the extent the increased costs or reductions in amounts receivable relate to such Lender's loans in general and are not specifically attributable to a Loan hereunder, use averaging and attribution methods which are reasonable and which cover all loans similar to the Loans made by such Lender whether or not the loan documentation for such other loans permits the Lender to receive increased costs of the type described in this Section 3.6(a).

(b) Eurodollar Loans. At any time that any Eurodollar Loan is affected by the circumstances described in Section 3.6(a)(ii) or (iii), Borrower may (and, in the case of a Eurodollar Loan affected by the

circumstances described in Section 3.6(a)(iii), shall) either (i) if the affected Eurodollar Loan is then being made initially or pursuant to a conversion, by giving Agent telephonic notice (confirmed in writing) on the same date that Borrower was notified by the affected Lender or Agent pursuant to Section 3.6(a)(ii) or (iii), cancel the respective Borrowing, or (ii) if the affected Eurodollar Loan is then outstanding, upon at least three Business Days' written notice to Agent, require the affected Lender to convert such Eurodollar Loan into a Base Rate Loan, provided, that if more than one Lender is affected at any time, then all affected Lenders must be treated the same pursuant to this Section 3.6(b).

(c) Capital Requirements. If any Lender determines that the introduction of or any change in any applicable law or governmental rule, regulation, order, guideline or request

(whether or not having the force of law) concerning capital adequacy, or any change in (after the date of this Agreement) interpretation or administration thereof by any Governmental Authority, central bank or comparable agency, will have the effect of increasing the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender based on the existence of such Lender's Revolving Commitments hereunder or its obligations hereunder, then Borrower shall pay to such lender, upon its written demand therefor, such additional amounts as shall be required to compensate such Lender or such other corporation for the increased cost to such Lender or such other corporation or the reduction in the rate of return to such Lender or such other corporation as a result of such increase of capital. In determining such additional amounts, each Lender will act reasonably and in good faith and will use averaging and attribution methods which are reasonable and which will, to the extent the increased costs or reduction in the rate of return relates to such Lender's commitments or obligations in general and are not specifically attributable to the Revolving Commitments and obligations hereunder, cover all commitments and obligations similar to the Revolving Commitments and obligations of such Lender hereunder whether or not the loan documentation for such other commitments or obligations permits the Lender to make the determination specified in this Section 3.6(c), and such Lender's determination of compensation owing under this Section 3.6(c) shall, absent manifest error, be final and conclusive and binding on all the parties hereto. Each Lender, upon determining that any additional amounts will be payable pursuant to this Section 3.6(c), will give prompt written notice thereof to Borrower, which notice shall show the basis for calculation of such additional amounts, although the failure to give any such notice (unless the respective Lender has intentionally withheld or delayed such notice, in which case the respective Lender shall not be entitled to receive additional amounts pursuant to this Section 3.6(c) for periods occurring prior to the 180th day before the giving of such notice) shall not release or diminish any of Borrower's obligations to pay additional amounts pursuant to this Section 3.6(c).

(d) Change of Lending Office. Each Lender which is or will be owed compensation pursuant to Section 3.6(a) or (c) will, if requested by Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to cause a different branch or Affiliate to make or continue a Loan or Letter of Credit if such designation will avoid the need for, or materially reduce the amount of, such compensation to such Lender and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. Borrower hereby agrees to pay all reasonable expenses incurred by any Lender in utilizing a different branch or Affiliate pursuant to this Section 3.6(d). Nothing in this Section 3.6(d) shall affect or postpone any of the obligations of Borrower or the right of any Lender provided for herein.

3.7 Replacement of Affected Lenders. (x) If any Lender becomes a Defaulting Lender or otherwise defaults in its Obligations to make

Revolving Loans or fund Unpaid Drawings, (y) if any Lender is owed increased costs under Section 3.6(a)(ii) or (iii), Section 3.6(c) or Borrower is required to make any payments under Section 4.6(c) to any Lender materially in excess of those to the other Lenders or (z) as provided in Section 11.1(b) in the case of certain refusals by a Lender to consent to certain proposed amendment, changes, supplements, waivers, discharges or terminations with respect to this Agreement which have been approved by the Majority Lenders, Borrower shall have the right, if no Event of Default or Unmatured Event of Default then exists, to replace such Lender (the "Replaced Lender") with one or more other Eligible Assignee or Eligible Assignees, none of whom shall constitute a Defaulting Lender at the time of such replacement

(collectively, the "Replacement Lender") acceptable to Agent, provided that (i) at the time of any replacement pursuant to this Section 3.7, the Replacement Lender shall enter into one or more assignment agreements, in form and substance satisfactory to Agent, pursuant to which the Replacement Lender shall acquire all of the Revolving Commitments and outstanding Loans of the Replaced Lender and (ii) all obligations of Borrower owning to the Replaced Lender (including, without limitation, such increased costs and excluding those specifically described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being paid) shall be paid in full to such Replaced Lender concurrently with such replacement. Upon the execution of the respective assignment documentation, the payment of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Lender, delivery to the Replacement Lender of the appropriate Note or Notes executed by Borrower, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to constitute a Lender hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Lender. Notwithstanding anything to the contrary contained above, no Lender that acts as a Facing Agent may be replaced hereunder at any time which it has Letters of Credit outstanding hereunder unless arrangements satisfactory to such Facing Agent (including the furnishing of a standby letter of credit in form and substance, and issued by an issuer satisfactory to such Facing Agent or the depositing of cash collateral into the Collateral Account in amounts and pursuant to arrangements satisfactory to such Facing Agent) have been made with respect to such outstanding Letters of Credit.

ARTICLE IV.

REDUCTION OF COMMITMENTS; PAYMENTS AND PREPAYMENTS

4.1 Voluntary Reduction of Commitments. (a) Upon at least three Business Days' prior written notice (or telephonic notice confirmed in writing) to Agent at the Notice Office (which notice Agent shall promptly transmit to each Lender), Borrower shall have the right, without premium or penalty, to terminate the unutilized portion of the Revolving Commitments or the Swing Line Commitment, as the case may be, in part or in whole; provided that (x) any such voluntary termination of the Revolving Commitments shall apply to proportionately and permanently reduce the Revolving Commitment of each Lender, (y) any partial voluntary reduction pursuant to this Section 4.1 shall be in the amount of at least $5,000,000 and integral multiples of $5,000,000 in excess of that amount and (z) any such voluntary termination of the Revolving Commitments shall occur simultaneously with a voluntary prepayment, pursuant to Section 4.2 such that the total of the Revolving Commitments shall not be reduced below the aggregate principal amount of outstanding Revolving Loans plus the aggregate LC Obligations and the Swing Line Loan Commitment.

(b) In the event of certain refusals by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Majority Lenders as provided in Section 11.1(b), Borrower shall have the right, upon five (5)

Business Days' prior written notice to Agent (which notice Agent shall promptly transmit to each of the Lenders), to terminate the entire Revolving Commitment of such Lender, so long as all Loans, together with accrued and unpaid interest, fees and all other amounts, due and owing to such Lender are repaid concurrently with the effectiveness of such termination at which time Schedule 1.1 shall be deemed modified to reflect such changed amounts pursuant to Section

4.1(a) and Borrower cash collateralizes such Lender's Commitment Percentage of the LC Obligations. At such time, such Lender shall no longer constitute a "Lender" for purposes of this Agreement, except with respect to indemnifications under this Agreement which shall survive as to such repaid Lender.

4.2 Voluntary Prepayments. (a) Borrower shall have the right to prepay the Loans in whole or in part from time to time on the following terms and conditions: (i) Borrower shall give Agent irrevocable written notice at its Notice Office (or telephonic notice promptly confirmed in writing) of its intent to prepay the Loans or Swing Line Loans, the amount of such prepayment and the specific Borrowings to which such prepayment is to be applied, which notice shall be given by Borrower to Agent by 12:00 noon (New York City time) at least three Business on the date of such prepayment and which notice shall (except in the case of Swing Line Loans) promptly be transmitted by Agent to each of the applicable Lenders; (ii) each partial prepayment of any Borrowing (other than a Borrowing of Swing Line Loans) shall be in an aggregate principal amount of at least $1,000,000 and each partial prepayment of a Swing Line Loan shall be in an aggregate principal amount of at least $500,000; provided that no partial prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the aggregate principal amount of the outstanding Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount applicable thereto; (iii) Eurodollar Loans may only be prepaid pursuant to this Section 4.2 on the last day of an Interest Period applicable thereto or on any other day subject to Section 3.5; (iv) each prepayment in respect of any Borrowing shall be applied pro rata among the Loans comprising such Borrowing provided, that such prepayment shall not be applied to any Revolving Loans of a Default Lender at any time when the aggregate amount of Revolving Loans of any Non-Defaulting Lender exceeds such Non-Defaulting Lender's Commitment Percentage of all Revolving Loans then outstanding. The notice provisions, the provisions with respect to the minimum amount of any prepayment, and the provisions requiring prepayments in integral multiples above such minimum amount of this Section 4.2 are for the benefit of Agent and may be waived unilaterally by Agent.

(b) In the event of certain refusals by a Lender to consent to certain proposed changes, waivers, discharges or terminations with respect to this Agreement which have been approved by the Majority Lenders as provided in Section 11.1(b), Borrower shall have the right, upon five (5) Business Days' prior written notice to Agent (which notice Agent shall promptly transmit to each of the Lenders), to repay all Loans, together with accrued and unpaid interest, fees and all other amounts due and owing to such Lender in accordance with said Section 11.1(b), so long as (A) in the case of the repayment of Revolving Loans of any Lender pursuant to this clause (b), the Revolving Commitment of such Lender is terminated concurrently with such repayment pursuant to Section 4.1(b) and (B) in the case of the repayment of Loans of any Lender, the consents required by Section 11.1(b) in connection with the repayment pursuant to this clause (b) shall have been obtained.

4.3 Mandatory Prepayments.

(a) Prepayment Upon Overadvance. Borrower shall prepay the outstanding principal amount of the Revolving Loans or the Swing Line Loan

on any date on which the aggregate outstanding principal amount of such Loans together with the aggregate LC Obligations (after giving

effect to any other repayments or prepayments on such day) exceeds the aggregate Revolving Commitments or the Swing Line Loan Commitment, as the case may be, in the amount of such excess. If, after giving effect to the prepayment of all outstanding Revolving Loans, the aggregate LC Obligations exceeds the Revolving Commitments then in effect, Borrower shall cash collateralize LC Obligations by depositing, pursuant to a cash collateral agreement to be entered into in form and substance reasonably satisfactory to Agent, cash with Agent in an amount equal to the difference between such LC Obligations and the Revolving Loan Commitments then in effect. Agent shall establish in its name for the benefit of the Revolving Lenders a cash collateral account (the "Collateral Account") into which it shall deposit such cash to hold as collateral security for the LC Obligations.

(b) Payment at Termination Date. Borrower hereby unconditionally promises to pay to each Lender on the Termination Date, the unpaid principal amount of each Loan (including, without limitation, each Swing Line Loan) made by such Lender. Borrower hereby further agrees to pay interest in immediately available funds at the office of Administrative Agent on the unpaid principal amount of such Loans from time to time from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.6.

(c) Mandatory Prepayment Upon Asset Disposition. If Borrower or any of its Subsidiaries receives any Net Sale Proceeds attributable to any Asset Disposition, the Aggregate Revolving Commitment shall be permanently reduced by the amount of such Net Sale Proceeds. On the date of receipt of such Net Sale Proceeds and after giving effect to the reductions in the Revolving Commitments required by the preceding sentence, Borrower shall prepay outstanding Loans to the extent required by Section 4.3(a).

(d) Mandatory Prepayment Upon Incurrence of Indebtedness. On the date of receipt by Borrower and/or any of their Subsidiaries of Net Offering Proceeds from the incurrence of Indebtedness, the Aggregate Revolving Commitments shall be permanently reduced by an amount equal to 100% of such Net Offering Proceeds. On the date of receipt of any such Net Offering Proceeds and after giving effect to the reductions in the Revolving Commitments required by the preceding sentence, Borrower shall prepay outstanding Loans and/or cash collateralize LOC Obligations to the extent required by Section 4.3(a).

4.4 Application of Prepayments. Except as expressly provided in this Agreement, all prepayments of principal made by Borrower pursuant to Sections 4.2 and 4.3 shall be applied first to the payment of Base Rate Loans and second to the payment of Eurodollar Loans; and with respect to Eurodollar Loans, in such order as Borrower shall request (and in the absence of such request, as Agent shall determine). If any prepayment of Eurodollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount, such Borrowing shall immediately be converted into Base Rate Loans. All prepayments shall include payment of accrued interest on the principal amount so prepaid, shall be applied to the payment of interest before application to principal and shall include amounts payable, if any, under Section 3.5.

4.5 Method and Place of Payment.

(a) Except as otherwise specifically provided herein, all payments under this Agreement shall be made to Agent, for the ratable account of the Lenders entitled thereto, not later than 12:00 Noon (New York City time) on the date when due and shall be made in immediately available funds in lawful money of the United States of America and in each case to the account specified therefor for Agent or if no account has been so specified at the Payment Office, it being understood that with respect to payments in Dollars, written telex or telecopy notice by Borrower to Agent to make a payment from the funds in Borrower's account at the Payment Office shall constitute the making of such payment to the extent of such funds held in such account. Agent will thereafter cause to be distributed on the same day (if payment was actually received by Agent prior to 12:00 Noon (New York City time) on such day) like funds relating to the payment of principal or interest or fees ratably to the Lenders entitled to receive any such payment in accordance with the terms of this Agreement. If and to the extent that any such distribution shall not be so made by Agent in full on the same day (if payment was actually received by Agent prior to 12:00 Noon (New York City time) on such day), Agent shall pay to each Lender its ratable amount thereof and each such Lender shall be entitled to receive from Agent interest on such amount at the overnight Federal Funds Rate for each day from the date such amount is paid to Agent until the date Agent pays such amount to such Lender.

