

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

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___

Commission file number 1-13905

COMPX INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

57-0981653
(IRS Employer
Identification No.)

5430 LBJ Freeway, Suite 1700

Dallas, Texas 75240-2620

(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock	CIX	NYSE American

No securities registered pursuant to Section 12(g) of the Act.

Indicate by check mark:

If the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registration was required to submit such files). Yes No

Whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Whether the Registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the 1.7 million shares of voting stock held by nonaffiliates of CompX International Inc. as of June 30, 2020 (the last business day of the Registrant's most recently completed second fiscal quarter) approximated \$23.3 million.

As of February 24, 2021, registrant had 12,451,157 shares of Class A common stock, \$.01 par value per share, outstanding.

Documents incorporated by reference

The information required by Part III is incorporated by reference from the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

PART I

ITEM 1. BUSINESS

General

CompX International Inc. (NYSE American: CIX), incorporated in Delaware in 1993, is a leading manufacturer of security products used in the recreational transportation, postal, office and institutional furniture, cabinetry, tool storage, healthcare and a variety of other industries. We are also a leading manufacturer of stainless steel exhaust systems, gauges, throttle controls, wake enhancement systems and trim tabs for the recreational marine industry. Our products are principally designed for use in medium to high-end product applications where design, quality and durability are valued by our customers.

At December 31, 2020, (i) NL Industries, Inc. (NYSE: NL) owns approximately 86% of our outstanding common stock, Valhi, Inc. (NYSE: VHI) owns approximately 83% of NL's outstanding common stock and a subsidiary of Contran Corporation owns approximately 92% of Valhi's outstanding common stock. As discussed in Note 1 to our Consolidated Financial Statements, a majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons and various family trusts established for the benefit of Ms. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister) and their children and for which Ms. Simmons or Mr. Connelly, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly serves as trustee, he is required to vote the shares of Contran voting stock held in such trusts in the same manner as Ms. Simmons. Such voting rights of Ms. Simmons last through April 22, 2030 and are personal to Ms. Simmons. The remainder of Contran's outstanding voting stock is held by another trust (the "Family Trust"), which was established for the benefit of Ms. Simmons and her late sister and their children and for which a third-party financial institution serves as trustee. Consequently, at December 31, 2020, Ms. Simmons and the Family Trust may be deemed to control Contran, and therefore may be deemed to indirectly control the wholly-owned subsidiary of Contran, Valhi, NL and us.

Our corporate offices are located at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240. Our telephone number is (972) 448-1400. We maintain a website at www.compx.com.

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

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. Statements in this Annual Report that are not historical facts are forward-looking in nature and represent management's beliefs and assumptions based on currently available information. In some cases, you can identify forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expects" or comparable terminology, or by discussions of strategies or trends. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we do not know if these expectations will be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. The factors that could cause actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Annual Report and those described from time to time in our other filings with the U.S. Securities and Exchange Commission (the "SEC") and include, but are not limited to, the following:

- Future demand for our products,
- Changes in our raw material and other operating costs (such as zinc, brass, aluminum, steel and energy costs) and our ability to pass those costs on to our customers or offset them with reductions in other operating costs,
- Price and product competition from low-cost manufacturing sources (such as China),
- The impact of pricing and production decisions,

- Customer and competitor strategies including substitute products,
- Uncertainties associated with the development of new products and product features,
- Future litigation,
- Our ability to protect or defend our intellectual property rights,
- Potential difficulties in integrating future acquisitions,
- Decisions to sell operating assets other than in the ordinary course of business,
- Environmental matters (such as those requiring emission and discharge standards for existing and new facilities),
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters, including future tax reform,
- The impact of current or future government regulations (including employee healthcare benefit related regulations),
- General global economic and political conditions that disrupt or introduce instability into our supply chain, impact our customers' level of demand or our customers' perception regarding demand or impair our ability to operate our facilities (including changes in the level of gross domestic product in various regions of the world, natural disasters, terrorist acts, global conflicts and public health crises such as COVID-19),
- Operating interruptions (including, but not limited to labor disputes, hazardous chemical leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime, transportation interruptions, cyber-attacks and public health crises such as COVID-19); and
- Possible disruption of our business or increases in the cost of doing business resulting from terrorist activities or global conflicts.

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

Industry Overview

We manufacture engineered components utilized in a variety of applications and industries. We manufacture mechanical and electrical cabinet locks and other locking mechanisms used in recreational transportation, postal, office and institutional furniture, cabinetry, tool storage and healthcare applications. We also manufacture stainless steel exhaust systems, gauges, throttle controls, wake enhancement systems, trim tabs and related hardware and accessories for the recreational marine and other industries. We continuously seek to diversify into new markets and identify new applications and features for our products, which we believe provide a greater potential for higher rates of earnings growth as well as diversification of risk. See also Item 6 – “Selected Financial Data” and Item 7 – “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Business Segments

We have two operating business segments – Security Products and Marine Components. For additional information regarding our segments, see “Part II – Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 2 to the Consolidated Financial Statements.

Manufacturing, Operations and Products

Security Products. Our Security Products segment manufactures mechanical and electrical cabinet locks and other locking mechanisms used in a variety of applications including ignition systems, mailboxes, file cabinets,

desk drawers, tool storage cabinets, high security medical cabinetry, integrated inventory and access control secured narcotics boxes, electronic circuit panels, storage compartments, gas station security, vending and cash containment machines. Our Security Products segment has one manufacturing facility in Mauldin, South Carolina and one in Grayslake, Illinois which is shared with Marine Components. We believe we are a North American market leader in the manufacture and sale of cabinet locks and other locking mechanisms. These products include:

- disc tumbler locks which provide moderate security and generally represent the lowest cost lock to produce;
- pin tumbler locking mechanisms which are more costly to produce and are used in applications requiring higher levels of security, including *KeSet*[®] and *System 64*[®] (which each allow the user to change the keying on a single lock 64 times without removing the lock from its enclosure), *TuBar*[®] and *Turbine*[™]; and
- our innovative *CompX eLock*[®] and *StealthLock*[®] electronic locks which provide stand-alone or networked security and audit trail capability for drug storage and other valuables through the use of a proximity card, magnetic stripe, radio frequency or other keypad credential.

A substantial portion of our Security Products' sales consist of products with specialized adaptations to an individual customer's specifications, some of which are listed above. We also have a standardized product line suitable for many customers, which is offered through a North American distribution network to locksmith and smaller original equipment manufacturer distributors via our *STOCK LOCKS*[®] distribution program.

Marine Components. Our Marine Components segment manufactures and distributes stainless steel exhaust components, gauges, throttle controls, wake enhancement systems, trim tabs and related hardware and accessories primarily for performance and ski/wakeboard boats. Our Marine Components segment has a facility in Neenah, Wisconsin and a facility in Grayslake, Illinois which is shared with Security Products. Our specialty Marine Component products are high precision components designed to operate within tight tolerances in the highly demanding marine environment. These products include:

- original equipment and aftermarket stainless steel exhaust headers, exhaust pipes, mufflers and other exhaust components;
- high performance gauges such as GPS speedometers and tachometers;
- mechanical and electronic controls and throttles;
- wake enhancement devices, trim tabs, steering wheels, and billet aluminum accessories
- dash panels, LED indicators, and wire harnesses; and
- grab handles, pin cleats and other accessories.

For information regarding our three principal manufacturing facilities, see "Item 2 – Properties."

Raw Materials

Our primary raw materials are:

- Security Products - zinc and brass (for the manufacture of locking mechanisms).
- Marine Components - stainless steel (for the manufacture of exhaust headers and pipes and wake enhancement systems), aluminum (for the manufacture of throttles and trim tabs) and other components.

These raw materials are purchased from several suppliers, are readily available from numerous sources and accounted for approximately 12% of our total cost of sales for 2020. Total material costs, including purchased components, represented approximately 43% of our cost of sales in 2020.

We occasionally enter into short-term commodity-related raw material supply arrangements to mitigate the impact of future price increases in commodity-related raw materials, including zinc, brass and stainless steel.

These arrangements generally provide for stated unit prices based upon specified purchase volumes, which help us to stabilize our commodity-related raw material costs to a certain extent. At other times we may make spot market buys of larger quantities of raw materials to take advantage of favorable pricing or volume-based discounts. Markets for the primary commodity-related raw materials used in the manufacture of our locking mechanisms, primarily zinc and brass, remained relatively stable through 2019 and 2020. Similarly, over the same periods, the market for stainless steel, the primary raw material used for the manufacture of marine exhaust headers and pipes and wake enhancement systems, remained relatively stable. While we expect the markets for our primary commodity-related raw materials to remain stable during 2021, we recognize that economic conditions could introduce renewed volatility on these and other manufacturing materials. When purchased on the spot market, each of these raw materials may be subject to sudden and unanticipated price increases. When possible, we seek to mitigate the impact of fluctuations in these raw material costs on our margins through improvements in production efficiencies or other operating cost reductions. In the event we are unable to offset raw material cost increases with other cost reductions, it may be difficult to recover those cost increases through increased product selling prices or raw material surcharges due to the competitive nature of the markets served by our products. Consequently, overall operating margins can be affected by commodity-related raw material cost pressures. Commodity market prices are cyclical, reflecting overall economic trends, specific developments in consuming industries and speculative investor activities.

Patents and Trademarks

We hold a number of patents relating to our component products, certain of which we believe to be important to us and our continuing business activity. Patents generally have a term of 20 years, and our patents have remaining terms ranging from 1 year to 19 years at December 31, 2020.

Our major trademarks and brand names in addition to *CompX*[®] include:

Security Products	Security Products	Marine Components
<i>CompX</i> [®] <i>Security Products</i> [™]	<i>Lockview</i> [®]	<i>CompX Marine</i> [®]
<i>National Cabinet Lock</i> [®]	<i>System 64</i> [®]	<i>Custom Marine</i> [®]
<i>Fort Lock</i> [®]	<i>SlamCAM</i> [®]	<i>Livorsi</i> [®] <i>Marine</i>
<i>Timberline</i> [®] <i>Lock</i>	<i>RegulatoR</i> [®]	<i>Livorsi II</i> [®] <i>Marine</i>
<i>Chicago Lock</i> [®]	<i>CompXpress</i> [®]	<i>CMI Industrial</i> [®]
<i>STOCK LOCKS</i> [®]	<i>GEM</i> [®]	<i>Custom Marine</i> [®] <i>Stainless Exhaust</i>
<i>KeSet</i> [®]	<i>Turbine</i> [™]	<i>The #1 Choice in Performance Boating</i> [®]
<i>TuBar</i> [®]	<i>NARC iD</i> [®]	<i>Mega Rim</i> [®]
<i>StealthLock</i> [®]	<i>NARC</i> [®]	<i>Race Rim</i> [®]
<i>ACE</i> [®]	<i>ecoForce</i> [®]	<i>Vantage View</i> [®]
<i>ACE</i> [®] <i>II</i>		<i>GEN-X</i> [®]
<i>CompX eLock</i> [®]		

Sales, Marketing and Distribution

A majority of our component sales are direct to large OEM customers through our factory-based sales and marketing professionals supported by engineers working in concert with field salespeople and independent manufacturer's representatives. We select manufacturer's representatives based on special skills in certain markets or relationships with current or potential customers.

In addition to sales to large OEM customers, a substantial portion of our Security Products sales are made through distributors. We have a significant North American market share of cabinet lock security product sales as a result of the locksmith distribution channel. We support our locksmith 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 end users.

We sell to a diverse customer base with only one customer representing 10% or more of our sales in 2020 (United States Postal Service representing 17%). Our largest ten customers accounted for approximately 48% of our sales in 2020.

Competition

The markets in which we participate are highly competitive. We compete primarily on the basis of product design, including space utilization and aesthetic factors, product quality and durability, price, on-time delivery, service and technical support. We focus our efforts on the middle and high-end segments of the market, where product design, quality, durability and service are valued by the customer. Our Security Products segment competes against a number of domestic and foreign manufacturers. Our Marine Components segment competes with small domestic manufacturers and is minimally affected by foreign competitors.

Regulatory and Environmental Matters

Our operations are subject to federal, state and local laws and regulations relating to the use, storage, handling, generation, transportation, treatment, emission, discharge, disposal, remediation of and exposure to hazardous and non-hazardous substances, materials and wastes (“Environmental Laws”). Our operations also are subject to federal, state and local laws and regulations relating to worker health and safety. We believe we are in substantial compliance with all such laws and regulations. To date, the costs of maintaining compliance with such laws and regulations have not significantly impacted our results. We currently do not anticipate any significant costs or expenses relating to such matters; however, it is possible future laws and regulations may require us to incur significant additional expenditures.

Human Capital Resources

Employees – Our operating results depend in part on our ability to successfully manage our human capital resources, including attracting, identifying, and retaining key talent. We have a well-trained labor force with a substantial number of long-tenured employees. We provide competitive compensation and benefits to our employees. In addition to salaries, these programs can include annual bonuses, defined contribution plans with employer matching opportunities, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, family care resources, employee assistance programs, and tuition assistance.

As of December 31, 2020, we employed 513 people, all in the United States. We strive to maintain good relationships with all of our employees at each of our facilities.

Health and Safety – Protecting the health and safety of our employees, our customers, our business partners and the natural environment is one of our core values. We are committed to conducting our business in ways that provide all personnel with a safe and healthy work environment and have established safety and environmental programs and goals to achieve such results. We expect our manufacturing facilities to produce our products safely and in compliance with local permits and policies intended to protect the environment and we have established global policies designed to promote such compliance. We require our employees to comply with legal and regulatory requirements and our policies, standards and practices.

Diversity and Inclusion – We recognize that everyone deserves respect and equal treatment. We embrace diversity and collaboration in our workforce and our business initiatives. We are an equal opportunity employer and we base employment decisions on merit, competence and qualifications, without regard to race, color, national origin, gender, age, religion, disability, sex, sexual orientation or other characteristics protected by applicable law in the jurisdictions in which we operate. We promote a respectful, diverse and inclusive workplace in which all individuals are treated with respect and dignity.

Environmental, Social and Governance (“ESG”)

We seek to operate our business in line with sound ESG principles that include corporate governance, social responsibility, sustainability, and cybersecurity. At our facilities, we undertake various environmental sustainability programs, and we promote social responsibility and volunteerism through programs designed to support and give back to the local communities in which we operate. At a corporate level, we engage in periodic reviews of our cybersecurity program, including cybersecurity risk and threats, and have established stock ownership guidelines for our non-employee directors.

Website and Available Information

Our fiscal year end is always the Sunday closest to December 31, and our operations are reported on a 52 or 53-week fiscal year. For presentation purposes, annual and quarterly information in this Form 10-K are presented as ended on March 31, June 30, September 30, and December 31, as applicable. The actual date of our fiscal years ended December 31, 2018, 2019 and 2020 are December 30, 2018, December 29, 2019, and January 3, 2021, respectively. Our fiscal year ending December 31, 2020 was a 53-week year. We furnish our stockholders with annual reports containing audited financial statements. In addition, we file annual, quarterly and current reports; proxy and information statements and other information with the SEC. We also make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all related amendments, available free of charge through our website at www.compx.com as soon as reasonably practical after they have been filed with the SEC. We also provide to anyone, without charge, copies of the documents upon written request. Requests should be directed to the attention of the Corporate Secretary at our address on the cover page of this Form 10-K.

Additional information, including our Audit Committee Charter, our Code of Business Conduct and Ethics and our Corporate Governance Guidelines, can also be found on our website. Information contained on our website is not a part of this Annual Report.

We are an electronic filer. The SEC maintains an internet website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers, such as us, that file electronically with the SEC.

ITEM 1A. RISK FACTORS

Listed below are certain risk factors associated with us and our businesses. In addition to the potential effect of these risk factors discussed below, any risk factor which could result in reduced earnings, or increased operating losses, or reduced liquidity, could in turn adversely affect our ability to service our liabilities or pay dividends on our common stock or adversely affect the quoted market prices for our securities.

Operational Risk Factors

We operate in mature and highly competitive markets, resulting in pricing pressure and the need to continuously reduce costs.

Many of the markets we serve are highly competitive, with a number of competitors offering similar products. We focus our efforts on the middle and high-end segment of the market where we feel that we can compete due to the importance of product design, quality and durability to the customer. However, our ability to effectively compete is impacted by a number of factors. The occurrence of any of these factors could result in reduced earnings or operating losses.