(b) Any payments under this Agreement which are made by Borrower later than 12:00 Noon (New York City time) shall, for the purpose of calculation of interest, be deemed to have been made on the next succeeding Business Day. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable during such extension at the applicable rate in effect immediately prior to such extension, except that with respect to Eurodollar Loans, if such next succeeding Business Day is not in the same month as the date on which such payment would otherwise be due hereunder or under any Note, the due date with respect thereto shall be the next preceding applicable Business Day.

4.6 Net Payments.

(a) All payments made by Borrower hereunder or under any Loan Document will be made without setoff, counterclaim or other defense. Except as provided in Section 4.6(d), all payments hereunder and under any of the Loan Documents (including, without limitation, payments on account of principal and interest and fees) shall be made by Borrower free and clear of and without withholding for or on account of any present or future tax, duty, levy, impost, assessment or other charge of whatever nature now or hereafter imposed by any Governmental Authority, but excluding therefrom (i) a tax imposed on the overall net income (including a franchise tax based on net income) of the lending office of the Lender in respect of which the payment is made by the jurisdiction in which the Lender is incorporated or the jurisdiction (or political subdivision or taxing authority thereof) in which its lending office is located, (ii) in the case of any Lender organized under the laws of any jurisdiction other than the United States or any state thereof (including the District of Columbia), any taxes imposed by the United States by means of withholding at the source unless such withholding results from a change in applicable law, treaty or regulations or the interpretation or administration thereof (including, without limitation, any guideline or policy not having the force of law) by any authority charged with the administration thereof subsequent to the date such Lender

becomes a Lender with respect to the Loan or portion thereof affected by such change and (iii) any tax imposed on or measured by the overall net income (including a franchise tax based on net income) of a Lender or an office or branch thereof by the United States of America or any political subdivision or taxing authority thereof or therein (such tax or taxes, other than excluded tax or taxes, being herein referred to as "Tax" or "Taxes"). If Borrower is required by law to make any deduction or withholding of any Taxes from any payment due hereunder or under any of the Loan Documents, then the amount payable will be increased to such amount which, after deduction from such increased amount of all such Taxes required to be withheld or deducted therefrom, will not be less than the amount due and payable hereunder had no such deduction or withholding been required.

(b) If Borrower makes any payment hereunder or under any of the Loan Documents in respect of which it is required by law to make any deduction or withholding of any Taxes, it shall pay the full amount to be deducted or withheld to the relevant taxation or other authority within the time allowed for such payment under applicable law and shall deliver to the Lenders within 30 days after it has made such payment to the applicable authority a receipt issued by such authority evidencing the payment to such authority of all amounts so required to be deducted or withheld from such payment.

(c) Without prejudice to the provisions of Section 4.6(a), if any Lender, or Agent on its behalf, is required by law to make any payment on account of Taxes on or in relation to any such received or receivable tax hereunder or under any of the Loan Documents by such Lender, or Agent on its behalf, or any liability for Tax in respect to any such payment is imposed, levied or assessed against any Lender or Agent on its behalf, Borrower will promptly indemnify such person against such Tax payment or liability, together with any interest, penalties and expenses (including counsel fees and expenses) payable or incurred in connection therewith, including any tax of any Lender arising by virtue of payments under this Section 4.6(c), computed in a manner consistent with Section 4.6(c). A certificate as to the amount of such payment by such Lender, or Agent on its behalf, absent manifest error, shall be final, conclusive and binding upon all parties hereto for all purposes.

(d) Each Lender that is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) agrees to deliver to Borrower and Agent on or prior to the Initial Borrowing Date, or in the case of a Lender that is an Assignee of an interest under this Agreement pursuant to Section 3.7 or 11.9 (unless the respective Lender was already a Lender hereunder immediately prior to such assignment), on the date of such assignment to such Lender, (i) two accurate and complete original signed copies of IRS Form 4224 or 1001 (or successor forms) certifying to such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments to be made under this Agreement and under any Note, or (ii) if the Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and cannot deliver either IRS Form 1001 or 4224 pursuant to clause (i) above, (x) a certificate substantially in the form of Exhibit 4.6(d) (any such certificate, a "Section 4.6(d)(ii) Certificate") and (y) two accurate and complete original signed copies of IRS Form W-8 (or successor form) certifying to such Lender's entitlement to a complete exemption from United States withholding tax with respect to payments of interest to be made under this Agreement and under any Note. In addition, each Lender agrees that from time to time after the Initial Borrowing Date, when a lapse in time or change in circumstances renders the

previous certification obsolete or inaccurate in any material respect, it will deliver to Borrower and Agent two new accurate and complete original signed copies of IRS Form 4224 or 1001, or Form W-8 and a Section 4.6(d)(ii)

Certificate, as the case may be, and such other forms as may be required in order to confirm or establish the entitlement of such Lender to a continued exemption from or reduction in United States withholding Tax with respect to payments under this Agreement and any Note, or it shall immediately notify Borrower and Agent of its inability to deliver any such form or certificate. Notwithstanding anything to the contrary contained in Section 4.6(a), but subject to Section 11.9(c) and the immediately succeeding sentence, (x) Borrower shall be entitled, to the extent it is required to do so by law, to deduct or withhold income or similar Taxes imposed by the United States (or any political subdivision or taxing authority thereof or therein) from interest, fees or other amounts payable hereunder for the account of any Lender which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for United States Federal income tax purposes to the extent that such Lender has not provided to Borrower IRS Forms that establish a complete exemption from such deduction or withholding and (y) Borrower shall be obligated pursuant to Section 4.6(a) hereof to gross-up payments to be made to a Lender in respect of income or similar Taxes imposed by the United States unless (I) upon timely notice from the Borrower, such Lender has not provided to Borrower the IRS Forms required to be provided to Borrower pursuant to this Section 4.6(d), or (II) in the case of a payment, other than interest, to a Lender described in clause (ii) above, to the extent that such IRS Forms do not establish a complete exemption from withholding of such Taxes. Notwithstanding anything to the contrary contained in the preceding sentence or elsewhere in this Section 4.6 and except as set forth in Section 11.9(c), Borrower agrees to pay additional amounts and to indemnify each Lender in the manner set forth in Section 4.6(a) (without regard to the identity of the jurisdiction requiring the deduction or withholding) in respect of any amounts deducted or withheld by it as described in the immediately preceding sentence as a result of any changes after the Initial Borrowing Date in any applicable law, treaty, governmental rule, regulation, guideline or order, or in the interpretation thereof, relating to the deducting or withholding of income or similar Taxes.

(e) Each Lender agrees that, as promptly as practicable after it becomes aware of the occurrence of any event or the existence of any condition that would cause Borrower to make a payment in respect of any Taxes to such Lender pursuant to Section 4.6(a) or a payment in indemnification for any Taxes pursuant to Section 4.6(c), it will use reasonable efforts to make, fund or maintain the Loan (or portion thereof) of such Lender with respect to which the aforementioned payment is or would be made through another lending office of such Lender if as a result thereof the additional amounts which would otherwise be required to be paid by such Borrower in respect of such Loans (or portions thereof) or participations in Letters of Credit pursuant to Section 4.6(a) or Section 4.6(c) would be materially reduced, and if, as determined by such Lender, in its sole discretion, the making, funding or maintaining of such Loans or participations in Letters of Credit (or portions thereof) through such other lending office would not otherwise materially adversely affect such Loans or such Lender. Borrower agrees to pay all reasonable expenses incurred by any Lender in utilizing another lending office of such Lender pursuant to this Section 4.6(e).

ARTICLE V.
REPRESENTATIONS AND WARRANTIES

To induce Agent and each Lender to enter into this Agreement and to make the Loans and issue (or participation in) the Letters of Credit, Borrower hereby represents and warrants to Agent and each Lender, and hereby agrees, as follows:

5.1 Corporate Existence; Compliance with Law. Each of Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the

corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified and in good standing as a foreign corporation, and is duly authorized to do business, in each jurisdiction where the ownership or leasing of property or the character of its operations makes such qualification necessary, except where the failure to so qualify would not reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that all failures to comply therewith would not reasonably be expected to have a Material Adverse Effect.

5.2 Corporate Power; Authorization; No Violation. The execution, delivery and performance by each Loan Party of this Agreement and the other Loan Documents to which it is a party (i) are within such Loan Party's corporate power, (ii) have been duly authorized by all necessary corporate, shareholder and other action on the part of each Person whose authorization is required, (iii) do not violate any Requirement of Law or any material Contractual Obligation applicable to such Loan Party, (iv) will not result in or require the creation or imposition of any Lien of any nature upon or with respect to any of the properties now owned or hereafter acquired by such Person and (v) will not require any authorization or approval or other action by, or notice to or filing or registration with, any Governmental Authority (other than those which have been obtained and are in force and effect).

5.3 Binding Effect. This Agreement has been, and the other Loan Documents to which any Loan Party is a party will be when executed and delivered, duly executed and delivered on behalf of Borrower and the other Loan Parties thereto. This Agreement constitutes, and the other Loan Documents to which any Loan Party is a party when executed and delivered will constitute, a legal, valid and binding obligation of Borrower and the other Loan Parties party thereto, enforceable against Borrower and such other Loan Parties in accordance with their respective terms, except as enforcement thereof may be subject to (i) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and (ii) general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law).

5.4 Purpose of Loans. The proceeds of the Loans shall be used by Borrower to (i) repay existing indebtedness under the Valcor Note and (ii) for general corporate and working capital purposes. No proceeds of any of the Loans will be used for "buying," "purchasing," or "carrying," any "margin stock" within the respective meanings of each of the quoted terms under

Regulation U or G of the Board as now and from time to time hereafter in effect or for any purpose which might cause any of the loans or extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulation G, T, U or X of the Board.

5.5 Subsidiaries. Schedule 5.5 annexed hereto and made a part hereof is a complete and correct list of all Subsidiaries of Borrower as of the Closing Date and separately identifies all Material Subsidiaries of Borrower as of the Closing Date. All of such Subsidiaries are Wholly-Owned Subsidiaries of Borrower except as otherwise indicated on such Schedule 5.5. There does not exist any encumbrance or restriction on the ability of (i) any Subsidiary of Borrower to pay dividends or make any other distributions on its capital stock or any other interest or participation in its profits owned by Borrower or any Subsidiary of Borrower, or to pay any Indebtedness owed to Borrower or a Subsidiary of Borrower, (ii) any Subsidiary of Borrower to make loans or advances to Borrower or any of Borrower's Subsidiaries or (iii) Borrower or any of its Subsidiaries to transfer any of its properties or assets to Borrower or any of its Subsidiaries, except for such encumbrances or restrictions existing

under or by reason of (x) applicable law, (y) this Agreement or the other Loan Documents or (z) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of Borrower or a Subsidiary of Borrower.

5.6 Indebtedness. Schedule 5.6 annexed hereto and made a part hereof is a complete and correct list of all Indebtedness of Borrower and its Subsidiaries which, in any individual instance exceeds $100,000 in principal amount and which is outstanding as of the Closing Date (other than Indebtedness which shall be prepaid with the proceeds of Revolving Loans made on the Closing Date).

5.7 Financial Statements; Financial Condition; Undisclosed Liabilities; Projections, etc.

(a) Financial Statements. The balance sheet of Borrower at December 31, 1995, December 31, 1996, December 31, 1997 and the related statements of operations, cash flows and shareholders' equity of Borrower for the Fiscal Year or other period ended on such dates, as the case may be, copies of which have been furnished to the Lenders prior to the date hereof which have been examined by Coopers & Lybrand L.L.P., independent certified public accountants, who delivered an unqualified opinion in respect thereto, were prepared in accordance with GAAP in effect on the date such statements were prepared and fairly present the consolidated financial condition and results of operations of the Borrower and its Subsidiaries at such dates and for the periods then ended. Since December 31, 1997, there has been no Material Adverse Effect.

(b) Solvency. On and as of the Closing Date, after giving effect to the Transaction and to all Indebtedness (including the Loans) being incurred, and to be incurred (and the use or proceeds thereof), and Liens created, and to be created, by Borrower in connection with the transactions contemplated hereby, (i) the sum of the assets, at a fair valuation, of Borrower will exceed its debts; (ii) Borrower has not incurred nor intends to, nor believes that it will, incur debts beyond its ability to pay such debts as such debts mature; and (iii) Borrower will have sufficient capital with which to conduct its business. For purposes of this Section 5.7(b) "debt"

means any liability on a claim, and "claim" means (y) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured (including all obligations, if any, under any Plan or the equivalent for unfunded past serviced liability, and any other unfunded medical and death benefits) or (z) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(c) No Undisclosed Liabilities. Except as fully reflected in the financial statements and the notes related thereto delivered pursuant to Section 5.7(a) and on Schedule 5.7(d) there were as of the Closing Date (and after giving effect to the Transaction and the other transactions contemplated hereby) no liabilities or obligations with respect to Borrower of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, would be material to Borrower. As of the Closing Date (and after giving effect to the Transaction and the other transaction contemplated hereby), Borrower does not know of any basis for the assertion against Borrower of any liability or obligation of any nature whatsoever that is not fully reflected in the financial statements or the notes related thereto delivered pursuant to Section 5.7(a) and on Schedule 5.6 which, either individually or in the aggregate,

could reasonably be expected to be material to Borrower.

(d) Projections. On and as of the Closing Date, the financial projections, attached hereto as Exhibit 5.7(d) and previously delivered to Agent and the Lenders (the "Projections") have been prepared on a basis consistent with the financial statements referred to in Section 5.7(a) and are based on good faith estimates and assumptions made by the management of Borrower, and there are no statements or conclusions in any of the Projections which are based upon or include information known to Borrower to be misleading or which fail to take into account material information regarding the matters reported therein. On the Closing Date, Borrower believed that the Projections were reasonable and attainable, it being understood that uncertainty is inherent in any forecasts or projections and that no assurance can be given that the results set forth in the Projections will actually be obtained.

5.8 No Material Litigation. There are no actions, suits, proceedings or investigations pending or, to the knowledge of Borrower, threatened against or affecting Borrower or any of its Subsidiaries or any of its or their respective properties or assets before any arbitrator or Governmental Authority or against any of its or their respective properties or revenues (a) with respect to this Agreement or any other Loan Document or any of the actions contemplated hereby or thereby, or (b) which would reasonably be expected to have a Material Adverse Effect.

5.9 Performance of Agreements. Neither Borrower nor any of its Subsidiaries is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation of Borrower or any of its Subsidiaries and no event or condition has occurred or become known or exists which with notice or the lapse of time or both would constitute such a default except where such default or defaults, if any, would not reasonably be expected to have a Material Adverse Effect.

5.10 Taxes. Borrower and each of its Subsidiaries has filed or caused to be filed all material tax returns and reports which are required to be filed, and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its properties or assets and all other taxes, fees and other charges imposed on its or any of their respective properties by any Governmental Authority other than those the amount or validity of which are currently being contested in good faith by appropriate proceedings diligently pursued and with respect to which reserves in conformity with GAAP have been provided on the books of Borrower and/or its Subsidiaries, as applicable) and no tax Lien has been filed or received. There is no proposed tax assessment against Borrower or any of its Subsidiaries which would reasonably be expected to have a Material Adverse Effect.

5.11 Governmental Regulation. (i) Neither Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by a company required to be registered as an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and (ii) neither Borrower nor any of its Subsidiaries is engaged directly or indirectly, principally, or as one of its important activities, in the business of extending, or arranging for the extension of, credit for the purposes of purchasing or carrying any margin stock, within the meaning of Regulation G, T, U or X of the Board.

5.12 Ownership of Property; Liens. Each of Borrower and its Subsidiaries has good and indefeasible title in fee simple to, or a valid leasehold interest in, all its material real property, and good title to, or a valid leasehold interest in, all its other material property, and none of such property is subject to any Lien except for Permitted Liens.

5.13 Intellectual Property. Borrower and each of its Subsidiaries

owns, or is licensed to use, all trademarks, tradenames, copyrights, technology, know-how, patents and processes necessary for the conduct of its business as currently conducted, except for those the failure to own or be licensed to use, which would not reasonably be expected to have a Material Adverse Effect (the "Intellectual Property"). No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does Borrower know of any valid basis for any such claim. To Borrower's or any of its Subsidiaries' knowledge, the use of such Intellectual Property by Borrower and its Subsidiaries does not infringe on the rights of any Person, except for such claims and infringements that, in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

5.14 Disclosure. This Agreement and any other document, certificate or statement furnished to Agent or any Lender by or on behalf of Borrower or any of its Subsidiaries, taken as a whole, do not contain any untrue statement of a material fact and do not omit to state a material fact necessary in order to make the statements contained herein and therein not misleading when made. There is no fact known to Borrower or any of its Subsidiaries which now has or in the future would reasonably be expected to have (so far as Borrower or any of its Subsidiaries can now reasonably foresee) a Material Adverse Effect which has not been set forth in this Agreement,

in the other documents and certificates furnished to Agent and each Lender specifically for use in connection with the transactions contemplated hereby.

5.15 ERISA. Borrower and each of its ERISA Affiliates are in compliance in all material respects with applicable provisions of ERISA and the Code and the regulations and published interpretations thereunder with respect to all Plans and, to the best of Borrower's knowledge, all Multiemployer Plans, except where noncompliance would not reasonably be expected to have a Material Adverse Effect. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan. The sum of the "amounts of unfunded benefit commitments" (as defined in Section 4001(a)(18) of ERISA) under all Plans (excluding each Plan with an amount of unfunded benefit commitments of zero or less) is not more than $3,000,000. The aggregate Withdrawal Liability under all Multiemployer Plans is not more than $3,000,000.

5.16 Labor Relations. Except to the extent that such practices, circumstances, events or questions would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (a) neither Borrower nor any of its Subsidiaries is engaged in any unfair labor practice and (b) no significant strike, labor dispute, slowdown or stoppage is pending against Borrower or any of its Subsidiaries or, to the best knowledge of Borrower, threatened against Borrower or any of its Subsidiaries.

5.17 Insurance. Except as otherwise permitted by Section 7.8, the properties of Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies, in such amounts, with such deductibles and covering such risks as are customarily carried by Persons engaged in the same or similar businesses.

5.18 Public Utility Holding Company Act. Neither Borrower nor any of its Subsidiaries is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, as amended.

ARTICLE VI.
CONDITIONS OF CREDIT

6.1 Conditions Precedent to Effectiveness. This Agreement shall become effective upon the satisfaction of each of the following conditions:

(a) Loan Documents. Agent shall have received each of:

(i) this Agreement, executed and delivered by a duly authorized officer of Borrower and each Lender;

(ii) for the account of each Lender, a Revolving Note conforming to the requirements hereof and executed by a duly authorized officer of Borrower;

(iii) for the account of BT, a Swing Line Note conforming to the requirements hereof and executed by a duly authorized officer of Borrower;

(iv) the Subsidiary Guarantee Agreement, executed and delivered by a duly authorized officer of each Subsidiary Guarantor party thereto; and

(v) all other Loan Documents.

(b) Corporate Proceedings. Agent shall have received (i) a copy of the resolutions, in form and substance satisfactory to Agent, of the board of directors of Borrower authorizing (x) the execution, delivery and performance of this Agreement, the Notes and the other Loan Documents to which it is a party and (y) the borrowings and other extensions of credit contemplated hereunder, certified by the Secretary or an Assistant Secretary of Borrower as of the Closing Date, which certificate shall state that the resolutions thereby certified have not been amended, revoked, or rescinded and shall be in form and substance satisfactory to Agent and (ii) copies of all documents and papers, including records of corporate proceedings, governmental approvals, good standing certificates, and bring down telegrams, if any, which Agent reasonably may have requested in connection therewith, such documents and papers where appropriate to be certified by proper corporate or governmental authorities.

(c) Corporate Documents. Agent shall have received, with a counterpart for each Lender, true and complete copies of the certificate of incorporation and by-laws of Borrower and each Subsidiary, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of such Person.

(d) Incumbency Certificate. Agent shall have received a certificate of the Secretary or an Assistant Secretary of each Loan Party, dated the Closing Date, as to the incumbency and signature of the officers of such Person executing the Loan Documents to which it is a party and any certificate or other documents to be delivered by it pursuant thereto.

(e) Fees. Agent shall have received, for the accounts of Lenders and Agent, all accrued fees and expenses due and owing hereunder or in connection herewith to Lenders and Agent.

(f) Legal Opinions. Agent shall have received, with a counterpart for each Lender, the executed legal opinion of Mark Hollingsworth, in-house counsel to Borrower, substantially in the form of Exhibit 6.1(f). Such legal opinions shall cover such other matters incident to the transactions contemplated by this Agreement as Agent may reasonably require and such counsel delivering the foregoing legal opinion is expressly instructed to deliver its opinion for the benefit of each of Agent and the Lenders.

(g) Termination of Existing Credit Facility. Agent shall have received evidence satisfactory to it that Borrower and its Subsidiaries will terminate or will otherwise be released from its obligations under the Canadian Credit Agreement, and that all agreements made by

Borrower and its Subsidiaries in connection with the provision of credit support and collateral security with respect thereto will be released and terminated.

(h) Approvals. All necessary governmental (domestic and foreign) and third party approvals in connection with the Agreement and the transactions contemplated by the Loan Documents and otherwise referred to herein or therein shall have been obtained and remain in effect, and all applicable waiting periods shall have expired without any action being taken by any competent authority which restrains, prevents or imposes materially adverse conditions upon the consummation of all or any part of the Transaction or the other transactions contemplated by the Loan Documents and otherwise referred to herein or therein. Additionally, there shall not exist any judgment, order, injunction or other restraint issued or filed or a hearing seeking injunctive relief or other restraint pending or notified prohibiting or imposing materially adverse conditions upon all or any part of the Transaction, the transactions contemplated by the Loan Documents or the making of the Loans.

(i) Litigation. No litigation by any entity (private or governmental) shall be pending or, to the best knowledge of Borrower, threatened with respect to this Agreement, any of the Loan Documents or any documentation executed in connection herewith or the transactions contemplated hereby (including, without limitation, the Transaction), or the obligations being refinanced in connection with the consummation of the Transaction or which Agent or the Majority Lenders shall determine could reasonably be expected to have a Material Adverse Effect.

(j) Appointment of Agent. Agent shall have received a letter from CT Corporation System, presently located at 1633 Broadway, New York, New York 10019, substantially in the form of Exhibit 6.1(j) hereto, indicating its consent to its appointment by Borrower as its agent to receive service of process as specified in Section 12.9 of this Agreement.

(k) Tax and Accounting Aspects of Transactions. Agent and the Majority Lenders shall be reasonably satisfied with all tax and accounting matters relating to the Transactions.

(l) Officer's Certificate. Agent shall have received a certificate executed by a responsible officer on behalf of Borrower, dated the date of this Agreement and in the form of Exhibit 6.1(l) hereto, stating that the representations and warranties set forth in Article V hereof are true and correct as of the date of the certificate, that no Event of Default or Unmatured Event of Default has occurred and is continuing and that the conditions of Section 6.1 hereof have been fully satisfied (except that no opinion need be expressed as to the Agent's or Majority Lenders' satisfaction with any document, instrument or other matter).

(m) Adverse Change. On or prior to the Closing Date, nothing shall have occurred (and no Agent nor any Lender shall have become aware of any facts or conditions not previously known) which Agent or the Majority Lenders shall determine has or reasonably could be expected to have, or could have a Material Adverse Effect.

(n) Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement, and the other Loan Documents shall be satisfactory in form and substance to Agent, and Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as any Agent or any Lender (acting through Agent) shall reasonably request.

6.2 Certain Conditions Precedent to Each Loan. The agreement of each Lender to make a Loan (including, without limitation, its initial Loans hereunder, but other than any Revolving Loan the proceeds of which are to be used exclusively to repay Refunded Swing Line Loans) and the obligation of any Facing Agent to issue or any Lender to participate in any Letter of Credit is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. All representations and warranties of Borrower and each Loan Party contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of such Loan;

(b) No Events of Default. There shall exist no Event of Default or Unmatured Event of Default;

(c) Available Revolving Commitment. After giving effect to the Loans requested to be made, no Lender will have an Available Revolving Commitment which is less than zero; and

(d) Other Matters. Agent shall have received such other documents or legal opinions as Agent may reasonably request, all in form and substance reasonably satisfactory to Agent and its counsel including, with respect to Revolving Loans, a request for a Borrowing in accordance with the provisions of Section 2.2(a) hereof; and with respect to the issuance of a Letter of Credit, Agent and the respective facing Agent shall have received a Letter of Credit Request meeting the requirements of Section 2.9(b).

Each request for a Borrowing and the acceptance by Borrower of the proceeds thereof shall constitute a representation and warranty by Borrower, as of the date of the Loans comprising such Borrowing that the conditions specified in Section 6.2(a), (b) and (c) have been satisfied.

ARTICLE VII.
AFFIRMATIVE COVENANTS

Borrower hereby agrees that, so long as the Revolving Commitments remain in effect, or any Loan or LC Obligation remains outstanding and unpaid or any other amount is owing to any Lender or any Agent hereunder, Borrower shall:

7.1 Financial Statements. Furnish to each Lender:

(a) as soon as available, but in any event within 120 days after the end of each fiscal year of Borrower, a copy of the consolidated balance sheet of Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income, retained earnings and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year; and

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of Borrower, the unaudited consolidated balance sheet of Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income, retained earnings and of cash flows of Borrower and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year (except with respect to balance sheet figures which shall be in comparative form for the previous audited period only);

all such financial statements shall be complete and correct in all material respects and shall be prepared in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by the accountants preparing such statements or Financial Officer, as the case may be, and disclosed therein) and, in the case of the consolidated financial statements referred to in Section 7.1(a), accompanied by a report thereon of independent certified public accountants of recognized national standing, which report shall contain no qualifications with respect to the continuance of Borrower and its Subsidiaries as going concerns and shall state that such financial statements present fairly the financial position of Borrower and its Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with GAAP and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards.