- Competitors may be able to drive down prices for our products beyond our ability to adjust costs because their costs are lower than ours, especially products sourced from Asia.
- Competitors' financial, technological and other resources may be greater than our resources, which may enable them to more effectively withstand changes in market conditions.
- Competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements.
- A reduction of our market share with one or more of our key customers, or a reduction in one or more of our key customers' market share for their end-use products, may reduce demand for our products.
- New competitors could emerge by modifying their existing production facilities to manufacture products that compete with our products.
- We may not be able to sustain a cost structure that enables us to be competitive.
- Customers may no longer value our product design, quality or durability over the lower cost products of our competitors.

Our development of innovative features for current products is critical to sustaining and growing our sales.

Historically, our ability to provide value-added custom engineered products that address requirements of technology and space utilization has been a key element of our success. We spend a significant amount of time and effort to refine, improve and adapt our existing products for new customers and applications. Since expenditures for these types of activities are not considered research and development expense under accounting principles generally accepted in the United States of America (“GAAP”), the amount of our research and development expenditures, which is not significant, is not indicative of the overall effort involved in the development of new product features. The introduction of new product features requires the coordination of the design, manufacturing and marketing of the new product features with current and potential customers. The ability to coordinate these activities with current and potential customers may be affected by factors beyond our control. While we will continue to emphasize the introduction of innovative new product features that target customer-specific opportunities, we do not know if any new product features we introduce will achieve the same degree of success that we have achieved with our existing products. Introduction of new product features typically requires us 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 or raw materials. As we attempt to introduce new product features in the future, we do not know if we will be able to increase production volumes without encountering these or other problems, which might negatively impact our financial condition or results of operations.

Higher costs or limited availability of our raw materials could negatively impact our financial results.

Certain raw materials used in our products are commodities that are subject to significant fluctuations in price in response to world-wide supply and demand as well as speculative investor activity. Zinc and brass are the principal raw materials used in the manufacture of security products. Stainless steel and aluminum are the major raw materials used in the manufacture of marine components. These raw materials are purchased from several suppliers and are generally readily available from numerous sources. We occasionally enter into short-term raw material supply arrangements to mitigate the impact of future increases in commodity-related raw material costs. Materials purchased outside of these arrangements are sometimes subject to unanticipated and sudden price increases.

Certain components used in our products are manufactured by foreign suppliers located in China and elsewhere. Global economic and political conditions, including natural disasters, terrorist acts, global conflicts and public health crises such as pandemics, could prevent our vendors from being able to supply these components. Should our vendors not be able to meet their supply obligations or should we be otherwise unable to obtain necessary raw materials or components, we may incur higher supply costs or may be required to reduce production levels, either of which may decrease our liquidity or negatively impact our financial condition or results of operations as we may be unable to offset the higher costs with increases in our selling prices or reductions in other operating costs.

COVID-19 has affected our operations and may continue to affect our operations during 2021.

Our results of operations during 2020 were significantly impacted by the COVID-19 pandemic, primarily in the second and third quarters, specifically through reduced demand for many of our products resulting from the rapid contraction of the global economy. The extent of the COVID-19 impact on our future operations will depend on the time period and degree to which the COVID-19 pandemic persists in the global economy thereby reducing customer demand for certain of our segments’ products, including the timing and extent to which our customers’ operations continue to be impacted, our customers’ perception as to when consumer demand for their products will return to pre-pandemic levels and on any future disruptions in our operations or our suppliers’ operations, all of which are difficult to predict.

We have 513 employees and operate three facilities, each of which specializes in certain manufacturing processes and is therefore dependent upon the other facilities to some extent to manufacture finished goods. With the onset of COVID-19, within each facility we enhanced cleaning and sanitization procedures, mandated social distancing and implemented other health and safety protocols. We are designated an essential business in the states where we operate and are therefore permitted to fully operate during the pandemic, but because the COVID-19 pandemic affected the health and safety of our employees, we temporarily closed our Illinois facility for one week in

the second quarter. It is possible we may have additional temporary closures at one or more of our facilities for the health and safety of our workforce before the end of the pandemic if conditions warrant.

Legal, Compliance and Regulatory Risk Factors

Failure to protect our intellectual property rights or claims by others that we infringe their intellectual property rights could substantially harm our business.

We rely on patent, trademark and trade secret laws in the United States and similar laws in other countries to establish and maintain our intellectual property rights in our technology and designs. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. Others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Further, we do not know if any of our pending trademark or patent applications will be approved. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our intellectual property rights. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions, we may be unable to protect our technology and designs adequately against unauthorized third party use, which could adversely affect our competitive position.

Third parties may claim that we or our customers are infringing upon their intellectual property rights. Even if we believe that such claims are without merit, they can be time-consuming and costly to defend and distract our management's and technical staff's attention and resources. Claims of intellectual property infringement also might require us to redesign affected technology, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our technology. If we cannot or do not license the infringed technology on reasonable pricing terms or at all, or substitute similar technology from another source, our business could be adversely impacted.

Global climate change legislation could negatively impact our financial results or limit our ability to operate our businesses.

All of our production facilities are located in the United States and we believe all of our production facilities are in substantial compliance with applicable environmental laws. To date, legislation and regulatory actions related to climate change have not had a material adverse effect on our financial results. However, if new legislation or regulatory actions related to climate change were to be enacted or implemented, it could negatively impact our future results from operations through increased costs of production, particularly as it relates to our energy requirements. If such increased costs of production were to materialize, we may be unable to pass price increases on to our customers to compensate for increased production costs, which may decrease our liquidity, operating income and results of operations.

General Risk Factors

Technology failures or cyber security breaches could have a material adverse effect on our operations.

We rely on information technology systems to manage, process and analyze data, as well as to facilitate the manufacture and distribution of our products to and from our plants. We receive, process and ship orders, manage the billing of and collections from our customers, and manage the accounting for and payment to our vendors. Although we have systems and procedures in place to protect our information technology systems, there can be no assurance that such systems and procedures would be sufficiently effective. Therefore, any of our information technology systems may be susceptible to outages, disruptions, or destruction as well as cyber security breaches or attacks, resulting in a disruption of our business operations, injury to people, harm to the environment or our assets, and/or the inability to access our information technology systems. If any of these events were to occur, our results of operations and financial condition could be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased space at 5430 LBJ Freeway, Dallas, Texas 75240. The following table sets forth the location, size and business operating segment for each of our principal operating facilities.

<u>Facility Name</u>	<u>Business Segment</u>	<u>Location</u>	<u>Size (square feet)</u>
<u>Owned Facilities:</u>			
National ⁽¹⁾	SP	Mauldin, SC	198,000
Grayslake ⁽¹⁾	SP/MC	Grayslake, IL	133,000
Custom ⁽¹⁾	MC	Neenah, WI	95,000

SP – Security Products business segment

MC – Marine Components business segment

⁽¹⁾ ISO-9001 registered facilities

We believe all of our facilities are well maintained and satisfactory for their intended purposes.

ITEM 3. LEGAL PROCEEDINGS

We are involved, from time to time, in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. See Note 10 to the Consolidated Financial Statements. We currently believe the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

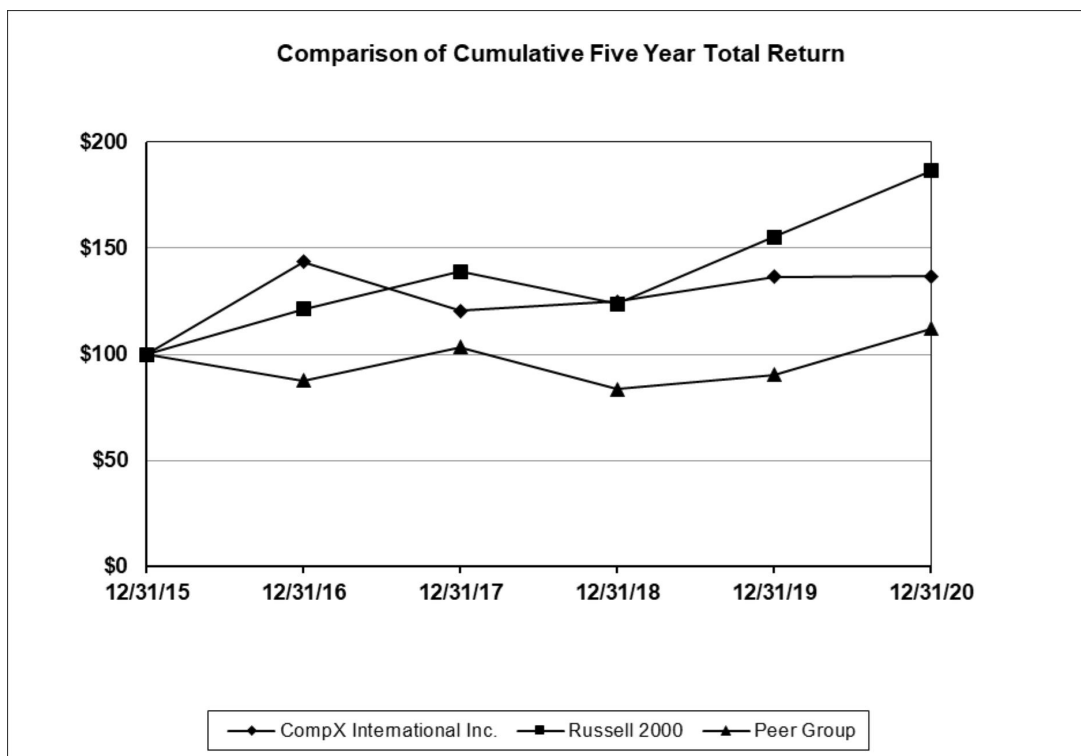
PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Common Stock and Dividends. Our Class A common stock is listed and traded on the NYSE American (symbol: CIX). As of February 24, 2021, there were approximately 18 holders of record of CompX Class A common stock.

Performance Graph. Set forth below is a line graph comparing the yearly change in our cumulative total stockholder returns on our Class A common stock against the cumulative total return of the Russell 2000 Index and an index of a self-selected peer group of companies for the period from December 31, 2015 through December 31, 2020. The peer group index is comprised of The Eastern Company and Strattec Security Corporation. The graph shows the value at December 31 of each year assuming an original investment of \$100 at December 31, 2015 and reinvestment of dividends.

	2015	2016	2017	December 31, 2018	2019	2020
CompX International Inc.	\$ 100	\$ 144	\$ 120	\$ 125	\$ 136	\$ 137
Russell 2000 Index	100	121	139	124	155	186
Peer Group	100	88	104	84	90	112



Equity compensation plan information. We have a share based incentive compensation plan, approved by our stockholders, pursuant to which an aggregate of 200,000 shares of our common stock can be awarded to non-employee members of our board of directors. At December 31, 2020, 140,950 shares are available for award under this plan. See Note 8 to the Consolidated Financial Statements.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our fiscal year end is always the Sunday closest to December 31, and our operations are reported on a 52 or 53-week fiscal year. 2020 was a 53-week year; all other years shown are 52-week years.

	Years ended December 31,				
	2016	2017	2018	2019	2020
	(In millions, except per share data)				
Statements of Operations Data:					
Net sales	\$ 108.9	\$ 112.0	\$ 118.2	\$ 124.2	\$ 114.5
Gross margin	35.2	34.8	38.3	39.0	32.8
Operating income	15.6	15.2	17.8	17.7	11.8
Non-operating income - interest income	0.4	1.9	2.7	3.3	1.7
Provision for income taxes	5.5	4.0	5.2	4.9	3.2
Net income	10.5	13.2	15.3	16.0	10.3
Per Share Data:					
Diluted earnings	\$.84	\$ 1.06	\$ 1.23	\$ 1.29	\$.83
Cash dividends	.20	.20	.20	.28	.40
Weighted average common shares outstanding	12.4	12.4	12.4	12.4	12.4
Balance Sheet Data (at year end):					
Cash and other current assets	\$ 59.2	\$ 56.4	\$ 76.3	\$ 95.1	\$ 101.2
Total assets	144.0	151.0	166.4	178.5	184.0
Current liabilities	13.3	11.3	13.7	13.1	13.2
Stockholders' equity	125.8	136.6	149.6	162.2	167.7
Statements of Cash Flow Data:					
Cash provided by (used in):					
Operating activities	\$ 13.9	\$ 12.6	\$ 17.2	\$ 18.5	\$ 15.5
Investing activities	(30.6)	(13.6)	1.1	2.9	(3.1)
Financing activities	(2.5)	(2.5)	(2.5)	(3.5)	(5.0)

Business Overview

We are a leading manufacturer of engineered components utilized in a variety of applications and industries. Through our Security Products segment we manufacture mechanical and electrical cabinet locks and other locking mechanisms used in recreational transportation, postal, office and institutional furniture, cabinetry, tool storage and healthcare applications. We also manufacture stainless steel exhaust systems, gauges, throttle controls, wake enhancement systems, trim tabs and related hardware and accessories for the recreational marine and other industries through our Marine Components segment.

Operating Income Overview

We experienced normal sales volumes and operations during the first quarter of 2020. Beginning in late March 2020 as a result of the COVID-19 pandemic, we began receiving requests from certain customers of both our Security Products and Marine Components segments to postpone shipments, in some cases because our customers' production facilities were temporarily closed. The second quarter of 2020 sustained the greatest impact from COVID-19 related order cancellations and delays. In the third and fourth quarters, Marine Components experienced significant recovery in sales, while Security Products sales generally recovered, though not to pre-pandemic levels. We reported operating income of \$11.8 million in 2020 compared to operating income of \$17.7 million in 2019 and \$17.8 million in 2018. The decrease in operating income in 2020 over 2019 is primarily due to a decline in net sales and gross margins discussed below. Operating income in 2019 was comparable to operating income in 2018.

Our product offerings consist of a large number of products that have a wide variation in selling price and manufacturing cost, which results in certain practical limitations on our ability to quantify the impact of changes in individual product sales quantities and selling prices on our net sales, cost of sales and gross margin. In addition, small variations in period-to-period net sales, cost of sales and gross margin can result from changes in the relative mix of our products sold.

Results of Operations - 2020 Compared to 2019 and 2019 Compared to 2018

	Years ended December 31,			% Change	
	2018	2019	2020	2018-19	2019-20
	(In millions)				
Net sales	\$ 118.2	\$ 124.2	\$ 114.5	5 %	(8) %
Cost of sales	<u>79.9</u>	<u>85.2</u>	<u>81.7</u>	7	(4)
Gross margin	38.3	39.0	32.8	2	(16)
Operating costs and expenses	<u>20.5</u>	<u>21.3</u>	<u>21.0</u>	4	(1)
Operating income	<u>\$ 17.8</u>	<u>\$ 17.7</u>	<u>\$ 11.8</u>	(1)	(33)
Percent of net sales:					
Cost of sales	67.6 %	68.6 %	71.3 %		
Gross margin	32.4	31.4	28.7		
Operating costs and expenses	17.3	17.1	18.4		
Operating income	15.1	14.2	10.3		

Net Sales. Net sales decreased approximately \$9.7 million in 2020 compared to 2019 primarily due to lower Security Products sales across a variety of markets due to reduced demand resulting from the COVID-19

pandemic, offset slightly by higher Marine Component sales to the towboat market. Relative changes in selling prices did not have a material impact on net sales comparisons.

Net sales increased approximately \$6.0 million in 2019 compared to 2018 primarily due to higher Marine Components sales to the towboat market. Relative changes in selling prices did not have a material impact on net sales comparisons.

Cost of Sales and Gross Margin. Cost of sales decreased in 2020 compared to 2019 primarily due to the effects of lower sales for Security Products slightly offset by the higher Marine Component sales discussed above. Gross margin as a percentage of sales decreased over the same period primarily as a result of lower gross margin percentage at Security Products.

Cost of sales increased in 2019 compared to 2018 due to the effects of increased sales for both Security Products and Marine Components and increased labor costs at Security Products. As a result, gross margin as a percentage of sales decreased over the same period. The decrease in gross margin percentage is the result of the decline in Security Products gross margin percentage in 2019 as compared to 2018.

Operating Costs and Expenses. Operating costs and expenses consist primarily of sales and administrative-related personnel costs, sales commissions and advertising expenses directly related to product sales and administrative costs relating to business unit and corporate management activities, as well as gains and losses on sales of property and equipment. Operating costs and expenses as a percentage of sales increased in 2020 compared to 2019 due to the effect of lower sales. Operating costs and expenses as a percentage of sales in 2019 were comparable to 2018.

Operating Income. As a percentage of net sales, operating income decreased from 2019 to 2020 and decreased from 2018 to 2019. Operating margins were primarily impacted by the factors impacting cost of sales, gross margin and operating costs discussed above.

General. Our profitability primarily depends on our ability to utilize our production capacity effectively, which is affected by, among other things, the demand for our products and our ability to control our manufacturing costs, primarily comprised of labor costs and materials. The materials used in our products consist of purchased components and raw materials some of which are subject to fluctuations in the commodity markets such as zinc, brass and stainless steel. Total material costs represented approximately 43% of our cost of sales in 2020, with commodity-related raw materials accounting for approximately 12% of our cost of sales. During 2019 and 2020, markets for the primary commodity-related raw materials used in the manufacture of our locking mechanisms, primarily zinc and brass, remained relatively stable. Over those same periods, the market for stainless steel, the primary raw material used for the manufacture of marine exhaust headers and pipes and wake enhancement systems, also remained relatively stable. While we expect the markets for our primary commodity-related raw materials to remain stable during 2021, we recognize that economic conditions could introduce renewed volatility on these and other manufacturing materials.

We occasionally enter into short-term commodity-related raw material supply arrangements to mitigate the impact of future increases in commodity related raw material costs. See Item 1 - "Business- Raw Materials."

Interest Income. Interest income in 2020 decreased compared to 2019 primarily due to lower average loan balances and lower interest rates on our loan to an affiliate as well as lower interest rates on our cash investments. Interest income in 2019 increased compared to 2018 primarily due to higher average loan balances and higher interest rates on our loan to an affiliate as well as higher average investment balances and higher interest rates on our cash investments. See Note 9 to the Consolidated Financial Statements.

Provision for income taxes. A tabular reconciliation of our actual tax provision to the U.S. federal statutory income tax rate of 21% is included in Note 7 to the Consolidated Financial Statements. As a member of the group of companies consolidated for U.S. federal income tax purposes with Contran, the parent of our consolidated U.S. federal income tax group, we compute our provision for income taxes on a separate company basis, using the tax elections made by Contran.

Our effective income tax rate was 25% in 2018 and 24% in each of 2019 and 2020. Our effective income tax rate was lower in 2019 as compared to 2018 primarily due to recognizing a current cash tax benefit of \$0.2 million in 2019 resulting from a deduction under the foreign derived intangible income provisions (\$0.1 million of such current cash tax benefit is related to 2018). See Notes 7 and 10 to our Consolidated Financial Statements. We currently expect our effective income tax rate for 2021 to be comparable to our effective income tax rate for 2020.

Segment Results

The key performance indicator for our segments is the level of their operating income (see discussion below). For additional information regarding our segments refer to Note 2 to our Consolidated Financial Statements.

	Years ended December 31,			% Change	
	2018	2019	2020	2018-19	2019-20
	(In millions)				
Security Products:					
Net sales	\$ 98.4	\$ 99.3	\$ 87.9	1 %	(12) %
Cost of sales	65.5	67.1	62.1	2	(7)
Gross margin	32.9	32.2	25.8	(2)	(20)
Operating costs and expenses	11.0	11.2	10.9	3	(3)
Operating income	\$ 21.9	\$ 21.0	\$ 14.9	(4)	(29)
Gross margin	33.4 %	32.5 %	29.4 %		
Operating income margin	22.3	21.2	17.0		

Security Products. Security Products net sales decreased 12% to \$87.9 million in 2020 compared to \$99.3 million in 2019. Certain security products market segments were slower to recover from the negative impact of COVID-19, primarily in the second and third quarters, including transportation which had \$4.4 million lower sales than the 2019, distribution customers which were \$2.5 million lower than 2019, and office furniture which was \$1.8 million lower than the same period in 2019. Gross margin and operating income margin for 2020 declined as compared to 2019 primarily due to lower sales and higher cost inventory produced during the second and third quarters and sold in the last half of the year. Security Products inventory produced during the second and third quarters of 2020 had a higher carrying value compared to prior periods due to higher cost per unit of production as a result of lower production volumes during these quarters of 2020. This negatively impacted our gross margin and operating income margin as this higher cost inventory was sold during the last half of 2020. Additionally, gross margin and operating income margin were unfavorably impacted by employer paid medical costs, unrelated to the pandemic, which increased \$2.1 million in 2020 compared to 2019.

Security Products net sales increased 1% to \$99.3 million in 2019 compared to \$98.4 million in 2018, primarily due to higher sales to government security and medical cart manufacturing markets, partially offset by lower sales to the transportation, electronic control panel and distribution markets. As a percentage of sales, gross margin and operating income for 2019 declined as compared to 2018 primarily due to increased labor rates and associated payroll costs resulting from regional pressure on wages for certain skilled labor positions, partially offset by favorable medical costs.

	Years ended December 31,			% Change	
	2018	2019	2020	2018-19	2019-20
	(In millions)				
Marine Components:					
Net sales	\$ 19.8	\$ 24.9	\$ 26.6	26 %	7 %
Cost of sales	14.4	18.2	19.6	26	8
Gross margin	5.4	6.7	7.0	25	5
Operating costs and expenses	2.7	3.1	2.9	16	(4)
Operating income	\$ 2.7	\$ 3.6	\$ 4.1	33	12
Gross margin	27.2 %	27.0 %	26.4 %		
Operating income margin	13.8	14.6	15.3		

Marine Components. Marine Components net sales increased 7% in 2020 as compared to 2019 primarily due to increased sales of \$2.9 million to the towboat market, primarily wake enhancement systems and surf pipes to an original equipment boat manufacturer, predominantly in the second half of the year. Gross margin as a percentage of sales in 2020 was slightly below 2019 due to higher cost inventory produced during the second quarter and sold in the third quarter of the year, as well as higher depreciation expense resulting from the timing of capital expenditures. Operating income as a percentage of net sales increased in 2020 compared to 2019 principally due to the slight decrease in operating costs and expenses.

Marine Components net sales increased 26% in 2019 as compared to 2018 primarily due to increased sales to the towboat market, primarily wake enhancement systems and surf pipes to an original equipment boat manufacturer. Gross margin as a percentage of sales in 2019 was comparable to 2018. Operating income as a percentage of net sales increased in 2019 compared to 2018 principally due to improved coverage on operating costs and expenses facilitated by higher production volumes.

Outlook. In the second half of 2020, our sales began to recover from the historically low levels we experienced during the second quarter, with sales steadily improving for the remainder of the year. The COVID-19 pandemic continues to impact our operations and demand for our products particularly in the transportation, office furniture and distribution markets served by our Security Products segment. In the second half of the year, our manufacturing operations returned to more normal production rates as demand from our customers began to return, although for our Security Products segment, below pre-pandemic levels. Our global and domestic supply chains remain intact, and we have experienced minimal supply chain disruptions. The markets we sell to have recovered to varying degrees, and we continue to work closely with all our customers and monitor their progress as they continue to adjust their operations. Even with the severe downturn during the second quarter, Marine Component segment sales outpaced prior year as demand for recreational boats increased as people sought socially distanced, outdoor activities. We expect these trends to continue for at least the first part of 2021.

Considerable effort continues at all our locations to manage COVID-19 conditions including enhanced health and safety protocols and cleaning and disinfecting efforts. Throughout the course of the COVID-19 pandemic, we have focused our efforts on maintaining efficient operations while closely managing our expenses and capital projects. In this regard, we are constantly evaluating our staffing levels and we believe our current staffing levels are aligned with our sales and production forecasts for the first part of 2021.

The advance of the COVID-19 pandemic and the global efforts to mitigate its spread have resulted in sharp contractions of vast areas of the global economy and are expected to continue to challenge workers, businesses and governments for the foreseeable future. Government actions in various regions have generally permitted the gradual resumption of commercial activities following various regional shutdowns, but further government action restricting economic activity is possible in an effort to mitigate increases in COVID-19 cases in certain regions. The success and timing of these mitigating actions will depend in part on continued deployment of effective tools to fight COVID-19, including availability of testing, effective treatments and vaccine distribution, before economic growth is likely to return to pre-pandemic levels. Even as these measures are implemented and become effective, they will not directly address the business and employment losses already experienced. As a result, we expect U.S. and worldwide gross domestic product to be significantly impacted for an indeterminate period.

Based on current conditions, we expect to report increased revenue and operating income in 2021 compared to 2020 but we do not expect Security Products to return to pre-pandemic levels experienced in 2019. As noted above, our Security Products production volumes remain below 2019 levels. As a result, we expect to continue to experience the negative impact of higher fixed costs per unit of production during 2021 which will continue to challenge gross margins in the segment. The severity of the impact of COVID-19 on 2021 will depend on customer demand for our products, including the timing and extent to which our customers' operations continue to be impacted, on our customers' perception as to when consumer demand for their products will return to pre-pandemic levels and on any future disruptions in our operations or our suppliers' operations, all of which are difficult to predict. Our operations teams meet frequently to ensure we are taking appropriate actions to maintain a safe working environment for all our employees, minimize operational disruptions, manage inventory levels and improve operating margins. It is possible we may temporarily close one or more of our facilities for the health and safety of our employees before the COVID-19 pandemic is over.

Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 1 to our Consolidated Financial Statements. Our Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) which requires us to make estimates, judgments, and assumptions we believe are reasonable based on our historical experience, contract terms, observations of known trends in our company and the industry as a whole and information available from other outside sources. Our estimates affect the reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results may differ from initial estimates.

We believe the most critical accounting policies and estimates involving significant judgments and estimates primarily relate to the considerations in the impairment assessments for goodwill and certain long-lived assets. We have discussed the development, selection and disclosure of our critical accounting estimates with the Audit Committee of our Board of Directors.

- *Goodwill* – Our goodwill totaled \$23.7 million at December 31, 2020, all relating to our Security Products reporting unit, which corresponds to our Security Products operating segment. Goodwill is required to be tested annually or at other times whenever an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. We perform our annual goodwill impairment test in the third quarter of each year, or at other times whenever an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. Such events or circumstances may include: adverse industry or economic trends, lower projections of profitability, or a sustained decline in our market capitalization. These events or circumstances, among other items, may be indications of potential impairment issues which are triggering events requiring the testing of an asset's carrying value for recoverability. An entity may first assess qualitative factors to determine whether it is necessary to complete the two-step quantitative impairment test using a more-likely-than-not criteria. If an entity believes it is more-likely-than-not the fair value of a reporting unit is greater than its carrying value, including goodwill, the two-step quantitative impairment test can be bypassed. Alternatively, an entity has an unconditional option to bypass the qualitative assessment and proceed directly to performing the two-step quantitative impairment test.

When performing a qualitative assessment, considerable management judgment is necessary to evaluate the qualitative impact of events and circumstances on the fair value of a reporting unit. Events and circumstances considered in our impairment evaluations, such as historical profits and stability of the markets served, are consistent with factors utilized with our internal projections and operating plan. However, future events and circumstances could result in materially different findings which could result in the recognition of a material goodwill impairment.

Evaluations of possible impairment utilizing the two-step quantitative impairment test require us to estimate, among other factors: forecasts of future operating results, revenue growth, operating margin, tax rates, capital expenditures, depreciation, working capital, weighted average cost of capital, long-term growth rates, risk premiums, terminal values, and fair values of our reporting units and assets. The

goodwill impairment test is subject to uncertainties arising from such events as changes in competitive conditions, the current general economic environment, material changes in growth rate assumptions that could positively or negatively impact anticipated future operating conditions and cash flows, changes in the discount rate, and the impact of strategic decisions. If any of these factors were to materially change, such change may require revaluation of our goodwill. Changes in estimates or the application of alternative assumptions could produce significantly different results.

In 2020, we used the qualitative assessment for our annual impairment test and determined it was not necessary to perform the quantitative goodwill impairment test, as we concluded it is more-likely- than-not the fair value of the Security Products reporting unit exceeded its carrying amount. See Notes 1 and 5 to our Consolidated Financial Statements.

- *Long-lived assets* – The net book value of our property and equipment totaled \$28.9 million at December 31, 2020. We assess property and equipment for impairment only when circumstances indicate an impairment may exist. Our determination is based upon, among other things, our estimates of the amount of future net cash flows to be generated by the long-lived asset (Level 3 inputs) and our estimates of the current fair value of the asset.

Significant judgment is required in estimating such cash flows. Adverse changes in such estimates of future net cash flows or estimates of fair value could result in an inability to recover the carrying value of the long-lived asset, thereby possibly requiring an impairment charge to be recognized in the future. We do not assess our property and equipment for impairment unless certain impairment indicators are present. We did not evaluate any long-lived assets for impairment during 2020 because no such impairment indicators were present.

Liquidity and Capital Resources

Summary

Our primary source of liquidity on an on-going basis is our cash flow from operating activities, which is generally used to (i) fund capital expenditures, (ii) repay short-term or long-term indebtedness incurred primarily for capital expenditures, business combinations or buying back shares of our outstanding stock and (iii) provide for the payment of dividends (if declared). From time-to-time, we may incur indebtedness to fund capital expenditures, business combinations or other investment activities. In addition, from time-to-time, we may also sell assets outside the ordinary course of business, the proceeds of which are generally used to repay indebtedness (including indebtedness which may have been collateralized by the assets sold) or to fund capital expenditures or business combinations.

Consolidated cash flows

Operating activities. Trends in cash flows from operating activities, excluding changes in assets and liabilities, for the last three years have generally been similar to the trends in our earnings. Depreciation and amortization were comparable in each of 2020, 2019 and 2018. See Note 1 to our Consolidated Financial Statements.

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. However, year-to-year relative changes in assets and liabilities can significantly affect the comparability of cash flows from operating activities. Cash provided by operating activities was \$15.5 million in 2020 compared to \$18.5 million in 2019. The \$3.0 million decrease in cash provided by operating activities was primarily the net result of:

- A \$5.8 million decrease in operating income in 2020,
- A \$1.0 million decrease in interest received in 2020 due to and lower average interest rates and to a lesser extent lower average loan balances on our loan to an affiliate, partially offset by the relative timing of interest received,

- A \$1.8 million decrease in cash paid for taxes in 2020 due to lower operating income, and
- A higher amount of net cash provided by relative changes in inventories, receivables, payables and non-tax accruals of \$2.2 million.

Cash provided by operating activities was \$18.5 million in 2019 compared to \$17.2 million in 2018. The \$1.3 million increase in cash provided by operating activities was primarily the net result of:

- A \$1.1 million increase in interest received in 2019,
- A \$0.7 million increase in cash paid for taxes in 2019 due to the relative timing of payments, and
- A lower amount of net cash used by relative changes in inventories, receivables, payables and non-tax accruals of \$0.6 million.

Relative changes in working capital can have a significant effect on cash flows from operating activities. As shown below, our total average days sales outstanding decreased from December 31, 2019 to December 31, 2020 primarily as a result of the timing of sales and collections in the last month of 2020 as compared to 2019. For comparative purposes, we have provided 2018 numbers below.

Days Sales Outstanding:	December 31, 2018	December 31, 2019	December 31, 2020
Security Products	43 Days	38 Days	35 Days
Marine Components	30 Days	27 Days	24 Days
Total	40 Days	36 Days	33 Days

As shown below, our average number of days in inventory decreased from December 31, 2019 to December 31, 2020, particularly for Marine Components. The average number of days in inventory for Marine Components decreased primarily as a result of rapid sales growth in the fourth quarter of 2020. For comparative purposes, we have provided 2018 numbers below.

Days in Inventory:	December 31, 2018	December 31, 2019	December 31, 2020
Security Products	77 Days	76 Days	75 Days
Marine Components	91 Days	100 Days	75 Days
Total	80 Days	81 Days	75 Days

Investing activities. Capital expenditures have primarily emphasized improving our manufacturing facilities and investing in manufacturing equipment, utilizing new technologies and increased automation of the manufacturing process, to provide for increased productivity and efficiency in order to meet expected customer demand and properly maintain our facilities and technology infrastructure. Capital expenditures were \$3.1 million in 2018, \$3.2 million in 2019 and \$1.7 million in 2020. As a result of the COVID-19 pandemic, we limited 2020 expenditures to those required to meet our expected customer demand and those required to properly maintain our facilities and technology infrastructure. See Note 2 to our Consolidated Financial Statements.