7.2 Certificates; Other Information. Furnish to each Lender (or, if specified below, to Agent):

(a) Accountant's Certificates. Concurrently with the delivery of the financial statements referred to in Section 7.1(a), (i) to the extent not contrary to the then current recommendations of the American Institute of Certified Public Accountants, a certificate from Coopers & Lybrand L.L.P. or other independent certified public accountants of nationally

recognized standing, stating that, in the course of their annual audit of the books and records of Borrower, no Event of Default or Unmatured Event of Default has come to their attention which was continuing at the end of such fiscal year or on the date of their certificate, or if such an Event of Default or Unmatured Event of Default has come to their attention, the certificate shall indicate the nature of such Event of Default or Unmatured Event of Default and the action which Borrower proposes to take with respect thereto, and (ii) a letter, in form satisfactory to Agent from such accountants with respect to reliance on such accountant's certificate and report on the annual consolidated financial statements referred to in this Section;

(b) Officer's Certificate. Concurrently with the delivery of the financial statements referred to in Sections 7.1(a) and 7.1(b), a certificate of a Financial Officer substantially in the form of Exhibit 7.2(b) stating that, to the best of such Financial Officer's knowledge, (i) such financial statements present fairly, in accordance with GAAP, the financial condition and results of operations of Borrower and its Subsidiaries for the period referred to therein (subject, in the case of interim statements, to normal recurring adjustments) and (ii) that no Event of Default or Unmatured Event of Default has occurred, except as specified in such certificates, which shall set forth detailed computations to the extent necessary to establish Borrower's compliance with the covenants set forth in Section 8.1 of this Agreement;

(c) Audit Reports and Statements. Promptly following Borrower's receipt thereof, copies of all consolidated financial or other consolidated reports or statements, if any, submitted to Borrower or any of its Subsidiaries by independent public accountants relating to any annual or interim audit of the books of Borrower or any of its Subsidiaries;

(d) Public Filings. Within 20 days after the same become public, copies of all financial statements, filings, registrations and reports which Borrower may make to, or file with, the United States Securities and Exchange Commission or any successor or analogous Governmental Authority;

(e) Status. Within five Business Days after the occurrence thereof, written notice to Agent of any change in the Most Recent Ratio of Consolidated Debt to Consolidated EBITDA which results in a change in the Applicable Margin or the Applicable Facility Fee, provided, however, that the failure to provide such notice shall not delay or otherwise affect any change in the Applicable Margin or other amount payable hereunder which is to occur upon such a change pursuant to the terms of this Agreement; and

(f) Other Requested Information. Such other information respecting the respective properties, business affairs, financial condition and/or operations of Borrower or any of its Subsidiaries as Agent or any Lender may from time to time reasonably request.

7.3 Notices. Promptly upon obtaining knowledge thereof, give notice to Agent (which shall promptly provide a copy of such notice to each Lender) of:

(a) Event of Default or Unmatured Event of Default. The occurrence of any Event of Default or Unmatured Event of Default, accompanied by a statement of a Financial Officer setting forth details of the occurrence referred to therein and stating what action Borrower proposes to take with respect thereto.

(b) Litigation and Related Matters. The commencement of, or any material development in any action, suit, proceeding or investigation pending or threatened against or affecting Borrower or any of its Subsidiaries or any of their respective properties before any arbitrator or Governmental Authority, in which the amount involved that Borrower reasonably determines is not covered by insurance is $1,000,000 or more, or which, if determined adversely to Borrower or any of its Subsidiaries, would reasonably be expected to have a Material Adverse Effect.

(c) Notice of Change of Control. Each occasion that there shall occur a Change of Control, and such notice shall set forth in reasonable detail the particulars of each such occasion.

7.4 Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it and preserve, renew and keep in full force and effect its and each Subsidiary's corporate existence and take all reasonable action to maintain all rights, privileges and franchises material to its and those of each of its Subsidiaries' businesses except as otherwise permitted pursuant to Sections 8.4 and 8.7 and comply and cause each of its Subsidiaries to comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith would not in the aggregate reasonably be expected to have a Material Adverse Effect.

7.5 Payment of Obligations. Pay or discharge or otherwise satisfy at maturity or, to the extent permitted hereby, prior to maturity or before they become delinquent, as the case may be, and cause each of its Subsidiaries

to pay or discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be:

(i) all its and their respective Indebtedness;

(ii) all taxes, assessments and governmental charges or levies imposed upon any of them or upon any of their income or profits or any of their respective properties or assets prior to the date on which penalties attach thereto; and

(iii) all lawful claims prior to the time they become a Lien (other than Permitted Liens) upon any of their respective properties or assets;

provided, however, that neither Borrower nor any of its Subsidiaries shall be required to pay or discharge any such Indebtedness, tax, assessment, charge, levy or claim while the same is being contested by it in good faith and by appropriate proceedings diligently pursued so long as Borrower or such Subsidiary, as the case may be, shall have set aside on its books adequate

reserves in accordance with GAAP (segregated to the extent required by GAAP) with respect thereto and title to any material properties or assets is not jeopardized in any material respect.

7.6 Inspection of Property, Books and Records. Keep, or cause to be kept, and cause each of its Subsidiaries to keep or cause to be kept, adequate records and books of account, in which complete entries are to be made reflecting its and their business and financial transactions, such entries to be made in accordance with sound accounting principles consistently applied and will permit, and cause each of its Subsidiaries to permit, any Lender or its respective representatives, at any reasonable time, and from time to time at the reasonable request of such Lender made to Borrower and upon reasonable notice, to visit and inspect its and their respective properties, to examine and make copies of and take abstracts from its and their records and books of account, and to discuss its and their respective affairs, finances and accounts with its and their principal officers, directors and independent public accountants (and by this provision Borrower authorizes such accountants to discuss with the Lenders and such representatives the affairs, finances and accounts of Borrower and its Subsidiaries; provided, however, that prior to the occurrence and continuance of an Event of Default, all such discussions shall take place in the presence of a Financial Officer of Borrower).

7.7 ERISA. (i) As soon as practicable and in any event within thirty days after Borrower or any of its Subsidiaries or ERISA Affiliates knows or has reason to know that a Reportable Event has occurred with respect to any Plan which would have a material adverse effect on such Plan, its assets or liabilities, deliver, or cause such Subsidiary or ERISA Affiliate to deliver, to Agent a certificate of a responsible officer of Borrower or such Subsidiary or ERISA Affiliate, as the case may be, setting forth the details of such Reportable Event and the action, if any, which Borrower or such Subsidiary or ERISA Affiliate is required or proposes to take, together with any notices required or proposed to be given; (ii) upon the request of any Lender made from time to time, deliver, or cause each Subsidiary or ERISA Affiliate to deliver, to each Lender a copy of the most recent actuarial report completed and annual report filed with respect to any Plan; (iii) as soon as possible and in any event within ten (10) days after Borrower or any of its Subsidiaries or ERISA Affiliates knows or has reason to know that any of the following have occurred or is reasonably likely to occur with respect to any Plan: (A) the Plan Sponsor intends to terminate such Plan, (B) the PBGC has instituted or will institute proceedings under Section 4042 of ERISA to terminate such Plan, (C) that an accumulated funding deficiency (as defined in Section 3.02(a) of ERISA and

Section 412(a) of the Code) has been incurred or that on application may be or has been made to the Secretary of the Treasury for a waiver or modification of the minimum funding standard (including any required installment payments) or on extension of any amortization period under Section 412 of the Code, or (D) that Borrower, or any Subsidiary of Borrower or any ERISA Affiliate will or may incur any liability (including, but not limited to, contingent or secondary liability) to or on account of the termination of or withdrawal from a Plan under Section 401(a)(29), 4971, 4975 or 4980 of the Code or Section 409 or 502(1) of ERISA, deliver, or cause such Subsidiary or ERISA Affiliate to deliver, to Agent a written notice thereof; and (iv) as soon as possible and in any event within thirty days after Borrower or any of its Subsidiaries or ERISA Affiliates knows or has reason to know that any of them has caused a complete withdrawal or partial withdrawal (within the meaning of Sections 4203 and 4205,

respectively, of ERISA) from any Multiemployer Plan, deliver, or cause such Subsidiary or ERISA Affiliate to deliver, to Agent a written notice thereof. For purposes of this Section 7.7, Borrower shall be deemed to have knowledge of all facts known by the Plan Administrator of any Plan of which Borrower is the Plan Sponsor, and each Subsidiary and ERISA Affiliate of Borrower shall be deemed to have knowledge of all facts known by the Plan Administrator of any Plan of which such Subsidiary or ERISA Affiliate, respectively, is a Plan Sponsor. In addition to its other obligations set forth in this Section 7.7, Borrower shall, and shall cause each of its Subsidiaries and ERISA Affiliates to,

(A) furnish to Agent, promptly after delivery of the same to the PBGC, a copy of any delinquency notice pursuant to Section 412(n) (4) of the Code,

(B) correct any such failure to satisfy funding requirements or delinquency referred to in the foregoing clauses (iii)(C) of the first sentence of this Section 7.7 and clause (A) above within ninety (90) days after the occurrence thereof, except where the failure to so satisfy would not reasonably be expected to have a Material Adverse Effect, and

(C) comply in good faith with the requirements set forth in Section 4980B of the Code and with Sections 601(a) and 606 of ERISA, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

7.8 Insurance. Borrower shall maintain, and shall cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, or such types and in such amounts as are customarily carried under similar circumstances by such other Persons. Such insurance shall be maintained with financially sound and reputable insurers, except that a portion of such insurance program (not to exceed that which is customary in the case of companies engaged in the same or similar business or having similar properties similarly situated) may be effected through self-insurance, provided adequate reserves therefor, in accordance with GAAP, are maintained.

7.9 Environmental Laws.

(a) Comply with in all material respects, and cause its Subsidiaries to comply with in all material respects, and, in each case take reasonable steps to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and take reasonable steps to

ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws except to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect;

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders, directives and information requests of all Governmental Authorities regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the pendency of such proceedings would not reasonably be expected to have a Material Adverse Effect; and

(c) Defend, indemnify and hold harmless Agent and the Lenders, and their respective employees, agents, officers and directors, from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of Borrower, any of its Subsidiaries or their respective properties, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorneys' and consultants' fees, investigation and laboratory fees, costs arising from any Remedial Actions, court costs and litigation expenses, except to the extent that any of the foregoing arise out of the gross negligence or willful misconduct of the party seeking indemnification therefor. The agreements in this clause (c) shall survive repayment of the Notes and all other Obligations.

7.10 Additional Subsidiary Guarantors. In the event any Person shall hereafter become a Material Subsidiary and in the further event such Person is a Domestic Subsidiary, Borrower shall, within 30 days, cause such Material Subsidiary to become a party to the Subsidiary Guarantee Agreement and deliver such other corporate authorization documents as Agent may reasonably request.

ARTICLE VIII.
NEGATIVE COVENANTS

Borrower hereby agrees that, so long as the Revolving Commitments remain in effect or any Obligation is owing to any Lender or any Agent hereunder, Borrower shall not, nor shall it permit any of its Subsidiaries to, directly or indirectly:

8.1 Financial Condition Covenants.

(a) Maintenance of Consolidated Net Worth. Permit Consolidated Net Worth on the last day of any fiscal quarter to be less than the sum of (i) ($6,163,000) plus (ii) the amount equal to 50% of the aggregate Consolidated Net Income of Borrower and its consolidated Subsidiaries since December 31, 1997; provided, however, that in the event that Borrower and its consolidated Subsidiaries have a consolidated net loss for any fiscal quarter, Consolidated Net Income for purposes only of clause (ii) of this Section 8.1(a) shall be deemed to be zero for such fiscal quarter plus (iii) the amount of any additional equity contributed after the date hereof including without limitation that resulting from any initial public offering.

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(b) Leverage Ratio. Permit the ratio of (a) Consolidated Debt on the last day of any fiscal quarter of Borrower (after giving effect to all payments and prepayments made on such date) to (b) Consolidated EBITDA for the period of four consecutive fiscal quarters ending on the last day of any fiscal quarter of Borrower to exceed 3.00 to 1.0.

(c) Interest Coverage Ratio. Permit the ratio of (i) Consolidated EBITDA for the period of four consecutive fiscal quarters ending on the last day of any fiscal quarter of Borrower to (ii) Consolidated Interest Expense for such period to be less than 4.25 to 1.0.

8.2 Indebtedness. Incur, directly or indirectly, or suffer to exist any Indebtedness except:

(a) Indebtedness incurred pursuant to this Agreement and the other Loan Documents;

(b) Intercompany Indebtedness; provided, however, that in the event of any subsequent issuance or transfer of any Capital Stock which results in the holder of such Indebtedness ceasing to be a Subsidiary of Borrower or any subsequent transfer of such Indebtedness (other than to Borrower or any of its Subsidiaries) such Indebtedness shall be required to be permitted under another clause of this Section 8.2; provided, further, however, that in the case of Intercompany Indebtedness consisting of a loan or advance to Borrower, each such loan or advance shall be subordinated to the indefeasible payment in full of all of Borrower's obligations pursuant to this Agreement and the other Loan Documents, and each such loan or advance shall be on open account and shall not be evidenced by a promissory note or other instrument;

(c) Indebtedness outstanding on the date hereof and listed on Schedule 8.2(d) hereto, provided that the Indebtedness under the Valcor Note shall be paid in full with the proceeds of the Initial Loans made hereto;

(d) Indebtedness under Interest Rate Protection Agreements entered into to protect Borrower or any of its Subsidiaries against fluctuations in interest rates in respect of the Obligations;

(e) Indebtedness under Currency Protection Agreements so long as management of Borrower or such Subsidiary, as the case may be, has determined that entering into of such Currency Protection Agreements are bona fide hedging activities; and

(f) other Indebtedness in an aggregate principal amount at any one time outstanding not in excess of $5,000,000.

8.3 Liens. Create, incur, assume or suffer to exist or agree to create, incur or assume any Lien (except for Permitted Liens) in, upon or with respect to any of its properties or assets (including, without limitation, any securities or debt instruments of any of its Subsidiaries),

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whether now owned or hereafter acquired, or assign or otherwise convey any right to receive income to secure any obligation.

8.4 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution); make any Material Asset Disposition; make any Acquisition; or make any material change in its present method of conducting business; provided, however, that as long as immediately after giving effect to such transaction, the resulting, surviving or transferee Person shall have Consolidated Net Worth in an amount which is not less than the Consolidated Net Worth of such Person prior to such transaction:

(a) any Subsidiary of Borrower may be merged or consolidated with or into Borrower (provided, however, that Borrower shall be the continuing or surviving corporation) or with or into any one or more Wholly-Owned Subsidiaries of Borrower (provided, however, that the (i) Wholly-Owned Subsidiary or Subsidiaries shall be the continuing or surviving corporation and (ii) in the case of any merger or consolidation between Subsidiaries at least one of that is a Subsidiary Guarantor, a Subsidiary Guarantor shall be the surviving Person);

(b) any Wholly-Owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to Borrower or any other Wholly-Owned Subsidiary of Borrower; and

(c) Borrower may make a Permitted Acquisition.

8.5 Restricted Payments. Either: (i) declare or pay any dividend or make any distribution on or in respect of its Capital Stock or to the direct or indirect holders of its Capital Stock (except dividends or distributions payable solely in its Non-Convertible Capital Stock or in options, warrants or other rights to purchase its Non-Convertible Capital Stock and except dividends or distributions payable to Borrower or a Subsidiary of Borrower) or (ii) purchase, redeem or otherwise acquire or retire for value any Capital Stock of Borrower (any such dividend, distribution, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Investment being hereinafter referred to as a "Restricted Payment"); provided, however, that after the second year anniversary hereof as long as no Event of Default or Unmatured Event of Default has occurred and is continuing or would result therefrom:

(a) Borrower or any Wholly-Owned Subsidiary of Borrower may make any Restricted Payment which, together with all other Restricted Payments made since the date hereof would not exceed the sum of:

(i) 50% of the Consolidated Net Income accrued during the period (treated as one accounting period) from December 31, 1997 to the end of the most recent Fiscal Quarter ending at least 45 days prior to the date of such Restricted Payment (or, in case such Consolidated Net Income shall be a deficit, minus 100% of such deficit), minus 100% of the amount of any write-downs, write-offs, other negative revaluations and other negative

extraordinary charges not otherwise reflected in Consolidated Net Income during such period excluding, for all purposes of this clause (i), items treated as balance sheet adjustments in respect of foreign currency translations; plus

(ii) $5,000,000;

(b) Borrower may pay dividends within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Section 8.5; provided, however, that such dividend shall be included (without duplication) in the calculation of the amount of Restricted Payment for purpose of Section 8.5(a); and

(c) Borrower may prepay the Valcor Note and such payment shall not be considered a Restricted Payment.

8.6 Distributions from Subsidiaries. Create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of Borrower to (i) pay dividends or make any other distributions on its Capital Stock or pay any Indebtedness or other obligation owed to Borrower or any of its other Subsidiaries, (ii) make any loans or advances to Borrower or any of its other Subsidiaries, or (iii) transfer any of its property or assets to Borrower or any of its other Subsidiaries, except:

(a) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the Closing Date and reflected on Schedule 8.6(a) hereto;

(b) any encumbrance or restriction with respect to a Subsidiary of Borrower pursuant to an agreement relating to any Indebtedness issued by such Subsidiary on or prior to the date on which such Subsidiary became a Subsidiary of Borrower or was acquired by Borrower (other than Indebtedness issued as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions in contemplation of or pursuant to which such Subsidiary became a Subsidiary or was acquired by Borrower) and outstanding on such date;

(c) any such encumbrance or restriction consisting of customary non-assignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease; and

(d) in the case of clause (iii) above, restrictions contained in security agreements securing Indebtedness of a Subsidiary of Borrower to the extent such restrictions restrict the transfer of the property subject to such security agreements.

8.7 Sales of Assets and Subsidiary Stock. Convey, sell, lease or otherwise dispose of (or agree to do any of the foregoing without the Agent's prior written consent) all or any part of the property or assets of a Subsidiary of Borrower with a value in excess of $1,000,000 unless Borrower or such Subsidiary receives consideration at the time of such disposition at least equal

to the fair market value, as determined in good faith by the board of directors of such Person (including a determination as to the value of all noncash consideration), of the shares and assets subject to such disposition. The Net Sale Proceeds of any disposition shall be applied in the manner set forth in Section 4.3.

8.8 Investments. Make any Investments except for Permitted Investments.

8.9 Transactions with Affiliates. Conduct any business or enter into any transaction or series of similar transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of Borrower or any legal or beneficial owner of 5% or more of any class of Capital Stock of Borrower or with any Affiliate of such owner (other than a Wholly-Owned Subsidiary of Borrower or an employee stock ownership plan for the benefit of Borrower's or any of its Subsidiaries' employees) unless the terms of such business, transaction or series of transactions are (i) as favorable to Borrower or such Subsidiary as terms that would be obtainable at the time for a comparable transaction or series of similar transactions in

arm's-length dealings with an unrelated third person or, if such transaction is not one which by its nature could be obtained from such person, is on fair and reasonable terms and (ii) are in the ordinary course of business or, if not in the ordinary course of business, are set forth in writing and the board of directors of Borrower or such Subsidiary, as the case may be, has determined in good faith that such business or transaction or series of transactions meets the applicable criteria set forth in clause (i) above.

8.10 Sale-Leasebacks. Lease any property as lessee in connection with a Sale and Leaseback Transaction entered into after the Closing Date.

8.11 Fiscal Year. Change the fiscal year of Borrower.

8.12 Amendments to Organizational Documents. Amend, modify or waive, or permit any amendment, modification or waiver as to any material provision of its articles of incorporation, by-laws or other similar governing documents if such amendment, modification or waiver would adversely affect the interests of Agent or the Lenders.

8.13 Accounting Changes. Make or permit to be made any change in accounting policies affecting the presentation of financial statements or reporting practices from those employed by it on the date hereof, unless (i) such change is required by GAAP, (ii) such change is disclosed to the Lenders through Agent or otherwise and (iii) relevant prior financial statements that are affected by such change are restated (in form and detail satisfactory to Agent) as may be required by GAAP to show comparative results.

8.14 Lines of Business. Enter into or acquire any line of business which is not reasonably related to the business engaged in as of the date hereof.

ARTICLE IX.
EVENTS OF DEFAULT

9.1 Events of Default. If any of the events, acts, conditions or occurrences (each, an "Event of Default") hereinafter set forth shall occur or exist (for any reason whatsoever, and whether such happening shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in accordance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) Failure to Make Payments When Due. (i) Borrower shall default in the payment when due of principal on any Loan in accordance with the terms hereof or any reimbursement obligation with respect to any Letter of Credit; or (ii) Borrower shall default in the payment when due of interest on any Loan in accordance with the terms hereof and such default shall continue for five (5) days after the date when due; or (iii) Borrower shall default in the payment when due of any other amount owing hereunder or any other Loan Document and such default shall continue for ten (10) days after the date when due; or

(b) Representations. Any representation or warranty made or deemed to be made by Borrower or any Loan Party herein or in any document, instrument or certificate delivered pursuant hereto shall prove to have been incorrect or misleading in any material respect on or as of the date made or deemed made; or

(c) Breach of Certain Covenants. Borrower shall fail to perform or comply with any term or condition contained in Sections 7.1, 7.2 or 7.3, Article VIII; or

(d) Other Defaults Under Agreement or Loan Documents. Borrower or any of its Subsidiaries shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as provided in clauses (a), (b) or (c) of this Section 9.1), and such default shall continue unremedied for a period of 30 days after written notice thereof shall have been given to Borrower by Agent or the Majority Lenders; or

(e) Default Under Other Agreements. Borrower or any of its Subsidiaries (i) shall default in the payment when due (after giving effect to any applicable grace period), whether at stated maturity or otherwise, of principal or interest in respect of Indebtedness having an aggregate principal amount of $3,000,000 or more; or (ii) shall fail to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness, if the effect of any such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause (determined without regard to whether any notice of acceleration or similar notice is required), such Indebtedness to be declared to be due and payable prior to its stated maturity, or cash collateral in respect thereof to be demanded; or

(f) Judgments. One or more judgments or decrees shall be entered against Borrower or any of its Subsidiaries involving, individually or in the aggregate, a liability of $3,000,000 or more and all such judgments or decrees shall not have been vacated, discharged or stayed pending appeal within sixty (60) days from the entry thereof but in any event prior to the commencement of enforcement proceedings; or

(g) Voluntary Insolvency, Etc. Borrower or any of its Material Subsidiaries shall become insolvent, generally fail to pay, or state in writing or publicly its inability or unwillingness to pay, its debts as they become due or call a meeting of creditors for the purpose of adjusting its debts; or Borrower or any of its Material Subsidiaries shall become insolvent or shall voluntarily commence any proceeding or file any petition under any bankruptcy, insolvency or similar law seeking dissolution or reorganization or the appointment of a receiver, trustee, custodian or liquidator for it or a substantial portion of its property, assets or business, or to effect a plan or other arrangement with its creditors, or shall file any answer admitting the jurisdiction of the court and the material allegations of an involuntary petition filed against it in any bankruptcy, insolvency or similar proceeding, or shall be adjudicated bankrupt, or shall make a general assignment for the benefit of creditors, or shall consent to, or acquiesce in the appointment of, a receiver, trustee, custodian or liquidator for a substantial portion of its property, assets or business; or

(h) Involuntary Insolvency, Etc. Involuntary proceedings or an involuntary petition shall be commenced or filed against Borrower or any of its Material Subsidiaries under any bankruptcy, insolvency or similar law or seeking the dissolution or reorganization of it or the appointment of a receiver, trustee, custodian or liquidator for it or of a substantial part of its property, assets or business, or any writ, judgment, warrant of attachment, execution or similar process shall be issued or levied against a substantial part of its property, assets or business, and such proceedings or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded, within sixty (60) days after commencement, filing or levy, as the case may be, or any order for relief shall be entered in any such proceeding; or

(i) Unenforceability. This Agreement shall cease for any reason to be in full force and effect (other than by reason of the satisfaction of all Borrower's or any of its Subsidiaries' obligations thereunder) or Borrower or any of its Subsidiaries or any other Person (other than the Lenders or Agent) shall disavow its obligations under any provision hereof or thereof, or shall deny that it has any or further obligations under any provision thereof, or shall contest the validity or enforceability of any provision thereof; or

(j) ERISA. (i) A Reportable Event or Reportable Events, or a failure to make a required installment or other payment (within the meaning of Section 412(n)(l) of the Code), shall have occurred with respect to any Plan or Plans that would reasonably be expected to result in liability of Borrower to the PBGC or to a Plan in an aggregate amount exceeding $3,000,000 and the Agent shall have notified Borrower in writing that (x) the Majority Lenders have made a determination that, on the basis of such Reportable Event or Reportable Events or such failure to

make a required payment, there are reasonable grounds (A) for the termination of such Plan or Plans by the PBGC, (B) for the appointment by the appropriate United States District Court of a trustee to administer such Plan or Plans or (C) for the imposition of a lien in favor of a Plan and (y) as a result thereof an Event of Default exists hereunder; or a Termination Event shall have occurred; or

(ii) The Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan and the amount of the Withdrawal Liability specified in such notice, when aggregated with all other Withdrawal Liabilities (determined as of the date or dates of such notification), exceeds $3,000,000; or

(iii) Borrower or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if solely as a result of such reorganization or termination the aggregate annual contributions of Borrower and its ERISA Affiliates to all Multiemployer Plans that are then in reorganization or have been or are being terminated have been or will be increased over the amounts required to be contributed to such Multiemployer Plans for their most recently completed plan years by an amount exceeding $3,000,000; or

(k) Change of Control. A Change of Control shall occur; or

(l) Environmental Default. The Borrower or any of its Subsidiaries shall be the subject of any proceeding or investigation pertaining to the release by Borrower or any of its Subsidiaries, or any other Person of any toxic or hazardous waste or substance into the environment, or any violation of any Environmental Law, which, in either case, would reasonably be expected to have a Material Adverse Effect.

THEN, and in any such event (except an Event of Default specified in paragraph (g) or (h) of this Section) and at any time thereafter while an Event of Default is continuing, Agent may with the consent of Majority Lenders, and at the direction of the Majority Lenders shall, take one or more of the following actions: (A) declare the Revolving Commitments terminated, whereupon the Revolving Commitment(s) of each Lender hereunder shall terminate immediately and all fees and other amounts accrued in accordance with this Agreement shall forthwith become due and payable without any other notice of any kind; (B)

declare all sums then owing by Borrower hereunder and under the Notes to be forthwith due and payable, whereupon all such sums shall become and be immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by Borrower; (C) exercise on behalf of itself and the Lenders all rights and remedies available to it and the Lenders under the Loan Documents or applicable law and (D) terminate any Letter of Credit which may be terminated in accordance with its terms, (iv) direct Borrower to pay (and Borrower agrees that upon receipt of such notice, or upon the occurrence of any Event of Default specified in Section 9.1(e) or Section 9.1(f) with respect to Borrower it will pay) to Agent such additional amount of cash, to be held as security by Agent, as

is equal to the aggregate Stated Amount of all Letters of Credit issued for the account of Borrower and its subsidiaries and then outstanding, provided, however, that if an Event of Default specified in paragraph (g) or (h) of this Section shall occur, the result which would occur upon the giving of notice by Agent to Borrower, as specified in clauses (A) or (B) above, shall occur automatically without the giving of any such notice. Promptly following the making of any such declaration, Agent shall give notice thereof to Borrower and each Lender, but failure to notify any Person shall not impair the effect of such declaration.