Capital expenditures for 2021 are estimated at approximately \$4.0 million primarily to maintain and improve the cost-effectiveness of our facilities and equipment. Capital spending for 2021 is expected to be funded through cash on hand and cash generated from operations.

We have entered into an unsecured revolving demand promissory note with Valhi whereby we have agreed to loan Valhi up to \$40 million. Our loan to Valhi, as amended, bears interest at prime rate plus 1.00%, payable quarterly, with all principal due on demand, but in any event no earlier than December 31, 2022. Loans made to Valhi at any time under the agreement are at our discretion. During 2019, Valhi repaid a net \$5.9 million under the promissory note for an outstanding balance of \$28.1 million at December 31, 2019 (\$34.9 million of gross borrowings and \$40.8 million of gross repayments). During 2020, Valhi borrowed a net \$1.4 million under the promissory note for an outstanding balance of \$29.5 million at December 31, 2020 (\$34.8 million of gross borrowings and \$33.4 million of gross repayments). See Note 9 to our Consolidated Financial Statements.

Financing activities. Cash dividends paid totaled \$2.5 million (\$.20 per share, or \$.05 per share per quarter) in 2018, \$3.5 million (\$.28 per share, or \$.07 per share per quarter) in 2019, and \$5.0 million (\$.40 per share, or \$.10 per share per quarter) in 2020. On March 3, 2021 our board of directors declared a first quarter 2021 dividend of \$.20 per share, to be paid on March 23, 2021 to CompX stockholders of record as of March 15, 2021. The declaration and payment of future dividends and the amount thereof, if any, is discretionary and is dependent upon our results of operations, financial condition, cash requirements for our businesses, contractual requirements and restrictions and other factors deemed relevant by our board of directors. The amount and timing of past dividends is not necessarily indicative of the amount or timing of any future dividends which we might pay.

Future Cash Requirements

We believe cash generated from operations together with cash on hand will be sufficient to meet our liquidity needs for working capital, capital expenditures, debt service and dividends (if declared) for the next twelve months and our long term obligations for the next five years. To the extent that actual operating results or other developments differ materially from our expectations, our liquidity could be adversely affected.

All of our \$70.6 million aggregate cash and cash equivalents at December 31, 2020 were held in the U.S.

We periodically evaluate our liquidity requirements, alternative uses of capital, capital needs and available resources in view of, among other things, our capital expenditure requirements, dividend policy and estimated future operating cash flows. As a result of this process, we have in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, issue additional securities, repurchase shares of our common stock, modify our dividend policy or take a combination of such steps to manage our liquidity and capital resources. In the normal course of business, we may review opportunities for acquisitions, joint ventures or other business combinations in the component products industry. In the event of any such transaction, we may consider using available cash, issuing additional equity securities or increasing our indebtedness or that of our subsidiaries.

Off balance sheet financing arrangements

Neither we nor any of our subsidiaries or affiliates are parties to any off-balance sheet financing arrangements.

Commitments and contingencies

As more fully described in the notes to the Consolidated Financial Statements, we are a party to various agreements that contractually and unconditionally commit us to pay certain amounts in the future. See Note 10 to our Consolidated Financial Statements. The following table summarizes such contractual commitments as of December 31, 2020 by the type and date of payment.

	Payments due by period				
	Total	2021	2022-2023	2024-2025	2026 and after
			(In thousands)		
Operating leases	\$ 65	\$ 62	\$ 2	\$ 1	\$ —
Purchase obligations	13,142	13,124	18	—	—
Income taxes	952	952	—	—	—
Fixed asset acquisitions	324	324	—	—	—
Total contractual cash obligations	\$ 14,483	\$ 14,462	\$ 20	\$ 1	\$ —

The timing and amount shown for our commitments related to operating leases and fixed asset acquisitions are based upon the contractual payment amount and the contractual payment date for those commitments. The timing and amount shown for purchase obligations, which consist of all open purchase orders and contractual obligations (primarily commitments to purchase raw materials), is also based on the contractual payment amount and the contractual payment date for those commitments. The amount shown for income taxes is

the consolidated amount of income taxes payable at December 31, 2020, which is assumed to be paid during 2021. Fixed asset acquisitions include firm purchase commitments for capital projects.

Recent accounting pronouncements

See Note 12 to our Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General. We are exposed to market risk from changes in interest rates and raw materials prices.

Interest rates. We are exposed to market risk from changes in interest rates, primarily related to our note receivable from affiliate. The outstanding principal amount of the note receivable from affiliate of \$29.5 million at December 31, 2020 bears interest at prime plus 1.0% (4.25% at December 31, 2020). We received interest income of \$1.5 million from the note during 2020.

Raw materials. We will occasionally enter into short term commodity-related raw material supply arrangements to mitigate the impact of future increases in commodity-related raw material costs. We do not have long-term supply agreements for our raw material requirements because either we believe the risk of unavailability of those raw materials is low and we believe the downside risk of price volatility to be too great or because long-term supply agreements for those materials are generally not available. We do not engage in commodity raw material hedging programs.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is contained in a separate section of this Annual Report. See “Index of Financial Statements” (page F-1).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures which, as defined in Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the “Act”), is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Our management with the participation of Scott C. James, our President and Chief Executive Officer, and Amy A. Samford, our Vice President and Chief Financial Officer, has evaluated the design and operating effectiveness of our disclosure controls and procedures as of December 31, 2020. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

Management’s Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting which, as defined in Exchange Act Rule 13a-15(f), means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (“GAAP”), and includes those policies and procedures that:

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

Our evaluation of the effectiveness of our internal control over financial reporting is based upon the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 (commonly referred to as the “2013 COSO” framework). Based on our evaluation under that framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC that permit us to provide only management’s report in this annual report.

Changes in Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Certifications. Our chief executive officer and chief financial officer are required to, among other things, quarterly file a certification with the SEC regarding the quality of our public disclosures, as required by Section 302 of the Sarbanes-Oxley Act of 2002. We have filed the certifications for the quarter ended December 31, 2020 as exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to our definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report ("Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item is incorporated by reference to our Proxy Statement. See also Note 9 to the Consolidated Financial Statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated by reference to our Proxy Statement.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) and (c) Financial Statements

The consolidated financial statements listed on the accompanying Index of Financial Statements (see page F-1) are filed as part of this Annual Report.

All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the notes to the consolidated financial statements.

(b) Exhibits

We have retained a signed original of any of these exhibits that contain signatures, and we will provide such exhibits to the Commission or its staff. Included as exhibits are the items listed in the Exhibit Index. We, upon request, will furnish a copy of any of the exhibits listed below upon payment of \$4.00 per exhibit to cover our costs of furnishing the exhibits. Instruments defining the rights of holders of long-term debt issues which do not exceed 10% of consolidated total assets will be furnished to the Commission upon request. Such requests should be directed to the attention of our Corporate Secretary at our corporate offices located at 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240.

<u>Item No.</u>	<u>Exhibit Item</u>
3.1	Second Amended and Restated Certificate of Incorporation of Registrant – incorporated by reference to Exhibit 3.1 of the Registrant’s Quarterly Report on Form 10-Q for quarter ended June 30, 2018.
3.2	Certificate of Retirement – incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed November 5, 2018.
3.3**	Amended and Restated Bylaws of Registrant, adopted by the Board of Directors March 3, 2021.
4.1	Description of Capital Stock – incorporated by reference to Exhibit 4.1 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 filed on February 26, 2020.
10.1	Intercorporate Services Agreement between the Registrant and Contran Corporation effective as of January 1, 2004 – incorporated by reference to Exhibit 10.2 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 4, 2004.
10.2*	CompX International Inc. 2012 Director Stock Plan – incorporated by reference to Exhibit 10.2 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 6, 2013.
10.3	Tax Sharing Agreement between the Registrant, NL Industries, Inc. and Contran Corporation dated as of January 1, 2020 – incorporated by reference to Exhibit 10.3 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2019 filed on February 26, 2020.
10.4	Second Amended and Restated Agreement Regarding Shared Insurance among the Registrant, Contran Corporation, Kronos Worldwide, Inc., NL Industries, Inc., and Valhi, Inc. dated January 25, 2019 – incorporated by reference to Exhibit 10.4 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 27, 2019.
10.5**	Unsecured Revolving Demand Promissory Note dated December 31, 2020 in the original principal amount of \$40 million executed by Valhi, Inc. and payable to the Registrant.
10.6*	Form of Indemnification Agreement – incorporated by reference to Exhibit 10.1 of the Registrant’s Current Report on Form 8-K filed May 26, 2016.

- 21.1** [Subsidiaries of the Registrant.](#)
- 23.1** [Consent of PricewaterhouseCoopers LLP.](#)
- 31.1** [Certification](#)
- 31.2** [Certification](#)
- 32.1** [Certification](#)
- 101.INS** Inline XBRL Instance – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
- 101.SCH** Inline XBRL Taxonomy Extension Schema
- 101.CAL** Inline XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF** Inline XBRL Taxonomy Extension Definition Linkbase
- 101.LAB** Inline XBRL Taxonomy Extension Label Linkbase
- 101.PRE** Inline XBRL Taxonomy Extension Presentation Linkbase

- 104 Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Management contract, compensatory plan or agreement.

** Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPX INTERNATIONAL INC.

Date: March 3, 2021

By: /s/ Scott C. James
Scott C. James
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Loretta J. Feehan</u> Loretta J. Feehan	Chair of the Board	March 3, 2021
<u>/s/ Robert D. Graham</u> Robert D. Graham	Vice Chairman of the Board	March 3, 2021
<u>/s/ Amy A. Samford</u> Amy A. Samford	Vice President, Chief Financial Officer (Principal Financial Officer)	March 3, 2021
<u>/s/ Amy E. Ruf</u> Amy E. Ruf	Vice President, Controller (Principal Accounting Officer)	March 3, 2021
<u>/s/ Thomas E. Barry</u> Thomas E. Barry	Director	March 3, 2021
<u>/s/ David A. Bowers</u> David A. Bowers	Director	March 3, 2021
<u>/s/ Terri L. Herrington</u> Terri L. Herrington	Director	March 3, 2021
<u>/s/ Ann Manix</u> Ann Manix	Director	March 3, 2021
<u>/s/ Mary A. Tidlund</u> Mary A. Tidlund	Director	March 3, 2021

Annual Report on Form 10-K

Items 8 and 15(a)

Index of Financial Statements

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All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the notes to the consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of CompX International Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CompX International Inc. and its subsidiaries (the “Company”) as of January 3, 2021 and December 29, 2019, and the related consolidated statements of income, of stockholders’ equity and of cash flows for each of the three years in the period ended January 3, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 3, 2021 and December 29, 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 3, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill Impairment Assessment – Security Products Reporting Unit

As described in Note 5 to the consolidated financial statements, the Company’s consolidated goodwill balance was \$23.7 million as of December 31, 2020, all of which related to the Company’s Security Products reporting unit, which corresponds to its Security Products operating segment. As disclosed by management, management performs

an annual goodwill impairment test in the third quarter of each year, or at other times whenever an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying value. Management first assesses qualitative factors to determine whether it is more likely than not the fair value of the Security Products reporting unit is less than its carrying value. When performing a qualitative assessment, considerable management judgment is necessary to evaluate the qualitative impact of events and circumstances on the fair value of a reporting unit. Events and circumstances considered in management's impairment evaluations include historical profits and stability of the markets served. In 2020, management used the qualitative assessment for the annual impairment test and determined it was not necessary to perform the quantitative goodwill impairment test, as management concluded it was more likely than not the fair value of the Security Products reporting unit exceeded its carrying amount.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment of the Security Products reporting unit is a critical audit matter are (i) the significant judgment by management when performing the qualitative impairment assessment and (ii) the high degree of auditor judgment and subjectivity in performing procedures and evaluating evidence relating to management's qualitative impairment assessment.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment and the review of qualitative factors affecting the Security Products reporting unit. These procedures also included, among others, (i) evaluating management's qualitative impairment assessment by analyzing financial performance of the Security Products reporting unit, the Company's market capitalization and other events or circumstances impacting the reporting unit and (ii) comparing actual financial performance with forecasted financial performance used in previous impairment assessments to evaluate management's assessment of whether it is more likely than not that the fair value of each reporting unit is less than the carrying value.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas
March 3, 2021

We have served as the Company's auditor since 1993.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31,	
	2019	2020
Current assets:		
Cash and cash equivalents	\$ 63,255	\$ 70,637
Accounts receivable, net	11,870	10,731
Inventories	18,348	18,337
Prepaid expenses and other	1,624	1,541
Total current assets	<u>95,097</u>	<u>101,246</u>
Other assets:		
Note receivable from affiliate	28,100	29,500
Goodwill	23,742	23,742
Other noncurrent	590	607
Total other assets	<u>52,432</u>	<u>53,849</u>
Property and equipment:		
Land	4,940	4,940
Buildings	23,047	23,146
Equipment	67,718	68,227
Construction in progress	1,002	1,010
	<u>96,707</u>	<u>97,323</u>
Less accumulated depreciation	<u>65,692</u>	<u>68,373</u>
Net property and equipment	<u>31,015</u>	<u>28,950</u>
Total assets	<u>\$ 178,544</u>	<u>\$ 184,045</u>

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31,	
	2019	2020
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,078	\$ 12,198
Income taxes payable to affiliate	984	952
Total current liabilities	13,062	13,150
Noncurrent liabilities -		
Deferred income taxes	3,287	3,239
Stockholders' equity:		
Preferred stock, \$.01 par value; 1,000 shares authorized, none issued	-	-
Class A common stock, \$.01 par value; 20,000,000 shares authorized; 12,443,057 and 12,451,157 shares issued and outstanding	124	124
Additional paid-in capital	55,869	55,987
Retained earnings	106,202	111,545
Total stockholders' equity	162,195	167,656
Total liabilities and stockholders' equity	\$ 178,544	\$ 184,045

Commitments and contingencies (Note 10)

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Years ended December 31,		
	2018	2019	2020
Net sales	\$ 118,217	\$ 124,243	\$ 114,537
Cost of sales	<u>79,946</u>	<u>85,280</u>	<u>81,689</u>
Gross margin	38,271	38,963	32,848
Selling, general and administrative expense	<u>20,460</u>	<u>21,297</u>	<u>21,031</u>
Operating income	17,811	17,666	11,817
Interest income	<u>2,664</u>	<u>3,270</u>	<u>1,680</u>
Income before income taxes	20,475	20,936	13,497
Provision for income taxes	<u>5,150</u>	<u>4,938</u>	<u>3,174</u>
Net income	<u>\$ 15,325</u>	<u>\$ 15,998</u>	<u>\$ 10,323</u>
Basic and diluted earnings per common share	<u>\$ 1.23</u>	<u>\$ 1.29</u>	<u>\$ 0.83</u>
Basic and diluted weighted average shares outstanding	<u>12,432</u>	<u>12,440</u>	<u>12,448</u>

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2018, 2019 and 2020

(In thousands, except per share data)

	Common stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Class A	Class B			
Balance at December 31, 2017	\$ 24	\$ 100	\$ 55,612	\$ 80,849	\$ 136,585
Net income	-	-	-	15,325	15,325
Share conversion	100	(100)	-	-	-
Cash dividends (\$0.20 per share)	-	-	-	(2,487)	(2,487)
Issuance of common stock	-	-	139	-	139
	<u>124</u>	<u>-</u>	<u>55,751</u>	<u>93,687</u>	<u>149,562</u>
Balance at December 31, 2018	124	-	55,751	93,687	149,562
Net income	-	-	-	15,998	15,998
Cash dividends (\$0.28 per share)	-	-	-	(3,483)	(3,483)
Issuance of common stock	-	-	118	-	118
	<u>124</u>	<u>-</u>	<u>55,869</u>	<u>106,202</u>	<u>162,195</u>
Balance at December 31, 2019	124	-	55,869	106,202	162,195
Net income	-	-	-	10,323	10,323
Cash dividends (\$0.40 per share)	-	-	-	(4,980)	(4,980)
Issuance of common stock	-	-	118	-	118
	<u>124</u>	<u>-</u>	<u>55,987</u>	<u>111,545</u>	<u>167,656</u>
Balance at December 31, 2020	<u>\$ 124</u>	<u>\$ -</u>	<u>\$ 55,987</u>	<u>\$ 111,545</u>	<u>\$ 167,656</u>