9.2 Rescission of Acceleration. Anything in Section 9.1 to the contrary notwithstanding, Agent shall, at the request of the Majority Lenders, rescind and annul any acceleration of the Notes under this Agreement by written instrument filed with Borrower; provided, however, that at the time such acceleration is so rescinded and annulled:

(i) all past due interest and principal, if any, on the Notes and all other sums payable under this Agreement (except any principal and interest on any Notes which has become due and payable solely by reason of such acceleration) shall have been duly paid, and

(ii) no other Event of Default or Unmatured Event of Default shall have occurred and be continuing which shall not have been waived in accordance with this Agreement.

9.3 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

ARTICLE X.
AGENT

10.1 Appointment and Authorization. Each Lender hereby irrevocably appoints, designates and authorizes BT as Agent (and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to have authorized Agent) to take such action on its behalf under the provisions of this Agreement and each other Loan Document and to exercise such powers and perform such duties as are expressly delegated to it by the terms of this Agreement or any other Loan Document, together with such powers as are reasonably incidental thereto (including, without limitation, to give notices and take such actions on behalf of the Majority Lenders as are consented to in writing by the Majority Lenders). Agent may perform any of its duties hereunder, or under the other Loan Documents, by or through its agents or employees.

10.2 Nature of Duties. Agent shall have no duties or responsibilities except those expressly set forth in this Agreement. The

duties of Agent shall be mechanical and administrative in nature. EACH LENDER HEREBY ACKNOWLEDGES AND AGREES THAT Agent SHALL

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NOT HAVE, BY REASON OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, A FIDUCIARY RELATIONSHIP TO OR IN RESPECT OF ANY LENDER. Nothing in any of the Loan Documents, expressed or implied, is intended to or shall be so construed as to impose upon Agent any obligations in respect of any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of Borrower in connection with the making and the continuance of the Loans hereunder and shall make its own appraisal of the credit worthiness of Borrower, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any lender with any credit or other information with respect thereto, whether coming into its possession before making of the Loans or at any time or times thereafter. Agent will promptly notify each Lender at any time that the Majority Lenders have instructed it to act or refrain from acting pursuant to Article IX.

10.3 Liability of Agent. Agent, its Affiliates, or any of their respective officers, directors, employees, agents, affiliates or attorneys-in-fact (collectively, the "Agent-Related Persons") shall not (i) be liable to any of the Lenders for any action taken or omitted to be taken by any of them under or in connection with this Agreement or any other Loan Document (except for their own gross negligence or willful misconduct), or (ii) be responsible in any manner to any of the Lenders for any recital, statement, representation or warranty made by Borrower or Affiliate of Borrower, or any officer thereof, contained in this Agreement or in any other Loan Document, or in any certificate, report, statement or other document referred to or provided for in, or received by Agent, or the Co-Agent under or in connection with, this Agreement or any other Loan Document, or the execution, validity, effectiveness, genuineness, enforceability, collectibility or sufficiency of this Agreement or any other Loan Document, or for any failure of Borrower to perform its obligations hereunder or thereunder. No Agent-Related Person shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the terms or provisions contained in, or conditions of, this Agreement or any other Loan Document, or the financial condition of Borrower, or the existence or possible existence of any Unmatured Event of Default or Event of Default unless requested to do so by the Majority Lenders, or to inspect the properties, books or records of Borrower or any of its Subsidiaries or Affiliates.

10.4 Reliance by Agent.

(a) The Lenders agree that Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter, telegram, facsimile, telex or telephone message, statement or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel (including counsel to Borrower), independent accountants and other experts selected by Agent. Agent may at any time request instructions from the Lenders with respect to actions or approvals (including the failure to act or approve) which by the terms of any of the Loan Documents Agent is permitted or required to take or to grant. The Lenders agree that Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first

receive such advice or concurrence of the Majority Lenders as it deems appropriate and, if it so requests, it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Lenders agree that Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement or any other Loan Document in accordance with a request or consent of the Majority Lenders and such request or consent and any action taken or failure to act pursuant thereto shall be binding upon all of the Lenders.

(b) For purposes of determining compliance with the conditions specified in Sections 6.1 and 6.2, each Lender that has executed this Agreement shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender, unless an officer of Agent, responsible for the transactions contemplated by the Loan Documents shall have received notice from the Lender prior to the initial Borrowing specifying in reasonable detail its objection thereto and either such objection shall not have been withdrawn by notice to Agent to that effect, or the Lender shall not have made available to Agent the Lender's ratable portion of such Borrowing.

10.5 Notice of Default. Agent shall not be deemed to have knowledge or notice of the occurrence of any Event of Default or Unmatured Event of Default, except with respect to defaults in the payment of principal, interest and fees required to be paid to Agent for the account of the Lenders, unless Agent shall have received written notice from a Lender or Borrower referring to this Agreement, describing such Event or Default or Unmatured Event of Default and stating that such notice is a "notice of default". In the event that Agent receives such a notice, Agent shall give notice thereof to the Lenders. Agent shall take such action with respect to such Event of Default or Unmatured Event of Default as shall be requested by the Majority Lenders in accordance with Article IX; provided, however, that unless and until Agent shall have received any such request, Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Event of Default or Unmatured Event of Default as it shall deem advisable or in the best interest of the Lenders.

10.6 Credit Decision. Each Lender expressly acknowledges that none of the Agent-Related Persons has made any representation or warranty to it and that no act by any Agent, hereinafter taken, including any review of the affairs of Borrower and its Subsidiaries shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender represents to Agent that it has, independently and without reliance upon Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower and its Subsidiaries, and all applicable bank regulatory laws relating to the transactions contemplated thereby, and made its own decision to enter into this Agreement and extend credit to Borrower hereunder. Each Lender also represents that it will, independently and without reliance upon Agent, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such

investigations as it deems necessary to inform itself as to the business, prospects, operations, property, financial and other condition and creditworthiness of Borrower or its Subsidiaries. Except for notices, reports

and other documents expressly herein required to be furnished to the Lenders by Agent, Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of Borrower which may come into the possession of any of the Agent-Related Persons.

10.7 Indemnification. The Lenders shall indemnify upon demand the Agent-Related Persons (to the extent not reimbursed by or on behalf of Borrower and without limiting the obligation of Borrower to do so), ratably according to each Lender's Commitment Percentage from and against any and all liabilities, obligations, losses, damages, claims, penalties, actions, judgments, suits, costs, and reasonable expenses and disbursements of any kind whatsoever which may at any time (including at any time following the repayment of the Loans) be imposed on, incurred by or asserted against any such Person any way relating to or arising out of this Agreement or any document contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Person under or in connection with any of the foregoing; provided, however, that no Lender shall be liable for the payment to the Agent-Related Persons of any portion of such liabilities, obligations, losses, damages, claims, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Person's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender shall reimburse Agent upon demand for its ratable share of any reasonable costs or out-of-pocket expenses (including Attorney Costs) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement, any other Loan Document, or any document contemplated by or referred to herein to the extent that Agent is not reimbursed for such expenses by or on behalf of Borrower. Without limiting the generality of the foregoing, if the IRS or any authority of the U.S. or other jurisdiction asserts a claim that Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason) such Lender shall indemnify Agent fully for all amounts paid, directly or indirectly, by Agent as tax or otherwise, including penalties and interest, and including any taxes imposed by any jurisdiction on the amounts payable to Agent under this Section 10.7, together with all Attorney Costs. The obligation of the Lenders in this Section 10.7 shall survive the payment of all Obligations hereunder and termination of the Agreement.

10.8 Agent in Individual Capacity. Agent and its Affiliates may make loans to, issue letters of credit for the account of, accept deposits from, acquire equity interests in and generally engage in any kind of banking, trust, financial advisory or other business with Borrower and its Subsidiaries and Affiliates as though Agent were not Agent hereunder and without notice to the Lenders. With respect to its Loans, Agent shall have the same rights and powers under this Agreement as any other Lender and may exercise the same as though it were not Agent hereunder

or under any other Loan Document, including, without limitation, the acceptance of fees or other consideration for services without having to account for the same to any of the Lenders. The terms "Lender" and "Lenders" shall include BT in its individual capacity.

10.9 Resignation by Agent.

(a) Agent may resign from the performance of all its

functions and duties hereunder at any time by giving fifteen (15) Business Days' prior written notice to Borrower and the Lenders. Such resignation shall take effect upon the acceptance by a successor Agent of appointment pursuant to clauses (b) and (c) below or as otherwise provided below.

(b) Upon any such notice of resignation, the Majority Lenders shall appoint a successor Agent who shall (unless an Event of Default has occurred and is continuing) be satisfactory to Borrower and shall be an incorporated bank or trust company.

(c) If a successor Agent shall not have been so appointed within said 15 Business Day period, Agent, with the consent of Borrower, shall then appoint a successor Agent who shall serve as Agent until such time, if any, as the Majority Lenders, with the consent of Borrower, appoint a successor Agent as provided above.

(d) If no successor Agent has been appointed pursuant to clause (b) or (c) by the 20th Business Day after the date such notice of resignation was given by Agent, Agent's resignation shall become effective and the Majority Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Majority Lenders, with the consent of Borrower, appoint a successor Agent as provided above.

(e) Upon the effective date of such resignation, only such successor Agent shall succeed to all the rights, powers and duties of the retiring Agent and the term "Agent" shall mean such successor agent and the retiring Agent's rights, powers and duties in such capacity shall be terminated. After any retiring Agent resigns hereunder as Agent the provisions of this Article X and Section 11.4 shall inure to their respective benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement; except with respect to indemnification provisions under this Agreement which shall survive as to such resigning Agent.

ARTICLE XI.
MISCELLANEOUS

11.1 No Waiver; Modifications in Writing. (a) No failure or delay on the part of Agent or any Lender in exercising any right, power or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies provided for in this Agreement are cumulative and are not exclusive of any remedies that may be available to any Agent or any Lender at law or in equity or otherwise.

No amendment, modification, supplement, termination or waiver of or to any provision of this Agreement or any Revolving Note, nor consent to any departure by Borrower therefrom, shall be effective unless the same shall be consented to by or on behalf of the Majority Lenders; provided, however, that the consent of each Lender (other than a Defaulting Lender) affected thereby shall be required to effect any amendment, modification, supplement, termination, waiver or consent, as the case may be (any of the foregoing, a "Modification"), which has the effect of

(i) reducing the aggregate principal amount of, or interest rate on, any of the Revolving Notes or releasing any Subsidiary Guarantor (other than as a result of a transaction permitted by Section 8.4 or an Asset Disposition made in accordance with the terms of this Agreement) or the aggregate amount of any fees provided for in this Agreement, except that any Modification that has the effect of reducing the aggregate amount of any fees payable to

Agent for its own account shall require only the consent of Agent;

(ii) extending the stated final maturity of any of the Revolving Commitments or the Revolving Notes or the date of any portion of any payment of principal of, or interest or fees in respect of, any of the Revolving Commitments or the Revolving Notes (other than by way of (a) Modification of any provision for, or having the effect of requiring, any mandatory prepayment of any portion of any Loan, or (b) Modification or waiver of any Event of Default (other than an Event of Default described in Section 9.1(a)(i), 9.1(g) or 9.1(h)) or Unmatured Event of Default); or

(iii) changing this proviso or the first sentence of Section 11.9(a), reduce the percentage specified in the definition of the term "Majority Lenders", or (except in connection with a permitted assignment by any Lender under this Agreement) the definition of the terms "Revolving Commitment" or "Commitment Percentage" (it being understood with respect to all of the foregoing that, with the consent of the Majority Lenders, additional extensions of credit pursuant to this Agreement may be included in the determination of the Majority Lenders on substantially the same basis as the extensions of Revolving Commitments are included in such determination on the date hereof);

provided, further, that the consent of Agent shall be required to effect any Modification that has the effect of (x) increasing the duties or obligations of Agent, (y) increasing the standard of care or performance required on the part of Agent, or (z) reducing or eliminating the indemnities, exculpations or immunities to which Agent is entitled.

Any Modification of or to any provision of this Agreement shall be effective only in the specific instance and for the specific purpose for which made or given and only if in writing. Except where notice is specifically required by this Agreement, no notice to or demand on Borrower or any other Person in any case shall entitle Borrower or such other Person to any other or further notice or demand in similar or other circumstances.