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years ended December 31,		
	2018	2019	2020
Cash flows from operating activities:			
Net income	\$ 15,325	\$ 15,998	\$ 10,323
Depreciation and amortization	3,454	3,684	3,827
Deferred income taxes	86	89	(48)
Other, net	289	458	346
Change in assets and liabilities:			
Accounts receivable, net	(1,709)	250	1,118
Inventories, net	(1,846)	(1,439)	(193)
Accounts payable and accrued liabilities	1,619	(399)	95
Accounts with affiliates	152	(203)	449
Other, net	(207)	27	(415)
Net cash provided by operating activities	<u>17,163</u>	<u>18,465</u>	<u>15,502</u>
Cash flows from investing activities:			
Capital expenditures	(3,117)	(3,166)	(1,740)
Proceeds from sale of fixed assets, net	-	125	-
Note receivable from affiliate:			
Collections	51,000	40,800	33,428
Advances	(46,800)	(34,900)	(34,828)
Net cash provided by (used in) investing activities	<u>1,083</u>	<u>2,859</u>	<u>(3,140)</u>
Cash flows from financing activities -			
Dividends paid	(2,487)	(3,483)	(4,980)
Net increase	15,759	17,841	7,382
Balance at beginning of year	<u>29,655</u>	<u>45,414</u>	<u>63,255</u>
Balance at end of year	<u>\$ 45,414</u>	<u>\$ 63,255</u>	<u>\$ 70,637</u>
Supplemental disclosures -			
Cash paid for income taxes	\$ 4,370	\$ 5,027	\$ 3,261

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

Note 1 – Summary of significant accounting policies:

Organization. We (NYSE American: CIX) are approximately 86% owned by NL Industries, Inc. (NYSE: NL) at December 31, 2020. We manufacture and sell component products (security products and recreational marine components). At December 31, 2020, Valhi, Inc. (NYSE: VHI) owns approximately 83% of NL's outstanding common stock and a wholly-owned subsidiary of Contran Corporation owns approximately 92% of Valhi's outstanding common stock. A majority of Contran's outstanding voting stock is held directly by Lisa K. Simmons and various family trusts established for the benefit of Ms. Simmons, Thomas C. Connelly (the husband of Ms. Simmons' late sister) and their children and for which Ms. Simmons or Mr. Connelly, as applicable, serve as trustee (collectively, the "Other Trusts"). With respect to the Other Trusts for which Mr. Connelly serves as trustee, he is required to vote the shares of Contran voting stock held in such trusts in the same manner as Ms. Simmons. Such voting rights of Ms. Simmons last through April 22, 2030 and are personal to Ms. Simmons. The remainder of Contran's outstanding voting stock is held by another trust (the "Family Trust"), which was established for the benefit of Ms. Simmons and her late sister and their children and for which a third-party financial institution serves as trustee. Consequently, at December 31, 2020 Ms. Simmons and the Family Trust may be deemed to control Contran, and therefore may be deemed to indirectly control the wholly-owned subsidiary of Contran, Valhi, NL and us.

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

Our results of operations in 2020 were significantly impacted by the COVID-19 pandemic, primarily in the second and third quarters, due to government mandated closures and reduced demand for many of our products resulting from the rapid contraction of vast areas of the economy. The extent of the impact of the COVID-19 pandemic on our future operations will depend on the time period and degree to which the COVID-19 pandemic persists in the economy, including the timing and extent to which our customers' operations continue to be impacted, our customers' perception as to when consumer demand for their products will return to pre-pandemic levels and on any future disruptions in our operations or our suppliers' operations, all of which are difficult to predict.

Management estimates. In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at each balance sheet date and the reported amounts of our revenues and expenses during each reporting period. Actual results may differ significantly from previously estimated amounts under different assumptions or conditions.

Principles of consolidation. Our consolidated financial statements include the accounts of CompX International Inc. and our wholly-owned subsidiaries. We eliminate all material intercompany accounts and balances.

Fiscal year. Our fiscal year end is always the Sunday closest to December 31, and our operations are reported on a 52 or 53-week fiscal year. Each of the years ended December 31, 2018 and 2019 consisted of 52 weeks. The year ended December 31, 2020 consisted of 53 weeks. For presentation purposes, annual and quarterly information in the consolidated financial statements and accompanying notes are presented as ended on March 31, June 30, September 30 and December 31, as applicable. The actual date of our fiscal years are December 30, 2018, December 29, 2019, and January 3, 2021, respectively.

Cash and cash equivalents. We classify bank time deposits and government and commercial notes and bills with original maturities of three months or less as cash equivalents.

Net sales. Our sales involve single performance obligations to ship our products pursuant to customer purchase orders. In some cases, the purchase order is supported by an underlying master sales agreement, but our purchase order verification notice generally evidences the contract with our customer by specifying the key terms of product and quantity ordered, price and delivery and payment terms. In accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, we record revenue when we satisfy our performance obligations to our customers by transferring control of our products to them, which generally occurs at point of shipment or upon delivery. Such transfer of control is also evidenced by transfer of legal title and other risks and rewards of ownership (giving the customer the ability to direct the use of, and obtain substantially all of the benefits of, the product), and our customers becoming obligated to pay us and such payment being probable of occurring. In certain arrangements we provide shipping and handling activities after the transfer of control to our customer (e.g. when control transfers prior to delivery). In such arrangements shipping and handling are considered fulfillment activities, and accordingly, such costs are accrued when the related revenue is recognized.

Revenue is recorded in an amount that reflects the net consideration we expect to receive in exchange for our products. Prices for our products are based on terms specified in published list prices and purchase orders, which generally do not include financing components, noncash consideration or consideration paid to our customers. As our standard payment terms are less than one year, we have elected the practical expedient under ASC 606 and we have not assessed whether a contract has a significant financing component. We state sales net of price, early payment and distributor discounts as well as volume rebates (collectively, variable consideration). Variable consideration, to the extent present, is not material and is recognized as the amount to which we are most likely to be entitled, using all information (historical, current and forecasted) that is reasonably available to us, and only to the extent that a significant reversal in the amount of the cumulative revenue recognized is not probable of occurring in a future period. Differences, if any, between estimates of the amount of variable consideration to which we will be entitled and the actual amount of such variable consideration have not been material in the past. We report any tax assessed by a governmental authority that we collect from our customers that is both imposed on and concurrent with our revenue-producing activities (such as sales, use, value added and excise taxes) on a net basis (meaning we do not recognize these taxes either in our revenues or in our costs and expenses).

Frequently, we receive orders for products to be delivered over dates that may extend across reporting periods. We invoice for each delivery upon shipment and recognize revenue for each distinct shipment when all sales recognition criteria for that shipment have been satisfied. As scheduled delivery dates for these orders are within a one year period, under the optional exemption provided by ASC 606, we do not disclose sales allocated to future shipments of partially completed contracts.

We have determined that our disclosure of sales by segment meets the requirements to disclose a disaggregation of our sales into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. See Note 2.

Accounts receivable. We provide an allowance for doubtful accounts for known and estimated potential losses arising from our sales to customers based on a periodic review of these accounts.

Inventories and cost of sales. We state inventories at the lower of cost or net realizable value. We record a provision for obsolete and slow-moving inventories. We generally base inventory costs for all inventory categories on average cost that approximates the first-in, first-out method. Inventories include the costs for raw materials, the cost to manufacture the raw materials into finished goods and overhead. Depending on the inventory’s stage of completion, our manufacturing costs can include the costs of packing and finishing, utilities, maintenance and depreciation, shipping and handling, and salaries and benefits associated with our manufacturing process. We allocate fixed manufacturing overhead costs based on normal production capacity. Unallocated overhead costs resulting from periods with abnormally low production levels are charged to expense as incurred. As inventory is sold to third parties, we recognize the cost of sales in the same period that the sale occurs. We periodically review our inventory for estimated obsolescence or instances when inventory is no longer marketable for its intended use, and we record any write-down, equal to the difference between the cost of inventory and its estimated net realizable value, based on assumptions about alternative uses, market conditions and other factors.

Selling, general and administrative expenses; advertising costs. Selling, general and administrative expenses include costs related to marketing, sales, distribution, research and development and administrative

functions such as accounting, treasury and finance, and include costs for salaries and benefits, travel and entertainment, promotional materials and professional fees. We expense advertising and research and development costs as incurred. Advertising costs were not significant in 2018, 2019 or 2020.

Goodwill. Goodwill represents the excess of cost over fair value of individual net assets acquired in business combinations. Goodwill is not subject to periodic amortization. We evaluate goodwill for impairment annually or when circumstances indicate the carrying value may not be recoverable. See Note 5.

Property and equipment; depreciation expense. We state property and equipment, including purchased computer software for internal use, at cost. We compute depreciation of property and equipment for financial reporting purposes principally by the straight-line method over the estimated useful lives of 15 to 40 years for buildings and 3 to 20 years for equipment and software. We use accelerated depreciation methods for income tax purposes, as permitted. Upon sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in income currently. Expenditures for maintenance, repairs and minor renewals are expensed; expenditures for major improvements are capitalized.

We perform impairment tests when events or changes in circumstances indicate the carrying value may not be recoverable. We consider all relevant factors. We perform the impairment test by comparing the estimated future undiscounted cash flows associated with the asset to the asset's net carrying value to determine if impairment exists.

Leases. We enter into various arrangements (or leases) that convey the rights to use and control identified underlying assets for a period of time in exchange for consideration. We lease various facilities and equipment. From time to time, we may also enter into an arrangement in which the right to use and control an identified underlying asset is embedded in another type of contract. We determine if an arrangement is a lease (including leases embedded in another type of contract) at inception. All of our leases are classified as operating leases under ASC Topic 842, *Leases*. Operating leases are not material.

Employee benefit plans. We maintain various defined contribution plans in which we make contributions based on matching or other formulas. Defined contribution plan expense approximated \$3.0 million in 2018, \$3.2 million in 2019 and \$3.0 million in 2020.

Self-insurance. We are partially self-insured for workers' compensation and certain employee health benefits and self-insured for most environmental issues. We purchase coverage in order to limit our exposure to significant workers' compensation or employee health benefit claims. We accrue self-insured losses based upon estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry and our own historical claims experience.

Income taxes. We, and our parent NL, are members of the Contran Tax Group. We have been and currently are a part of the consolidated tax returns filed by Contran for U.S. federal purposes as well as for certain U.S. state jurisdictions. As a member of the Contran Tax Group, we are jointly and severally liable for the federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. See Note 10.

As a member of the Contran Tax Group, we are a party to a tax sharing agreement which provides that we compute our provision for U.S. income taxes on a separate-company basis. Pursuant to the tax sharing agreement, we make payments to or receive payments from NL in amounts we would have paid to or received from the U.S. Internal Revenue Service or the applicable state tax authority had we not been a member of the Contran Tax Group. The separate company provisions and payments are computed using the tax elections made by Contran. We made net cash payments for income taxes to NL of \$4.3 million in 2018, \$5.0 million in 2019 and \$3.2 million in 2020.

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. Deferred income tax assets and liabilities for each tax-paying jurisdiction in which we operate are netted and

presented as either a noncurrent deferred income tax asset or liability, as applicable. We periodically evaluate our deferred tax assets in the various taxing jurisdictions in which we operate and adjust any related valuation allowance based on the estimate of the amount of deferred tax assets which we believe do not meet the more-likely-than-not recognition criteria. See Notes 7 and 10.

We record a reserve for uncertain tax positions for tax positions where we believe it is more-likely-than-not our position will not prevail with the applicable tax authorities. We did not have a reserve for uncertain tax positions in 2018, 2019 or 2020.

Note 2 – Business and geographic segments:

Our operating segments are defined as components of our operations about which separate financial information is available that is regularly evaluated by our chief operating decision maker in determining how to allocate resources and in assessing performance. At December 31, 2020, we had two reportable operating segments – Security Products and Marine Components.

The Security Products segment, with a facility in South Carolina and a facility shared with Marine Components in Illinois, manufactures locking mechanisms and other security products for sale to the transportation, postal, office and institutional furniture, cabinetry, tool storage, healthcare and other industries.

Our Marine Components segment, with a facility in Wisconsin and a facility shared with Security Products in Illinois, manufactures and distributes stainless steel exhaust systems, gauges, throttle controls, wake enhancement systems, trim tabs and related hardware and accessories primarily for performance and ski/wakeboard boats.

The chief operating decision maker evaluates segment performance based on segment operating income, which is defined as income before income taxes, exclusive of certain general corporate income and expense items (primarily interest income) and certain non-recurring items (such as gains or losses on the disposition of long-lived assets outside the ordinary course of business). The accounting policies of the reportable operating segments are the same as those described in Note 1. Capital expenditures include additions to property and equipment but exclude amounts attributable to business combinations.

Segment assets are comprised of all assets attributable to the reportable segments. Corporate assets are not attributable to the operating segments and consist primarily of cash, cash equivalents and note receivable from affiliate. For geographic information, the point of origin (place of manufacture) for all net sales is the U.S., the point of destination for net sales is based on the location of the customer, and property and equipment are attributable to their physical location. Intersegment sales are not material.

	Years ended December 31,		
	2018	2019	2020
	(In thousands)		
Net sales:			
Security Products	\$ 98,383	\$ 99,328	\$ 87,863
Marine Components	19,834	24,915	26,674
Total net sales	<u>\$ 118,217</u>	<u>\$ 124,243</u>	<u>\$ 114,537</u>
Operating income (loss):			
Security Products	\$ 21,947	\$ 21,013	\$ 14,926
Marine Components	2,738	3,644	4,088
Corporate	(6,874)	(6,991)	(7,197)
Total operating income	<u>17,811</u>	<u>17,666</u>	<u>11,817</u>
Interest income	2,664	3,270	1,680
Income before taxes	<u>\$ 20,475</u>	<u>\$ 20,936</u>	<u>\$ 13,497</u>
Depreciation and amortization:			
Security Products	\$ 2,914	\$ 3,056	\$ 3,069
Marine Components	535	627	757
Corporate	5	1	1
Total	<u>\$ 3,454</u>	<u>\$ 3,684</u>	<u>\$ 3,827</u>
Capital expenditures:			
Security Products	\$ 2,126	\$ 1,530	\$ 1,252
Marine Components	991	1,636	458
Corporate	-	-	30
Total	<u>\$ 3,117</u>	<u>\$ 3,166</u>	<u>\$ 1,740</u>
Net sales point of destination:			
United States	\$ 108,773	\$ 114,186	\$ 107,712
Canada	6,436	7,257	4,423
Mexico	1,438	922	431
Other	1,570	1,878	1,971
Total	<u>\$ 118,217</u>	<u>\$ 124,243</u>	<u>\$ 114,537</u>

	December 31,		
	2018	2019	2020
	(In thousands)		
Total assets:			
Security Products	\$ 74,714	\$ 73,697	\$ 70,755
Marine Components	14,189	15,256	15,515
Corporate	77,526	89,591	97,775
Total	<u>\$ 166,429</u>	<u>\$ 178,544</u>	<u>\$ 184,045</u>

Intersegment sales are not material.

Net property and equipment for 2018, 2019 and 2020 is entirely located within the United States.

Note 3 – Accounts receivable, net:

	December 31, 2019	December 31, 2020
	(In thousands)	
Accounts receivable, net:		
Security Products	\$ 10,321	\$ 8,797
Marine Components	1,619	2,004
Allowance for doubtful accounts	(70)	(70)
Total accounts receivable, net	<u>\$ 11,870</u>	<u>\$ 10,731</u>

Note 4 – Inventories:

	December 31, 2019	December 31, 2020
	(In thousands)	
Raw materials:		
Security Products	\$ 2,134	\$ 2,318
Marine Components	807	902
Total raw materials	<u>2,941</u>	<u>3,220</u>
Work-in-process:		
Security Products	9,138	9,214
Marine Components	2,633	2,454
Total work-in-process	<u>11,771</u>	<u>11,668</u>
Finished goods:		
Security Products	2,582	2,235
Marine Components	1,054	1,214
Total finished goods	<u>3,636</u>	<u>3,449</u>
Total inventories, net	<u>\$ 18,348</u>	<u>\$ 18,337</u>

Note 5 – Goodwill:

We assign goodwill based on *reporting unit* (as that term is defined in ASC Topic 350-20-20, *Goodwill*) which corresponds to our operating segments. All of our net goodwill relates to our Security Products segment and was generated from acquisitions relating to our Security Products segment prior to 2001. We test for goodwill impairment at the reporting unit level. In accordance with the requirements of ASC Topic 350-20-20, we review goodwill for each of our reporting units for impairment during the third quarter of each year or when circumstances arise that indicate an impairment might be present.

In 2018, 2019 and 2020, our goodwill was tested for impairment only in the third quarter of each year in connection with our annual testing date. No impairment was indicated as part of such annual reviews of goodwill. As permitted by GAAP, during each of 2018, 2019 and 2020 we used the qualitative assessment of ASC 350-20-35 for our annual impairment test and determined it was not necessary to perform the quantitative goodwill impairment test. During 2016, we used the quantitative assessment of ASC 350-20-35 for our annual impairment test using discounted cash flows to determine the estimated fair value of our Security Products reporting unit. Such discounted cash flows are a Level 3 input as defined by ASC 820-10-35.

Our gross goodwill at December 31, 2020 is \$33.6 million. Prior to 2018, we recorded a \$9.9 million goodwill impairment in our Marine Components segment resulting in a net consolidated carrying amount of \$23.7 million. There have been no changes in the carrying amount of our goodwill during the past three years.

Note 6 – Accounts payable and accrued liabilities:

	December 31,	
	2019	2020
	(In thousands)	
Accounts payable:		
Security Products	\$ 1,975	\$ 1,859
Marine Components	539	773
Accrued liabilities:		
Employee benefits	8,331	8,431
Customer tooling	264	393
Taxes other than on income	350	301
Insurance	167	172
Sales rebates	117	79
Other	335	190
Total accounts payable and accrued liabilities	<u>\$ 12,078</u>	<u>\$ 12,198</u>

Note 7 – Income taxes:

The provision for income taxes and the difference between such provision for income taxes and the amount that would be expected using the U.S. federal statutory income tax rate of 21% are presented below. All of our pre-tax income relates to operations in the United States.

	Years ended December 31,		
	2018	2019	2020
	(In thousands)		
Provision for income taxes:			
Currently payable	\$ 5,064	\$ 4,849	\$ 3,222
Deferred income tax expense (benefit)	86	89	(48)
Total	<u>\$ 5,150</u>	<u>\$ 4,938</u>	<u>\$ 3,174</u>
Expected tax expense, at the U.S. federal statutory income tax rate of 21%	\$ 4,300	\$ 4,397	\$ 2,835
State income taxes	812	742	378
Foreign derived intangible income benefit	—	(201)	(55)
Other, net	38	—	16
Total	<u>\$ 5,150</u>	<u>\$ 4,938</u>	<u>\$ 3,174</u>

Under the “Tax Cuts and Jobs Act,” domestic corporations who are U.S. exporters with no foreign operations may be eligible for a deduction under the foreign derived intangible income provisions. We qualify for this deduction and recognized a current cash tax benefit of \$0.2 million in 2019 (\$0.1 million of such current cash tax benefit is related to 2018) and \$0.1 million in 2020. See also Note 10 to our Consolidated Financial Statements.

On March 27, 2020, the “Coronavirus Aid, Relief and Economic Security (CARES) Act” was signed into law in response to the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, modifications to the limitation of business interest for tax years beginning in 2019 and 2020 and technical corrections to tax depreciation methods for qualified improvement property. We have evaluated the relevant provisions of the CARES Act and determined the impact is not material to our tax provision.

The components of the net deferred tax liability are summarized below.

	December 31,	
	2019	2020
	(In thousands)	
Tax effect of temporary differences related to:		
Inventories	\$ 400	\$ 356
Property and equipment	(3,058)	(2,887)
Accrued liabilities and other deductible differences	19	18
Accrued employee benefits	1,054	982
Goodwill	(1,693)	(1,693)
Other taxable differences	(9)	(15)
Total deferred tax liability	<u>\$ (3,287)</u>	<u>\$ (3,239)</u>

We and Contran file income tax returns in U.S. federal and various state and local jurisdictions. Our income tax returns prior to 2017 are generally considered closed to examination by applicable tax authorities.

Note 8 – Stockholders’ equity:

	Shares of common stock	
	Class A Issued and outstanding	Class B Issued and outstanding
Balance at December 31, 2017	2,426,107	10,000,000
Share conversion	10,000,000	(10,000,000)
Issued	9,450	—
Balance at December 31, 2018	12,435,557	—
Issued	7,500	—
Balance at December 31, 2019	12,443,057	—
Issued	8,100	—
Balance at December 31, 2020	<u>12,451,157</u>	<u>—</u>

Class A and Class B common stock. At our 2018 annual meeting of stockholders held May 23, 2018, our stockholders approved our second amended and restated certificate of incorporation, which among other things added a right for each holder of shares of our Class B common stock, at its option, to convert any or all of those shares into the same number of shares of our Class A common stock. Previously, shares of our Class B common stock were convertible into the same number of Class A common shares only under certain specified conditions. The shares of our Class A and Class B common stock were otherwise identical in all respects, except for certain voting rights in which holders of our shares of Class B common stock were entitled to ten votes per share for election of our directors and one vote per share on all other matters presented to our stockholders for their approval. Holders of our shares of Class A common stock are entitled to one vote per share on all matters. Our second amended and restated certificate of incorporation became effective on July 17, 2018 when we filed such certificate with the Delaware Secretary of State. Immediately after such effectiveness, NL, which owned all of the 10,000,000 issued and outstanding shares of our Class B common stock, converted such Class B shares into 10,000,000 shares of our Class A common stock. This conversion eliminated the dual-class voting structure with respect to election of our directors, providing for equal voting rights with respect to the election of directors for all shares of common stock and providing for uniform and equivalent corporate governance rights to all holders of our common stock. The rights of holders of Class A common stock were not otherwise affected, and the conversion did not affect the calculation of our earnings per share and had no impact on our consolidated financial position, results of operations or liquidity. The second amended and restated certificate of incorporation did not permit the reissuance or resale of any of the shares of Class B common stock which were converted. On November 5, 2018, upon the filing of a

Certificate of Retirement with respect to the shares of Class B common stock with the Delaware Secretary of State, the shares of Class B common stock were retired, and our second amended and restated certificate of incorporation was amended to eliminate all references to the Class B common stock. Following the conversion and subsequent retirement of our shares of Class B common stock, our authorized capital stock consists of 20,000,000 shares of Class A common stock and 1,000 shares of preferred stock.

Share repurchases and cancellations. Prior to 2018, our board of directors authorized various repurchases of shares of our Class A common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We will generally use cash on hand to acquire the shares. Repurchased shares will be added to our treasury and cancelled. We made no treasury purchases during 2018, 2019 or 2020 and at December 31, 2020, approximately 678,000 shares were available for purchase under these authorizations.

Incentive compensation plan. We have a share based incentive compensation plan pursuant to which an aggregate of up to 200,000 shares of our common stock can be awarded to non-employee members of our board of directors. All of the Class A common shares we issued in 2018, 2019 and 2020 were issued under this plan. At December 31, 2020, 140,950 shares were available for award under this plan.

Dividends. We paid regular quarterly dividends of \$.05 per share during 2018, \$0.07 per share during 2019 and \$.10 per share during 2020. Declaration and payment of future dividends and the amount thereof, if any, is discretionary and dependent upon our results of operations, financial condition, cash requirements for our businesses, contractual requirements and restrictions and other factors deemed relevant by our board of directors.

Note 9 – Related party transactions:

We may be deemed to be controlled by Ms. Lisa Simmons and the Family Trust. See Note 1. Corporations that may be deemed to be controlled by or affiliated with these individuals 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 that resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. We continuously consider, review and evaluate, and understand 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 we might be a party to one or more such transactions in the future.

From time to time, we may have loans and advances outstanding between us and various related parties pursuant to term and demand notes. We generally enter into these loans and advances for cash management purposes. When we loan funds to related parties, we are generally able to earn a higher rate of return on the loan than we would earn if we invested the funds in other instruments. While certain of these loans may be of a lesser credit quality than cash equivalent instruments otherwise available to us, we believe we have evaluated the credit risks in the terms of the applicable loans. In this regard, prior to 2018, we entered into an unsecured revolving demand promissory note with Valhi whereby we have agreed to loan Valhi up to \$40 million. Our loan to Valhi, as amended, bears interest at prime plus 1.00%, payable quarterly, with all principal due on demand, but in any event no earlier than December 31, 2022. Loans made to Valhi at any time under the agreement are at our discretion. At the end of our fiscal year in 2019 and 2020, the outstanding principal balance receivable from Valhi under the promissory note was \$28.1 million and \$29.5 million, respectively. Interest income (including unused commitment fees) on our loan to Valhi was \$2.1 million in 2018, \$2.4 million in 2019 and \$1.5 million in 2020.

Under the terms of an Intercorporate Service Agreement (“ISA”) with Contran, employees of Contran perform certain management, tax planning, financial, legal and administrative services for us on a fee basis. Such

fees are based upon estimates of time devoted to our affairs by individual Contran employees and the compensation of such persons. Because of the large number of companies affiliated with Contran, we believe we benefit from cost savings and economies of scale gained by not having certain management, financial and administrative staffs duplicated at each entity, thus allowing certain individuals to provide services to multiple companies but only be compensated by one entity. We negotiate ISA fees annually and agreements renew quarterly. Fees pursuant to these agreements aggregated \$3.5 million in 2018, \$3.4 million in 2019 and \$3.4 million in 2020.

Contran and certain of its subsidiaries and affiliates, including us, purchase certain of their insurance policies as a group, with the costs of the jointly-owned policies being apportioned among the participating companies. Tall Pines Insurance Company (“Tall Pines”), a subsidiary of Valhi, underwrites certain insurance policies for Contran and certain of its subsidiaries and affiliates, including us. Tall Pines purchases reinsurance from third-party insurance carriers with an A.M. Best Company rating of generally at least A-(Excellent) for substantially all of the risks it underwrites. EWI RE, Inc., a subsidiary of NL, brokered certain of our insurance policies, provided claims and risk management services and, where appropriate, engaged certain third-party risk management consultants prior to NL’s sale of EWI’s insurance and risk management business to a third party in November 2019. Consistent with insurance industry practices, Tall Pines receives commissions from reinsurance underwriters and/or assesses fees for certain of the policies that it underwrites, and prior to November 2019 EWI received commissions from the insurance and reinsurance underwriters for the policies that it brokered. The aggregate amounts we paid under the group insurance program were approximately \$2.0 million in 2018 and \$2.3 million through the date of the sale in 2019. These amounts principally represent insurance premiums paid to Tall Pines or EWI, including amounts paid to EWI that EWI then remitted, net of brokerage commissions, to insurers. Following the sale of EWI’s insurance and risk management business, Contran engaged the third-party insurance broker that purchased the business to provide many of the services previously provided by EWI, and we continue to utilize Tall Pines to underwrite certain insurance risks. During 2020, we paid \$2.8 million under the group insurance program, which amount principally represents insurance premiums, including \$0.7 million for policies written by Tall Pines. Amounts paid under the group insurance program also include payments to insurers or reinsurers (which prior to the sale were made through EWI) for the reimbursement of claims within our applicable deductible or retention ranges that such insurers and reinsurers paid to third parties on our behalf, as well as amounts for claims and risk management services and various other third-party fees and expenses incurred by the program. We expect that these relationships in place during 2020 will continue in 2021.

With respect to certain of such jointly-owned insurance policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, and in the event that the available coverage under a particular policy would become exhausted by one or more claims, Contran and certain of its subsidiaries and affiliates, including us, have entered into a loss sharing agreement under which any uninsured loss arising because the available coverage had been exhausted by one or more claims will be shared ratably amongst those entities that had submitted claims under the relevant policy. We believe the benefits, in the form of reduced premiums and broader coverage associated with the group coverage for such policies, justifies the risk associated with the potential for any uninsured loss.

Note 10 – Commitments and contingencies:

Legal proceedings. We are involved, from time to time, in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. We currently believe the disposition of all claims and disputes, individually or in the aggregate, should not have a material long-term adverse effect on our consolidated financial condition, results of operations or liquidity.

Environmental matters and litigation. Our operations are governed by various federal, state and local environmental laws and regulations. Our policy is to comply with environmental laws and regulations at all of our facilities and to continually strive to improve environmental performance in association with applicable industry initiatives. We believe our operations are in substantial compliance with applicable requirements of environmental laws. From time to time, we may be subject to environmental regulatory enforcement under various statutes, resolution of which typically involves the establishment of compliance programs.

Income taxes. From time to time, we undergo examinations of our income tax returns, and tax authorities have or may propose tax deficiencies. We believe we have adequately provided accruals for additional income taxes and related interest expense which may ultimately result from such examinations and we believe that the ultimate disposition of all such examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

We are a party to a tax sharing agreement with Contran and NL providing for the allocation of tax liabilities and tax payments as described in Note 1. Under applicable law, we, as well as every other member of the Contran Tax Group, are each jointly and severally liable for the aggregate federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. NL has agreed, however, to indemnify us for any liability for income taxes of the Contran Tax Group in excess of our tax liability in accordance with the tax sharing agreement.

Concentration of credit risk. Our products are sold primarily in North America to original equipment manufacturers. Our ten largest customers accounted for approximately 44% of sales in 2018, 47% in 2019 and 48% in 2020. One customer of the Security Products segment accounted for 13% of consolidated sales in 2018, 14% in 2019 and 17% in 2020.

Note 11 – Financial instruments:

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure:

	December 31, 2019		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 63,255	\$ 63,255	\$ 70,637	\$ 70,637
Accounts receivable, net	11,870	11,870	10,731	10,731
Accounts payable	2,514	2,514	2,632	2,632

Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value.

Note 12 – Recent Accounting Pronouncements:

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2019-12, *Simplifying the Accounting for Income Taxes*, which changes the accounting for certain income tax transactions and reduces complexity in accounting for income taxes in certain areas. The ASU introduces new guidance including providing a policy election for an entity to not allocate consolidated current and deferred tax expense when a member of a consolidated tax return is not subject to income tax in its separate financial statements and is a disregarded entity by the taxing authority; and providing guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. The ASU also changes existing guidance in a number of areas, including: the method of making an intraperiod allocation of total income tax expense if there is a loss in continuing operations and gains outside of continuing operations; accounting for tax law changes and year-to-date losses in interim periods; and determining how to apply the income tax guidance to franchise taxes that are partially based on income. We adopted this ASU in the first quarter of 2020 and the adoption of this standard did not have a material effect on our Consolidated Financial Statements.

Note 13 – Quarterly results of operations (unaudited):

	Quarter ended			
	March 31	June 30	September 30	December 31
	(In millions, except per share amounts)			
2019:				
Net sales	\$ 31.2	\$ 33.7	\$ 29.7	\$ 29.6
Gross margin	9.6	10.9	9.5	9.0
Operating income	4.3	5.6	4.3	3.5
Net income	4.0	4.9	3.9	3.2
Basic and diluted earnings per share	\$.32	\$.39	\$.31	\$.26
2020:				
Net sales	\$ 32.3	\$ 23.8	\$ 28.4	\$ 30.0
Gross margin	10.4	7.4	7.3	7.7
Operating income	5.0	2.4	2.1	2.3
Net income	4.3	2.1	1.8	2.1
Basic and diluted earnings per share	\$.34	\$.17	\$.15	\$.17

The sum of the quarterly per share amounts may not equal the annual per share amounts due to relative changes in the weighted-average number of shares used in the per share computations.

**AMENDED AND RESTATED
BYLAWS**

OF

COMPX INTERNATIONAL INC.
a Delaware Corporation
(Amended and Restated as of March 3, 2021)

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**AMENDED AND RESTATED
BYLAWS**

OF

COMPX INTERNATIONAL INC.
a Delaware Corporation
(Amended and Restated as of March 3, 2021)

**ARTICLE I.
REGISTERED AGENT AND OFFICES**

Section 1.1. *Registered Agent and Office.* The registered agent and office of the corporation shall be such person or entity and located at such place within the state of Delaware as the board of directors may from time to time determine.

Section 1.2. *Other Offices.* The corporation may also have offices at such other places, both within and without the state of Delaware, as the corporation's board of directors may from time to time determine or the business of the corporation may require.