(b) If, in connection with any proposed change, waiver, discharge or termination to any of the provisions of this Agreement as contemplated by clauses (a)(i) through (iii), inclusive, of the first proviso to the third sentence of Section (a), the consent of the Majority Lenders is obtained but the consent of one or more of such other Lenders whose consent is required is not obtained, then Borrower shall have the right, so long as all non-consenting Lenders whose individual consent is required are treated as described in either clauses (A) or (B) below, to either (A) replace each such non-consenting Lender or Lenders with one or more Replacement Lenders pursuant to Section 3.7 so long as at the time of such replacement, each such Replacement Lender consents to the proposed amendment, modification, supplement, waiver, discharge, termination or other change or (B) terminate such non-consenting Lender's Revolving Commitment and repay all outstanding Loans of such Lender which gave rise to the need to obtain such Lender's consent, in accordance with Section 4.4(b) and/or 4.2(c); provided that, unless the Revolving Commitment terminated and Loans repaid pursuant to the preceding clause (B) are immediately replaced in full at such time through the addition of new Lenders or the increase of the Commitments and/or outstanding Loans of existing Lenders (who in each case must specifically consent thereto), then in the case of any action pursuant to preceding clause (B) the Majority Lenders (determined before giving effect to the proposed action) shall specifically consent thereto, provided, further, that in any event Borrower shall not have the right to replace a Lender, terminate its Revolving Commitment or repay its Loans solely as a result of the exercise of such Lender's rights (and the withholding of any required consent by such Lender) contemplated by the first

proviso to this Section 11.1(b).

11.2 Further Assurances. Borrower agrees to do, and to cause each Subsidiary to do, such further acts and things and to execute, acknowledge and deliver to the Lenders and/or Agent such assignments, agreements, documents, powers, instruments and opinions of counsel as any such Person may reasonably require or deem advisable to carry into effect the purposes of this Agreement or any of the Loan Documents or to better assure and confirm unto Agent and/or the Lenders, as applicable, their respective rights, powers and remedies under this Agreement.

11.3 Notices, Etc. Except where telephonic instructions or notices are authorized herein to be given, all notices, demands, instructions and other communications required or permitted to be given to or made upon any party hereto or any other Person shall be in writing and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by a reputable courier delivery service, or by prepaid telex, TWX or telegram (with messenger delivery specified in the case of a telegram), or by telecopier, and shall be deemed to be given for purposes of this Agreement on the third day after deposit in registered or certified mail, postage prepaid, and otherwise on the day that such writing is delivered or sent to the intended recipient thereof, or in the case of notice delivered by telecopy, upon completion of transmission with a copy of such notice also being delivered under any of the methods provided above, all in accordance with the provisions of this Section provided that any notice, request or demand to or upon any Agent or the Lenders pursuant to Sections 2.1, 2.2, 3.4 or 4.1 shall not be effective until received. Unless otherwise specified in a notice sent or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions and other communications in writing shall be given to or made upon the respective parties hereto at their

respective addresses (or to their respective telex, TWX or telecopier numbers) indicated on its signature page hereto or in any applicable Assignment and Assumption Agreement and, in the case of telephonic instructions or notices, by calling the telephone number or numbers indicated for such party on its signature page hereto or in any applicable Assignment and Assumption Agreement.

11.4 Costs, Expenses and Taxes; Indemnity.

(a) Generally. Borrower agrees (without duplication) to pay promptly upon request by Agent all reasonable costs and expenses in connection with the negotiation, preparation, printing, typing, reproduction, execution and delivery of this Agreement and the other Loan Documents and the documents and instruments referred to herein and therein and any amendment, waiver, consent relating hereto or thereto or other modifications of (or supplements to) any of the foregoing and any and all other documents and instruments furnished pursuant hereto or thereto or in connection herewith or therewith, including without limitation, the reasonable fees and out-of-pocket expenses of Winston & Strawn, special counsel to Agent, and any local counsel retained by Agent relative thereto, other Attorney Costs, independent public accountants and other outside experts retained by Agent in connection with the administration of this Agreement and the other Loan Documents, and all search fees, appraisal fees and expenses, title insurance policy fees, costs and expenses and filing and recording fees and all costs and expenses (including, without limitation, Attorney Costs), if any, paid by Agent or Lender in connection with the enforcement of this Agreement, any of the Loan Documents or any other agreement furnished pursuant hereto or thereto or in connection herewith or therewith. In addition, Borrower shall pay any and all present and future stamp, transfer excise and other similar taxes payable or determined to be payable in connection with the execution and delivery of this Agreement, any Loan Document, or the making of any Loan, and each agrees to save and hold

Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay by Borrower in paying, or omission by Borrower to pay, such taxes. Any portion of the foregoing fees, costs and expenses which remains unpaid more than thirty (30) days following Agent's or any Lender's statement and request for payment thereof shall bear interest from the date of such statement and request to the date of payment at the Default Rate.

(b) Indemnification. Borrower will indemnify and hold harmless Agent and each Lender and each director, officer, employee, agent and Affiliate of each Agent and each Lender (collectively, the "Indemnified Persons") from and against all losses, claims, damages, penalties, causes of action, obligations, costs, expenses or liabilities (including, without limitation, Attorney Costs and reasonable expenses, consultant fees and investigation fees) (collectively, "Expenses") to which such Indemnified Person shall become subject, insofar as such Expenses (or actions, suits or proceedings, including, without limitation, any inquiry or investigation or claim in respect thereof, whether or not any Indemnified Person is named as a party) arise out of, in any way relate to, or result from the transactions contemplated by this Agreement and to reimburse each Indemnified Person upon its demand, for any legal or other expenses incurred in connection with investigating, preparing to defend or defending any such loss, claim, damage, liability, action or claim; provided, however, that Borrower shall have no obligation to an Indemnified Person hereunder with respect to indemnified liabilities arising from the gross negligence or willful

misconduct of any such Indemnified Person or for any loss, claim, damage, liability, action or claim incurred by any Lender hereunder resulting solely from the gross negligence or willful misconduct of another Lender; and provided, further, however, that no Indemnified Person may settle any such action, suit or proceeding without the consent of Borrower which consent shall not be unreasonably withheld or delayed. If an action, suit or proceeding arising from any of the foregoing is brought against any Indemnified Person, Borrower shall, if requested by such Indemnified Person, resist and defend at its own expense such action, suit or proceeding or cause the same to be resisted and defended by counsel reasonably satisfactory to such Indemnified Person. Each Indemnified Person shall have the right to employ its own counsel to investigate and control the defense of any matter covered by such indemnity and the reasonable fees and expenses of such counsel shall be at the expense of the indemnifying party, provided, however, that in any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, Borrower shall not be liable for fees and expenses of more than one counsel (in addition to any local counsel), which counsel shall be designated by the Agent provided, further, however, each Indemnified Person shall have the right to employ separate counsel in any such inquiry, action, claim or proceeding and to control the defense thereof, and the reasonable fees and expenses of such counsel shall be at the expense of the Borrower if (i) Borrower shall have agreed in writing to pay such fees and expenses or (ii) such Indemnified Person shall have notified Borrower that it has been advised by counsel that there may be one or more legal defenses available to such Indemnified Person that are different from or additional to those available to the other Indemnified Persons and that such common representation would adversely impact the adequacy of the proposed representation. If Borrower shall fail to do, or cause to be done, any act or thing which it has covenanted to do or cause to be done under this Agreement or any representation or warranty on the part of Borrower contained in any Loan Document shall be breached, Agent may (but shall not be obligated to) do the same or cause it to be done or remedy any such breach, and may expend its own funds for such purpose, and will use its best efforts to give prompt written notice to Borrower that it proposes to take such action; provided, however, that any failure by Agent to do any such act or thing or give any such notice

shall not relieve Borrower of any such obligations and shall not impose or result in the imposition of any liability on Agent or any Lender. Any and all amounts so expended by Agent shall be due and payable by Borrower promptly upon Agent's demand therefor, together with interest thereon at a rate per annum equal to the Default Rate during the period from and including the date so demanded by Agent to the date of repayment. To the extent that the undertaking to indemnify, pay or hold harmless Agent or Lender as set forth in this Section 11.4 may be unenforceable because it is violative of any law or public policy, Borrower shall make the maximum contribution to the payment and satisfaction of each of the indemnified liabilities which is permissible under applicable law.

(c) If any sum due from Borrower under this Agreement or any order or judgment given or made in relation hereto has to be converted from the currency (the "first currency") in which the same is payable hereunder or under such order or judgment into another currency (the "second currency") for the purpose of (i) making or filing a claim or proof against Borrower with any Governmental Authority or in any court or tribunal, or (ii) enforcing any order or judgment given or made in relation hereto, Borrower shall indemnify and hold harmless each of the Persons to whom

such sum is due from and against any loss actually suffered as a result of any discrepancy between (a) the rate of exchange used to convert the amount in question from the first currency into the second currency, and (b) the rate or rates of exchange at which such Person, acting in good faith in a commercially reasonable manner, purchased the first currency with the second currency after receipt of a sum paid to it in the second currency in satisfaction, in whole or in part, of any such order, judgment, claim or proof. The foregoing indemnity shall constitute a separate obligation of Borrower distinct from its other obligations hereunder and shall survive the giving or making of any judgment or order in relation to all or any of such other obligations.

(d) The obligations of Borrower under this Section and the other indemnification obligations of the Borrower under this Agreement shall be effective and binding on Borrower irrespective of whether any Loans are made and shall survive (i) the termination of this Agreement and the discharge of Borrower's other obligations hereunder and under the Notes and (ii) the assignment by any Lender of any of its interests herein pursuant to Section 11.9(c) with respect to any acts, omissions and/or events occurring or arising prior to the Effective Date of such assignment.

(e) Nothing contained in this Section shall be deemed to limit or reduce any indemnity in favor of any Agent or any Lender contained in any other Loan Document or agreement.

11.5 Confirmations. Each of Borrower and each holder of a Note agrees, from time to time, upon written request received by it from the other, to confirm to the other in writing (with a copy of each such confirmation to Agent) the aggregate unpaid principal amount of the Loans then outstanding under such Note.

11.6 Transfer of Notes. In the event that the holder of any Revolving Note (including any Lender) shall transfer such Note, it shall immediately advise Agent and Borrower of such transfer, and Agent and Borrower shall be entitled conclusively to assume that no transfer of any Note has been made by any holder (including any Lender) unless and until Agent and Borrower shall have received written notice to the contrary. Each transferee of any Note shall take such Note subject to the provisions of this Agreement and to any Modification or other action taken under this Agreement prior to the receipt by Agent and Borrower of written notice of such transfer by each previous holder of such Note and, except as expressly otherwise provided in such notice, Agent and Borrower shall be entitled conclusively to assume that

the transferee named in such notice shall thereafter be vested with all rights and powers under this Agreement with respect to the Loans of the Lender named as the payee of the Note which is the subject of such transfer.

11.7 Adjustments; Setoff.

(a) If, other than as expressly set forth elsewhere herein, any Lender shall obtain on account of the Committed Loans made by it any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) in excess of its Commitment Percentage of payments on account of the Committed Loans obtained by all the Lenders, such

Lender shall forthwith (x) notify Agent of such fact, and (y) purchase from the other Lenders such participations in the Committed Loans made by them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Lender, such purchase shall to that extent be rescinded and each other Lender shall repay to the purchasing Lender the purchase price paid thereto together with an amount equal to such paying Lender's Commitment Percentage (according to the proportion of (i) the amount of such paying Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender, of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. Agent will keep records (which shall be conclusive and binding in the absence of manifest error), of participations purchased pursuant to this Section 11.7 and will in each case promptly notify the Lenders and Borrower following any such purchases. Any payments received after the Lenders have taken action pursuant to this Section 11.7 shall be allocated ratably among the Revolving Loans and the Swing Line Loans of all the Lenders.

(b) Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 11.7 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of setoff, but subject to Section 11.7(d)) with respect to such participation as fully as if such Lender were the direct creditor of Borrower in the amount of such participation.

(c) Nothing herein shall require any Lender to exercise any right of setoff or similar rights or shall affect the right of any Lender to exercise, and retain the benefits of exercising, any such right with respect to any other Indebtedness or obligation of Borrower.

(d) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to Borrower or any other Person, any such notice being expressly waived by Borrower, upon the occurrence of an Event of Default to setoff and apply against any Obligations any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, whether matured or unmatured, of Borrower to such Lender, any amount owing from such Lender or any branch or agency thereof to or for the credit or account of Borrower, at or at any time after, the happening of any of the above-mentioned events, and the aforesaid right of setoff may be exercised by such Lender against Borrower or against any trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receivers, or execution, judgment or attachment creditor of Borrower, or against anyone else claiming through or against, Borrower or such trustee in bankruptcy, debtor in possession, assignee for the benefit of creditors, receivers, or execution, judgment or attachment creditor, notwithstanding the fact that such right of setoff shall not have been exercised by such Lender prior to the making, filing or issuance, or service upon such Lender of, or of

notice of, any such petition, assignment for the benefit of creditors, appointment or application for the appointment of a receiver, or issuance of execution, subpoena, order or warrant. Each Lender agrees promptly to notify Borrower and Agent after any such setoff and application made by such Lender; provided,

however, that the failure to give such notice shall not affect the validity of such setoff and application.

(e) Borrower expressly agrees that to the extent Borrower makes a payment or payments and such payment or payments, or any part thereof, are subsequently invalidated, declared to be fraudulent or preferential, set aside or are required to be repaid to a trustee, receiver, or any other party under any bankruptcy act, state or federal law, common law or equitable cause, then to the extent of such payment or repayment, the Indebtedness to the Lenders or part thereof intended to be satisfied shall be revived and continued in full force and effect as if said payment or payments had not been made.

11.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement and it shall not be necessary in making proof of this Agreement to produce more than one such counterpart or counterparts bearing the signatures of all of the parties thereto.