**ARTICLE II.
MEETINGS OF STOCKHOLDERS**

Section 2.1. *Place and Time of Meetings.* All meetings of the stockholders shall be held on such date and at such time and place, within or without the state of Delaware, as shall be determined, from time to time, by the board of directors or by means of remote communication at the discretion of the board of directors, as stated in the notice and call of the meeting or a duly executed waiver of notice thereof. The chairman of the board, the president, the chief executive officer, the board of directors or the holders of at least 15 percent of the shares of the corporation that would be entitled to vote at such a meeting may call special meetings of stockholders. If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by facsimile transmission to the chairman of the board, the president, the chief executive officer or the secretary of the corporation. Nothing contained in this Section shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

Section 2.2. *Business to be Transacted at Meetings.* At a meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before a special meeting, business must be specified in the notice of the meeting (or any supplement thereto). To be properly brought before an annual meeting, business must be **(a)** specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the board of directors, **(b)** otherwise properly brought before the meeting by or at the direction of the board of directors or **(c)** otherwise properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must, in addition to any requirements imposed by federal securities law or other applicable laws, have given timely notice thereof in writing to the secretary of the corporation. To be timely for an annual meeting, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, no later than **(i)** if the corporation mailed notice of the last annual meeting or publicly disclosed the date of such meeting and the annual meeting for the current year has not changed more than thirty days from such date (as if in the current year), forty-five days before the earlier of the date (as if in the current year) of such mailing or public disclosure or **(ii)** otherwise ninety days prior to the annual meeting. A stockholder's notice to the secretary with regard to an annual meeting shall set forth as to each order of business that the stockholder proposes to bring before the meeting **(a)** a brief description of such business desired to be brought before the meeting and the reasons for conducting such business at the annual meeting, **(b)** the name and address, as they appear on the corporation's books, of the stockholder proposing such business, **(c)** the class and number of shares of the corporation that are beneficially owned by the stockholder and **(d)** any material interest

of the stockholder in such business. The chairman of the meeting may refuse to bring before a meeting any business not properly brought before the meeting in compliance with this section.

Section 2.3. Notice. Notice of the time, place and means of remote communication of an annual meeting of stockholders and notice of the time, place, means of remote communication and purpose or purposes of a special meeting of the stockholders shall be given not less than 10, nor more than 60, days prior to the meeting to each stockholder of record of the corporation entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage paid, addressed to the stockholder's address appearing on the corporate books of the corporation.

Section 2.4. Notice by Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under any applicable law, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Notice by electronic transmission shall be deemed given: **(a)** if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; **(b)** if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; **(c)** if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of **(i)** such posting and **(ii)** the giving of such separate notice; and **(d)** if by any other form of electronic transmission, when directed to the stockholder.

Section 2.5. List of Stockholders. The officer or agent having charge of the stock transfer books of the corporation shall make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, specifying the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting on a reasonably accessible electronic network or, during ordinary business hours, at the principal place of business of the corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. If the meeting of stockholders is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. The original stock transfer books shall be the only evidence as to who are the stockholders entitled to examine such list or transfer book or to vote at any such meeting of stockholders.

Section 2.6. Quorum. The holders of a majority of the votes entitled to be cast at any meeting of stockholders, counted as a single class if there be more than one class of stock entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders except as otherwise provided by statute or by the certificate of incorporation. Once a quorum is present at a meeting of the stockholders, the stockholders represented in person or by proxy at the meeting may conduct such business as may be properly brought before the meeting until it is adjourned, and the subsequent withdrawal from the meeting by any stockholder or the refusal of any stockholder represented in person or by proxy to vote shall not affect the presence of a quorum at the meeting. If a quorum is not present, the chairman of the meeting or the holders of the shares present in person or represented by proxy at the meeting, and entitled to vote thereat, shall have the power, by the affirmative vote of the holders of a majority of such shares, to adjourn the meeting to another time and/or place. Unless the adjournment is for more than thirty days or unless a new record date is set for the adjourned meeting, no notice of the adjourned meeting need be given to any stockholder provided that the time and place of the adjourned meeting were announced at the meeting at which the adjournment was taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting.

Section 2.7. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. A telegram, telex, cablegram or reliable electronic transmission executed or duly authorized by the stockholder, or a photographic, photostatic, facsimile or reliable reproduction of a writing executed or duly authorized by the stockholder shall be treated as an execution in writing for purposes of this section. No proxy shall be valid after three years from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest.

Section 2.8. Order of Business. The order of business at each such stockholders meeting shall be as determined by the chairman of the meeting. One of the following persons, in the order in which they are listed (and in the absence of the first, the next, and so on), shall serve as chairman of the meeting: the chairman of the board, vice chairman of the board, president, the chief executive officer, vice presidents (in the order of their seniority if more than one) and secretary. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the voting polls.

Section 2.9. Appointment of Inspectors of Election. The board of directors shall appoint one or more inspectors of election (“inspectors”) to act at such meeting or any adjournment or postponement thereof and make a written report thereof. The board of directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is so appointed or if no inspector or alternate is able to act, the chairman of the board, the vice chairman of the board, the president or the chief executive officer shall appoint one or more inspectors to act at such meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors may be directors, officers or employees of the corporation.

Section 2.10. Confidential Voting. All proxies, ballots and vote tabulations that identify the particular vote of a stockholder shall be kept confidential, except that disclosure may be made **(a)** to allow the inspectors to certify the results of the vote; **(b)** as necessary to meet applicable legal requirements, including the pursuit or defense of judicial actions; or **(c)** when expressly requested by such stockholder. Nothing in this section shall prohibit the inspector from making available to the corporation, during the period prior to any annual or special meeting, information as to which stockholders have not voted and periodic status reports on the aggregate vote.

Section 2.11. Action Without a Meeting.

- (a)** Any action to be taken at a meeting of the stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted.
- (b)** Every written consent of the stockholders shall bear the date of signature of each stockholder who signs the consent. No written consent shall be effective to take the action that is the subject of the consent unless, within 60 days after the date of the earliest dated consent delivered to the corporation as provided below, a consent or consents signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take the action that is the subject of the consent are delivered to the corporation by delivery to its registered office, its principal place of business, or an officer or agent of the corporation having custody of the books in which proceedings of meetings of the stockholders are recorded. Such delivery shall be made by hand or by certified or registered mail, return receipt requested, and in the case of delivery to the corporation’s principal place of business, shall be addressed to the president or chief executive officer of the corporation.
- (c)** Without limitation, a telegram, cablegram or electronic transmission by a stockholder, or a photographic, photostatic, facsimile or other reliable reproduction of a writing signed or transmitted by a stockholder, shall be regarded as signed by the stockholder for the purposes of this section.
- (d)** Prompt notice of the taking of any action by stockholders without a meeting by less than unanimous written consent shall be given to those stockholders who did not consent in writing to the action and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the corporation.

Section 2.12. Fixing A Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting. With respect to corporate action in writing without a meeting, such record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors nor more than 10 days after the date upon which the resolution fixing the record date is adopted by the board of directors. With respect to any other action, such record date shall not precede the date upon which the resolution fixing the record date is adopted nor more than 60 days prior to such action.

If the board of directors does not so fix a record date:

- (a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.
- (b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is required under the laws of the state of Delaware, shall be the first date on which a signed written consent is delivered to the corporation in accordance with the requirements of such law.
- (c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the board of directors may fix a new record date for the adjourned meeting.

Section 2.13. Remote Communications. If authorized by the board of directors in its sole discretion, and subject to such guidelines and procedures as the board of directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication, (a) participate in a meeting of stockholders, and (b) be deemed present in person and vote at a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

Section 2.14. Minutes. The stockholders shall cause regular minutes of their proceedings to be kept, and such minutes shall be placed in the minute proceedings of the corporation (which may be maintained in paper or electronic form).

ARTICLE III. DIRECTORS

Section 3.1. Number, Qualifications and Term of Office. The business and affairs of the corporation shall be managed by a board of directors. Subject to the preferential voting rights of the holders of preferred stock or any other class of capital stock of the corporation or any series of any of the foregoing that is then outstanding, the board of directors shall consist of one or more members. The number of members of the board of directors shall be fixed from time to time (a) by the board of directors pursuant to a resolution adopted by a majority of the entire board of directors or (b) by the stockholders pursuant to a resolution adopted by a majority of the holders of shares of the

corporation entitled to vote for the election of directors; *provided, however*, that if the stockholders have acted to fix the number of directors, any action by the board of directors to fix another number shall only become effective on or after the first annual meeting of stockholders that follows such stockholder action. Each director shall be elected at the annual meeting of the stockholders, except as provided in **Section 3.4**, and each director elected shall hold office until the next annual meeting of stockholders and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term expires.

Section 3.2. *Nomination of Director Candidates.* Subject to the preferential voting rights of the holders of preferred stock or any other class of capital stock of the corporation or any series of any of the foregoing that is then outstanding, nominations for the election of directors may be made by the board of directors or by any stockholder entitled to vote for the election of directors. Any stockholder entitled to vote for the election of a director at a meeting may nominate persons for whom such stockholder may vote only if written notice of such stockholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation not later than **(a)** with respect to an election to be held at an annual meeting of stockholders, **(i)** if the corporation mailed notice of the last annual meeting or publicly disclosed the date of such meeting and the annual meeting for the current year has not changed more than thirty days from such date (as if in the current year), forty-five days before the earlier of the date (as if in the current year) of such mailing or public disclosure or **(ii)** otherwise ninety days prior to the annual meeting and **(b)** with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: **(a)** the name and address of the stockholder who intends to make the nomination and of the person or persons intended to be nominated; **(b)** a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; **(c)** a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; **(d)** such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such requirements been applicable and each nominee been nominated, or intended to be nominated, by the board of directors; and **(e)** the consent of each nominee to serve as a director of the corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with this section.

Section 3.3. *Removals.* Subject to the preferential voting rights of the holders of preferred stock or any other class of capital stock of the corporation or any series of any of the foregoing that is then outstanding at any meeting of stockholders called expressly for the purpose of removing a director or directors, each director may be removed from office at any time by the stockholders, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of the corporation entitled to vote for the election of such director.

Section 3.4. *Vacancies.* Subject to the preferential voting rights of the holders of preferred stock or any other class of capital stock of the corporation or any series of any of the foregoing that is then outstanding and except as otherwise required by law, all vacancies in the board of directors, whether caused by resignation, death or otherwise, may be filled by a majority of the remaining directors though less than a quorum; *provided, however*, that any vacancy resulting from an increase in the number of directors that is the result of a resolution adopted by the stockholders of the corporation may be filled by the stockholders of the corporation in accordance with the laws of the state of Delaware, any other applicable provisions of the certificate of incorporation and these bylaws. Each director so chosen shall hold office for the unexpired term of his or her predecessor and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 3.5. *Annual Meeting.* The annual meeting of the board of directors may be held without notice immediately after the annual meeting of stockholders at the location of the stockholders' meeting. If not held immediately after the annual meeting of the stockholders, the annual meeting of the board of directors shall be held as soon thereafter as may be convenient.

Section 3.6. *Other Meetings and Notice.* Regular meetings of the board of directors may be held with or without notice at such time and at such place as shall from time to time be determined by the board of directors. Special meetings of the board of directors may be called by or at the request of the chairman of the board, the vice

chairman of the board, the president or the or chief executive officer and shall be called by the chairman of the board on the written request of a majority of directors, in each case on at least twenty-four hours notice to each director.

Section 3.7. Quorum. A majority of the total number of directors shall be necessary at all meetings to constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the meeting as originally notified and called.

Section 3.8. Committees. Standing or temporary committees consisting of one or more directors of the corporation may be appointed by the board of directors from time to time, and the board of directors may from time to time invest such committees with such powers as it may see fit, subject to limitations imposed by statute and such conditions as may be prescribed by the board of directors. An executive committee may be appointed by resolution passed by a majority of the entire board of directors and if appointed it shall have all the powers provided by statute, except as specially limited by the board of directors. All committees so appointed shall keep regular minutes of the transactions of their meetings and shall cause them to be recorded in books kept for that purpose in the office of the corporation, and shall report the same to the board of directors at its next meeting. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. The board shall have the power at any time to change the membership of, to increase or decrease the membership of, to fill all vacancies in and to discharge any committee of the board, or any member thereof, either with or without cause.

Section 3.9. Committee Rules. Each committee of the board of directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by the resolution of the board of directors designating such committee, but in all cases the presence of at least a majority of the members of such committee shall be necessary to constitute a quorum.

Section 3.10. Telephonic Meetings. Members of the board of directors or any committee designated by the board of directors may participate in any meeting of the board of directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at such meeting.

Section 3.11. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or any committee thereof at which action on any corporate matter is taken shall be deemed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.12. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or such committee, as the case may be, consent thereto in writing or electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board of directors or committee. Action taken pursuant to such written consent of the board of directors or of any committee thereof shall have the same force and effect as if taken by the board of directors or the committee, as the case may be, at a meeting thereof.

Section 3.13. Compensation. The board of directors shall have the authority to fix the compensation of directors.

Section 3.14. Minutes. The board of directors shall cause to be kept regular minutes of its proceedings, and such minutes shall be placed in the minute proceedings of the corporation (which may be maintained in paper or electronic form).

ARTICLE IV.
OFFICERS

Section 4.1. Number. The officers of the corporation shall be a chairman of the board, a vice chairman of the board, a president, one or more vice presidents, a secretary, a treasurer, and such other officers and assistant officers as the board of directors may, by resolution, appoint. Any two or more offices may be held by the same person. In its discretion, the board of directors may choose not to fill any office for any period as it may deem advisable, except the offices of president and secretary.

Section 4.2. Election and Term of Office. The officers of the corporation shall be elected annually by the board of directors at the annual meeting of the board of directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the next annual meeting of the board of directors and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

Section 4.3. The Chairman of the Board. The chairman of the board shall preside at all meetings of the stockholders and directors. He or she shall have general and active management of the business of the corporation, shall see that all orders and resolutions of the board of directors are carried into effect and, in connection therewith, shall be authorized to delegate to the vice chairman of the board, president and other officers such of his or her powers and duties as chairman of the board at such time and in such manner as he or she may deem to be advisable. The chairman of the board shall be an ex officio member of all standing committees and he or she shall have such other powers and duties as may from time to time be assigned by the board of directors.

Section 4.4. The Vice Chairman of the Board. The vice chairman of the board shall assist the chairman of the board in the management of the business of the corporation, and, in the absence or disability of the chairman of the board, shall preside at all meetings of the stockholders and the board of directors and exercise the other powers and perform the other duties of the chairman of the board or designate the executive officers of the corporation by whom such other powers shall be exercised and other duties performed. The vice chairman of the board shall be an ex officio member of all standing committees and he or she shall have such other powers and duties as may from time to time be assigned by the board of directors or by the chairman of the board. In addition to the foregoing, the vice chairman of the board shall have such other powers, duties and authority as may be set forth elsewhere in these bylaws.

Section 4.5. The President. The president shall be the corporation's chief operating officer unless otherwise determined by the board of directors. The president shall assist the chairman of the board in the management of the business of the corporation, and, in the absence or disability of the chairman of the board and the vice chairman of the board, shall preside at all meetings of the stockholders and the board of directors and exercise the other powers and perform the other duties of the chairman of the board or designate the executive officers of the corporation by whom such other powers shall be exercised and other duties performed. The president shall be an ex officio member of all standing committees and he or she shall have such other powers and duties as may from time to time be assigned by the board of directors or by the chairman of the board. In addition to the foregoing, the president shall have such other powers, duties, and authority as may be set forth elsewhere in these bylaws. If the board of directors does not elect a chairman or vice chairman of the board, the president shall also have the duties and responsibilities, and exercise all functions, of the chairman and the vice chairman of the board as provided in these bylaws.

Section 4.6. The Chief Executive Officer. The board of directors may designate an individual, whether or not such individual is an officer of the corporation, to serve as the chief executive officer of the corporation. The chief executive officer shall have the duties and responsibilities, and exercise all functions, as the board of directors may determine.

Section 4.7. The Chief Financial Officer. The board of directors may designate an individual, whether or not such individual is an officer of the corporation, to serve as the chief financial officer of the corporation. The chief financial officer shall have the duties and responsibilities, and exercise all functions, as the board of directors may determine.

Section 4.8. Vice Presidents. Each vice president shall have such powers and discharge such duties as may be assigned from time to time by the chairman of the board, the vice chairman of the board or the president. During

the absence or disability of the president, first the chief executive officer and in the absence or disability of the chief executive officer, one such vice president, when designated by the board of directors, shall exercise all the functions of the president.