11.9 Binding Effect; Assignment; Addition and Substitution of Lenders.

(a) This Agreement shall be binding upon, and inure to the benefit of, Borrower, Agent, the Lenders, all future holders of the Notes and their respective successors and assigns; provided, however, that Borrower may not assign its rights or obligations hereunder or in connection herewith or any interest herein (voluntarily, by operation of law or otherwise) without the prior written consent of Agent and all of the Lenders.

(b) Each Lender may at any time sell to one or more banks or other entities ("Participants") participating interests in all or any portion of its Revolving Commitment and Loans or participation in Letters of Credit or any other interest of such Lender hereunder (in respect of any Lender, its "Credit Exposure"). In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, and Borrower and Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Borrower agrees that if amounts outstanding under this Agreement or any of the Loan Documents are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any other Loan Document, provided, however, that such right of setoff shall be subject to the obligation of such Participant to share with the Lenders, and the Lenders agree to share with such Participant, as provided in Section 12.6. Borrower also agrees that each Participant shall be entitled to the benefits of Section 3.6 and 4.7 with respect to its participation in the Loans outstanding from time to time. Each Lender agrees that any agreement between such Lender and any such Participant in respect of such participating interest shall not restrict such Lender's right to approve or agree to any amendment, restatement, supplement

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or other modification to, waiver of, or consent under, this Agreement or any of the Loan Documents except to the extent that any of the forgoing would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating beyond the Termination Date, or reduce the rate or extend the time of payment of interest or fees on any such Loan or Note (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof, or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that waivers or modifications of conditions precedent, covenants, Events of Default or Unmatured Events of Default or of a mandatory reduction in Commitments shall not constitute a change in the terms of such participation, and that an increase in any Revolving Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof) or (ii) consent to the assignment or transfer by Borrower of any of its rights and obligations under this Agreement.

(c) Any Lender may at any time assign to one or more Eligible Assignees, including an Affiliate thereof (each an "Assignee"), all or any part of its Credit Exposure pursuant to an Assignment and Assumption Agreement, provided that (i) it assigns its Credit Exposure in an amount not less than $5,000,000 (or if less the entire amount of Lender's Credit Exposure) and (ii) any assignment of all or any portion of any Lender's Credit Exposure to an Assignee other than another Lender shall require the prior written consent of Agent and Borrower (the consent of Borrower not to be unreasonably withheld or delayed), and provided further, that notwithstanding the foregoing limitations, any Lender may at any time assign all or any part of its Credit Exposure to any Affiliate of such Lender or to any other Lender. Upon execution of an Assignment and Assumption Agreement and the payment of a nonrefundable assignment fee of $3,500 in immediately available funds to Agent at its Payment Office in connection with each such assignment, written notice thereof by such transferor Lender to Agent and the recording by Agent of such assignment and the resulting effect upon the Loans and Revolving Commitment of the assigning Lender and the Assignee, the Assignee shall have, to the extent of such assignment, the same rights and benefits as it would have if it were a Lender hereunder and the holder of the Obligations (provided that Borrower and Agent shall be entitled to continue to deal solely and directly with the assignor Lender in connection with the interests so assigned to the Assignee until written notice of such assignment, together with payment instructions, addresses and related information with respect to the Assignee, shall have been given to Borrower and Agent by the assignor Lender and the Assignee) and, if the Assignee has expressly assumed, for the benefit of Borrower, some or all of the transferor Lender's obligations hereunder, such transferor Lender shall be relieved of its obligations hereunder to the extent of such assignment and assumption, and except as described above, no further consent or action by Borrower, the Lenders or Agent shall be required. At the time of each assignment pursuant to this Section 12.8(c) to a Person which is not already a Lender hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) United States Federal income tax purposes, the respective Assignee shall provide to Borrower and Agent the appropriate IRS Forms (and, if applicable a Section 4.7(d)(ii) Certificate) described in Section 4.7(d). Each Assignee shall take such Credit Exposure subject to the provisions of this Agreement and to any request made, waiver or consent given or other action taken hereunder, prior to the receipt by Agent and Borrower of written notice of such transfer, by each previous holder of such Credit Exposure. Such Assignment and Assumption Agreement shall be deemed to amend this Agreement and Schedule 1.1(a) hereto, to the extent, and only to the extent, necessary to reflect the

addition of such Assignee as a Lender and the resulting adjustment of all or a portion of the rights and obligations of such transferor Lender under this Agreement, the Revolving Commitment, the determination of its Commitment Percentage (rounded to twelve decimal places), the Loans and any new Notes to be issued, at Borrower's expense, to such Assignee, and no further consent or action by Borrower or the Lenders shall be required to effect such amendments.

(d) Borrower authorizes each Lender to disclose to any Participant or Assignee (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning Borrower and any Subsidiary of Borrower which has been delivered to such Lender by Borrower pursuant to this Agreement or which has been delivered to such Lender by Borrower in connection with such Lender's credit evaluation of Borrower prior to entering into this Agreement; provided that such Transferee or prospective Transferee agrees to treat any such information which is not public as confidential.

(e) Notwithstanding any other provision set forth in this Agreement, any Lender may at any time pledge or assign all or any portion of its rights under this Agreement and the other Loan Documents (including, without limitation, the Notes held by it) to any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board without notice to, or the consent of, Borrower. No such pledge or assignment shall release the transferor Lender from its obligations hereunder.

11.10 CONSENT TO JURISDICTION; MUTUAL WAIVER OR JURY TRIAL.

(A) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, BORROWER HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH CREDIT PARTY HEREBY IRREVOCABLY DESIGNATES, APPOINTS AND EMPOWERS CT CORPORATION SYSTEM WITH OFFICES ON THE DATE HEREOF AT 1633 BROADWAY, NEW YORK, NEW YORK 10019 AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE, ACCEPT AND ACKNOWLEDGE FOR AND ON ITS BEHALF, AND IN RESPECT OF ITS PROPERTY, SERVICE OF ANY AND ALL LEGAL PROCESS, SUMMONS, NOTICES AND DOCUMENTS WHICH MAY BE SERVED IN ANY SUCH ACTION OR PROCEEDING. IF FOR ANY REASON SUCH DESIGNEE, APPOINTEE AND AGENT SHALL CEASE TO BE AVAILABLE TO ACT AS SUCH, BORROWER AGREES TO DESIGNATE A NEW DESIGNEE, APPOINTEE AND AGENT IN NEW YORK CITY ON THE TERMS AND FOR THE PURPOSES OF THIS PROVISION SATISFACTORY TO AGENT UNDER THIS AGREEMENT. BORROWER FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH BORROWER, AT ITS ADDRESS SET FORTH OPPOSITE ITS

SIGNATURE BELOW, SUCH SERVICE TO BECOME EFFECTIVE THIRTY (30) DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF AGENT UNDER THIS AGREEMENT, ANY LENDER OR THE HOLDER OF ANY NOTE TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST BORROWER IN ANY OTHER JURISDICTION.

(B) BORROWER HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE

AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (A) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY COURT OR JURISDICTION, INCLUDING WITHOUT LIMITATION THOSE REFERRED TO IN CLAUSE (A) ABOVE, IN RESPECT TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

11.11 Governing Law. THIS AGREEMENT AND EACH NOTE SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE INTERNAL LAWS OF THE STATE OF NEW YORK, AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH SUCH LAWS OF SAID STATE, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAWS.

11.12 Registry. Borrower hereby designates Agent to serve as Borrower's agent, solely for purposes of this Section 11.12 to maintain a register (the "Register") on which it will record the Commitment from time to time of each of the Lenders, the Loans made by each of the Lenders and each repayment in respect of the principal amount of the Loans of each Lender. Failure to make any such recordation, or any error in such recordation shall not affect Borrower's obligations in respect of such Loans. With respect to any Lender, the transfer of the Commitments of such Lender and the rights to the principal of, and interest on, any Loan made pursuant to such Commitment shall not be effective until such transfer is recorded on the Register maintained by Agent with respect to ownership of such Commitment and Loans and prior to such recordation all amounts owing to the transferor with respect to such Commitments and Loans shall remain owing to the transferor. The registration of assignment or transfer of all or part of any Commitment and Loans shall be recorded by Agent on the Register only upon the acceptance by Agent of a properly executed and delivered Assignment and Assumption Agreement pursuant to Section 11.9. Coincident with the delivery of such an Assignment and Assumption Agreement to Agent for acceptance and registration of assignment or transfer of all or part of a Loan, or as soon thereafter as practicable, the assigning or transferor Lender shall surrender the Note evidencing such Loan,

and thereupon one or more new Notes in the same aggregate principal amount then owing to such assignor or transferor Lender shall be issued to the assigning or transferor Lender and/or the new Lender. Borrower agrees to indemnify Agent from and against any and all losses, claims, damages and liabilities of whatsoever nature which may be imposed on, asserted against or incurred by Agent in performing its duties under this Section 11.12 except for those resulting solely from Agent's willful misconduct and/or gross negligence in the performance of such duties.

11.13 Severability of Provisions. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

11.14 Headings. The Table of Contents and Article, Section and Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

11.15 Independent Nature of Lenders' Rights. The amounts payable at any time under this Agreement to each Agent and each Lender shall be separate

and independent debts; each Lender shall be entitled to protect and enforce its rights arising out of this Agreement; and it shall not be necessary for any Agent or any other Lender to be joined as an additional party in any proceeding for such purpose.

11.16 Survival of Representations. Unless a longer period is provided herein, all covenants, agreements and representations in this Agreement shall survive the making by the Lenders of the Loans and the execution and delivery to Agent for the account of the Lenders of the Notes evidencing the Loans, regardless of any investigation made by any Agent or the Lenders and of the Agent's and the Lenders' access to any information, and shall continue in full force and effect until the final and indefeasible payment in full of the Notes and all of Borrower's obligations under this Agreement and the termination of the Revolving Commitments in their entirety.

11.17 Confidentiality. Each of the Lenders severally agrees to keep confidential all non-public information pertaining to Borrower and its Subsidiaries which is provided to it by any such parties in accordance with such Lender's customary procedures for handling confidential information of this nature and in a prudent fashion, and shall not disclose such information to any Person except (i) to the extent such information is public when received by such Lender or becomes public thereafter due to the act or omission of any party other than a Lender, (ii) to the extent such information is independently obtained from a source other than Borrower or its Subsidiaries and such information from such source is not, to such Lender's knowledge, subject to an obligation of confidentiality or, if such information is subject to an obligation of confidentiality, that disclosure of such information is permitted, (iii) to an Affiliate of such Lender, counsel, auditors, examiners of any regulatory authority having jurisdiction over such Lender, accountants and other consultants retained by Agent or any Lender, (iv) in connection with any litigation or the enforcement of the rights of any Lender or Agent under this Agreement or any other Loan Document, (v) to the extent required by any applicable statute, rule or regulation or court order (including, without limitation,

by way of subpoena) or pursuant to the request of any Governmental Authority having jurisdiction over any Lender or Agent; provided, however, that in such event, if the Lender(s) are able to do so, the Lender shall provide Borrower with prompt notice of such requested disclosure so that Borrower may seek a protective order or other appropriate remedy, and, in any event, the Lenders will endeavor in good faith to provide only that portion of such information which, in the reasonable judgment of the Lender(s), is relevant and legally required to be provided, or (vi) to the extent disclosure to other entities is appropriate in connection with any proposed or actual assignment or grant of a participation by any of the Lenders of interests in this Agreement and/or any of the other Loan Documents to such other financial institutions (who will in turn be required to maintain confidentiality as if they were Lenders parties to this Agreement). In no event shall Agent or any Lender be obligated or required to return any such information or other materials furnished by Borrower.

11.18 Effectiveness. This Agreement shall become effective on the date (the "Effective Date") on which Borrower and each of the Lenders shall have signed a counterpart of this Agreement (whether the same or different counterparts) and shall have delivered the same to the Agent at the Notice Office (or to Agent's counsel as directed by such counsel) or, in the case of the Lenders, shall have given to Agent or telephonic (confirmed in writing), written, telex or facsimile notice (actually received) at such office or the office of Agent's counsel that the same has been signed and mailed to it. Agent will give Borrower and each Lender prompt written notice of the occurrence of the Effective Date.

11.19 Waiver of Immunities. Subject to Section 11.10 of this Agreement, each Lender waives, in relation to any action or proceeding arising out of or relating to this Agreement or any Note, any sovereign immunity or other immunity to suit or to execution or attachment to which such Lender or any of its property may be or become entitled.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

COMPX INTERNATIONAL INC.

By: /s/ BOBBY D. O'BRIEN

Name: Bobby D. O'Brien

Title: Vice President and Treasurer

BANKERS TRUST COMPANY,
individually as a Lender and as
Agent

By: /s/ ROBERT R. TELESCA

Name: Robert R. Telesca

Title: Assistant Vice President

FIRST UNION NATIONAL BANK,
as a Lender

By: /s/ ROGER PELZ

Name: Roger Pelz

Title: Senior Vice President

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NATIONSBANK, N.A.
as a Lender

By: /s/ DEKLE S. GRIFFITH

Name: Dekle S. Griffith

Title: Vice President

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WACHOVIA BANK, N.A.
as a Lender

By: /s/ THOMAS F. SNIDER

Name: Thomas F. Snider

Title: Vice President

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the inclusion in this registration statement on this Form S-1 (File No. 333-42643) of our reports dated January 23, 1998 (except for Note 12 as to which the date is March 5, 1998) on our audits of the consolidated financial statements and financial statement schedules of CompX International Inc. We also consent to the reference to our firm under the caption "Experts."

COOPERS & LYBRAND L.L.P.

Dallas, Texas
March 5, 1998