Section 4.9. *The Secretary and Assistant Secretary.* The secretary or the chairman of the board shall issue notices for all meetings. The secretary shall keep minutes of all meetings of the board of directors, the committees thereof and the stockholders, shall have charge of the seal and the corporate books and shall make such reports and perform such other duties as are incident to the office, and perform such other duties designated or properly required by the chairman of the board, the vice chairman of the board, the president or the chief executive officer. The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation. The assistant secretary shall be vested with the same powers and duties as the secretary, and any act may be done or duty performed by the assistant secretary with like effect as though done or performed by the secretary. The assistant secretary shall have such other powers and perform such other duties as may be assigned by the chairman of the board, the vice chairman of the board, the president or the chief executive officer.

Section 4.10. *The Treasurer and Assistant Treasurer.* The treasurer shall have the custody of all moneys and securities of the corporation and shall keep regular books of account. He or she shall disburse the funds of the corporation in payment of just demands against the corporation, or as may be ordered by the chairman of the board, the vice chairman of the board, the president, the chief executive officer or by the board of directors, taking proper vouchers for such disbursements, and shall render to the board of directors from time to time as may be required of him or her, an account of all transactions as treasurer and of the financial condition of the corporation. The treasurer shall perform all duties incident to the office, and perform such other duties designated or properly required by the chairman of the board, the vice chairman of the board, the president or the chief executive officer. The assistant treasurer shall be vested with the same powers and duties as the treasurer, and any act may be done, or duty performed by the assistant treasurer with like effect as though done or performed by the treasurer. The assistant treasurer shall have such other powers and perform such other duties as may be assigned by the chairman of the board, the vice chairman of the board, the president or the chief executive officer.

Section 4.11. *Vacancies.* Vacancies in any office arising from any cause may be filled by the directors for the unexpired portion of the term with a majority vote of the directors then in office. In the case of the absence or inability to act of any officer of the corporation and of any person herein authorized to act in his or her place, the board of directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

Section 4.12. *Other Officers, Assistant Officers and Agents.* Officers, assistant officers, and agents, if any, other than those whose duties are provided for in these bylaws shall hold their offices for such terms and shall exercise such powers and perform such duties as the board of directors may determine.

Section 4.13. *Normal Duties and Responsibilities of Officers.* Unless otherwise provided in these bylaws or the board of directors decides otherwise, if an officer title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law or any successor or similar statute, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made to such officer by the board of directors.

ARTICLE V.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND OTHERS

Section 5.1. *Indemnification.* To the fullest extent permitted by Delaware law, the corporation shall indemnify any and all officers and directors of the corporation from and against all expenses (including attorneys' fees), liabilities or other matters arising out of their status as such or their acts, omissions or services rendered by such persons in such capacities or otherwise while serving at the request of the corporation in any other capacity. Unless specifically addressed in a repeal or amendment of Delaware law with regard to a corporation's ability to indemnify

any such person, no such repeal or amendment shall adversely affect any indemnification rights of any such person existing at the time of such repeal or amendment.

Section 5.2. *Advancement of Expenses.* Expenses (including attorneys' fees) incurred by a director or officer who was, is or is threatened to be made a named defendant or respondent in a proceeding by reason of his or her status as a director or officer of the corporation or services rendered by such persons in such capacities or otherwise at the request of the corporation or incurred by a director or officer for prosecuting a claim under **Section 5.3** shall be paid by the corporation in advance of the final disposition of such proceeding upon receipt of a written undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation as authorized in this Article.

Section 5.3. *Expenses of Contested Indemnification Claims.* If a claimant makes a claim on the corporation under **Section 5.1** or **5.2** and the corporation does not pay such claim in full within thirty days after it has received such written claim, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid also the expenses of prosecuting such claim. It shall be a defense to any such action that such indemnification or advancement of costs of defense are not permitted under the General Corporation Law of Delaware or other applicable law, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or any committee thereof, special legal counsel or stockholders) to have made its determination prior to the commencement of such action that indemnification of, or advancement of costs of defense to, the claimant is permissible in the circumstances nor an actual determination by the corporation (including its board of directors or any committee thereof, special legal counsel, or stockholders) that such indemnification or advancement is not permissible, shall be a defense to the action or create a presumption that such indemnification or advancement is not permissible.

Section 5.4. *Indemnification Not Exclusive.* The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any other bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office.

Section 5.5. *Survival of Indemnification and Advancement of Expenses.* The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 5.6. *Employees, Agents and Others.* To the fullest extent of Delaware law, the corporation may grant rights of indemnification and advancement of expenses to any person who is not at the time a current director or officer of the corporation.

Section 5.7. *Contract Right.* Each of the rights of indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall be a contract right that will survive the termination of any person's service as a director or officer and any repeal or amendment of the provisions of this Article shall not adversely affect any such right of any person existing at the time of such repeal or amendment with respect to any act or omission occurring prior to the time of such repeal or amendment, and further, shall not apply to any proceeding, irrespective of when the proceeding is initiated, arising from the service of such person prior to such repeal or amendment.

Section 5.8. *Insurance.* To the fullest extent of Delaware law, the corporation shall have power to purchase and maintain insurance on behalf of any person, including one who is or was 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 enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify him or her against such liability under the provisions of this Article or Delaware law.

Section 5.9. *Certain References Under Article V.* For purposes of this Article, references to "*the corporation*," "*other enterprise*" and "*servicing at the request of the corporation*" shall have the meanings given such terms in Section 145 of the Delaware General Corporation Law or any successor or similar statute. As used herein,

the term “*proceeding*” means any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative, any appeal in such an action, suit or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding.

ARTICLE VI. STOCK CERTIFICATES

Section 6.1. *Form.* The shares of stock of the corporation shall be represented by certificates, or shall be uncertificated shares. Every holder of uncertificated shares of the corporation shall be entitled upon request to have a stock certificate issued to such holder signed by the chairman of the board, the president, the chief executive officer or any vice president and the secretary, any assistant secretary, the treasurer or any assistant treasurer, certifying to the number of shares owned by such stockholder. Where, however, such certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the corporation, and a registrar or by an agent acting in the dual capacity of transfer agent and registrar, the signatures of any of the above-named officers may be facsimile signatures. In the event that any officer who has signed, or whose facsimile signature has been used on, a certificate ceases to be an officer before the certificate has been delivered, such certificate may nevertheless be adopted and issued and delivered by the corporation, as though the officer who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be such officer of the corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom either certificated or uncertificated shares are issued, with the number of shares and date of issue, shall be entered on the books of the corporation. Notwithstanding any other provision in these bylaws, the corporation may adopt a system of issuance, recordation and transfer of its shares by electronic or other means not involving any issuance of certificates, including provisions for notice to purchasers in substitution for any required statements or certificates, and as may be required by applicable law, which system has been approved by the U.S. Securities and Exchange Commission. Any system so adopted shall not become effective as to issued and outstanding certificated securities until the certificates therefor have been surrendered to the corporation.

Section 6.2. *Transfers.* Transfers of stock shall be made only upon the transfer books of the corporation or respective transfer agents designated to transfer the several classes of stock and, in the case of shares represented by a certificate or certificates, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

Section 6.3. *Lost or Destroyed Certificates.* The corporation may issue a new stock certificate in place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation shall, except as otherwise determined by the board of directors, the chairman of the board, the president, the chief executive officer any vice president or other authorized officer, require the owner of the lost, stolen or destroyed certificate, or his or her legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 6.4. *Registered Stockholders.* The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such shares on the part of another person, whether or not the corporation shall have express or other notice thereof, *except* as otherwise provided by the laws of the state of Delaware.

Section 6.5. *Restrictions on Transfers of Shares.* Notice of any restriction on the transfer of shares of the corporation’s stock shall be placed on each certificate of stock issued, or in the case of uncertificated shares, contained in the notice sent to the registered holder of such shares in accordance with the laws of the state of Delaware.

ARTICLE VII. CERTAIN BUSINESS COMBINATIONS

The provision of Section 203 of the Delaware General Corporation Law shall not apply to the corporation.

ARTICLE VIII.
GENERAL PROVISIONS

Section 8.1. Dividends. Dividends upon the capital stock of the corporation, subject to any applicable provisions of the certificate of incorporation, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the applicable provisions of the certificate of incorporation. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think in the best interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

Section 8.2. Accounts. The chairman of the board, vice chairman of the board, president, the chief executive officer or any vice president is authorized for and on behalf of the corporation: to establish, maintain and to close depository accounts, in the corporation's name, for the deposit and withdrawal of corporation funds; to designate those individuals authorized to withdraw funds or sign checks in said depository accounts; and to execute customer agreements with respect to such depository accounts, including forms of corporate resolutions, certified with respect to the approval of the board of directors as of the date such forms of corporate resolutions are executed. The secretary or assistant secretary is, authorized for and on behalf of the corporation without further action of the board of directors to certify as to the approval of the board of directors of forms of resolutions regarding any of such depository or trading accounts as of the date the officer of the corporation executes the customer agreement with respect to each such account.

ARTICLE IX.
NOTICES

Section 9.1. General. Written notice to stockholders of stockholder meetings shall be given as provided in **Section 2.3** herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by U.S. mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means. Whenever the provisions of any statute or these bylaws require notice to be given to any director, such notice may be given by the method stated in the previous sentence, except that such notice other than one that is delivered personally shall be sent to such address as such director shall have filed in writing with the secretary, or, in the absence of such filing, to the last known post office address of such director.

Section 9.2. Waivers. Whenever any notice whatever is required to be given under provisions of law or of the certificate of incorporation or of these bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice or a waiver by electronic transmission, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 9.3. Attendance as Waiver. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

Section 9.4. Omission of Notice to Stockholders. Any notice required to be given to any stockholder under any statutory provision, the certificate of incorporation or these bylaws need not be given to the stockholder if:

- (a) notice of two consecutive annual meetings and all notices of meetings held or the takings of action by written consent without a meeting to such stockholder taken during the period between those annual meetings, or

(b) all, and at least two, payments (if sent by first class mail) of distributions or interest on securities during a twelve-month period,

have been mailed to that person, addressed at his or her address as shown on the share transfer records of the corporation, and have been returned undeliverable. Any action or meeting taken or held without notice to such a person shall have the same force and effect as if the notice had been duly given. If such a person delivers to the corporation a written notice setting forth his or her then current address, the requirement that notice be given to that person shall be reinstated.

**ARTICLE X.
FORUM SELECTION**

Section 10.1. Delaware Forum. Unless the corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if such court does not have subject matter jurisdiction, the federal district court of the State of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of the corporation, (ii) any action asserting a claim for or based on a breach of a fiduciary duty owed by any current or former director, officer, other employee, agent or stockholder of the corporation to the corporation or the corporation's stockholders, including without limitation a claim alleging the aiding and abetting of such a breach of fiduciary duty, (iii) any action asserting a claim against the corporation or any current or former director, officer, employee, agent or stockholder of the corporation arising pursuant to any provision of the Delaware General Corporation Law ("DGCL") or the certificate of incorporation or bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) any action asserting a claim related to or involving the corporation that is governed by the internal affairs doctrine.

Section 10.2. Securities Act Claims. Unless the corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Section 10.3. Notice and Consent. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of capital stock of the corporation shall be deemed to have notice of and consented to the provisions of this Article X.

Section 10.4. Injunctive Relief. Failure to enforce the foregoing provisions would cause the corporation irreparable harm, and the corporation shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions.

ADOPTED BY THE BOARD OF DIRECTORS AS OF MARCH 3, 2021

/s/ Jane R. Grimm

Jane R. Grimm, Secretary

**UNSECURED REVOLVING
DEMAND PROMISSORY NOTE**

\$40,000,000.00

December 31, 2020

Section 1. *Promise to Pay.* For and in consideration of value received, the undersigned, VALHI, INC., a corporation duly organized under the laws of the state of Delaware (“*Borrower*”), promises to pay, in lawful money of the United States of America, to the order of COMPX INTERNATIONAL INC., a corporation duly organized under the laws of the state of Delaware (“*CompX*”), or the holder hereof (as applicable, CompX or such holder shall be referred to as the “*Noteholder*”), the principal sum of FORTY MILLION and NO/100ths United States Dollars (\$40,000,000.00) or such lesser amount as shall equal the unpaid principal amount of the loan made by the Noteholder to Borrower together with accrued and unpaid interest on the unpaid principal balance from time to time pursuant to the terms of this Unsecured Revolving Demand Promissory Note, as it may be amended from time to time (this “*Note*”). This Note shall be unsecured and will bear interest on the terms set forth in **Section 7** below. Capitalized terms not otherwise defined shall have the meanings given to such terms in **Section 19** of this Note.

Section 2. *Amendment and Restatement.* This Note renews, replaces, amends and restates in its entirety the Unsecured Revolving Demand Promissory Note dated December 31, 2019 in the original principal amount of \$40,000,000.00 payable to the order of the Noteholder and executed by the Borrower (the “*Prior Note*”). As of the close of business on December 31, 2020, the unpaid principal balance of the Prior Note was \$29,500,000.00, the accrued and unpaid interest thereon was nil and the accrued and unpaid commitment fee thereon was nil, which is the unpaid principal, accrued and unpaid interest and accrued and unpaid commitment fee owed under this Note as of the close of business on the date of this Note. This Note contains the entire understanding between the Noteholder and the Borrower with respect to the transactions contemplated hereby and supersedes all other instruments, agreements and understandings between the Noteholder and the Borrower with respect to the subject matter of this Note.

Section 3. *Place of Payment.* All payments will be made at Noteholder’s address at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2620, Attention: Treasurer, or such other place as the Noteholder may from time to time appoint in writing.

Section 4. *Payments.* The unpaid principal balance of this Note and any accrued and unpaid interest thereon shall be due and payable on the Final Payment Date. Prior to the Final Payment Date, any accrued and unpaid interest on an unpaid principal balance shall be paid in arrears quarterly on the last day of each March, June, September and December, commencing March 31, 2021. All payments on this Note shall be applied first to accrued and unpaid interest, next to accrued interest not yet payable and then to principal. If any payment of principal or interest on this Note shall become due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and the payment shall be the amount owed on the original payment date.

Section 5. *Prepayments.* This Note may be prepaid in part or in full at any time without penalty.

Section 6. *Borrowings.* Prior to the Final Payment Date, Noteholder expressly authorizes Borrower to borrow, repay and re-borrow principal under this Note in increments of \$100,000 on a daily basis so long as:

- the aggregate outstanding principal balance does not exceed \$40,000,000.00; and
- no Event of Default has occurred and is continuing.

Notwithstanding anything else in this Note, in no event will Noteholder be required to lend money to Borrower under this Note and loans under this Note shall be at the sole and absolute discretion of Noteholder.

Section 7. *Interest.* The unpaid principal balance of this Note shall bear interest at the rate per annum of the Prime Rate plus one percent (1.00%). In the event that an Event of Default occurs and is continuing, the unpaid principal amount shall bear interest from the Event of Default at the rate per annum of the Prime Rate plus four percent (4.00%) until such time as the Event of Default is cured. Accrued interest on the unpaid principal of this Note shall be computed on the basis of a 365- or 366-day year for actual days (including the first, but excluding the last day) elapsed, but in no event shall such computation result in an amount of accrued interest that would exceed accrued interest on the unpaid principal balance during the same period at the Maximum Rate. Notwithstanding anything to the contrary, this Note is expressly limited so that in no contingency or event whatsoever shall the amount paid or agreed to be paid to the Noteholder exceed the Maximum Rate. If, from any circumstances whatsoever, the Noteholder shall ever receive as interest an amount that would exceed the Maximum Rate, such amount that would be excessive

interest shall be applied to the reduction of the unpaid principal balance and not to the payment of interest, and if the principal amount of this Note is paid in full, any remaining excess shall be paid to Borrower, and in such event, the Noteholder shall not be subject to any penalties provided by any laws for contracting for, charging, taking, reserving or receiving interest in excess of the highest lawful rate permissible under applicable law. All sums paid or agreed to be paid to Noteholder for the use, forbearance or detention of the indebtedness of the Borrower to Noteholder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full of the principal (including the period of any renewal or extension thereof) so that the interest on account of such indebtedness shall not exceed the Maximum Rate. If at any time the Contract Rate is limited to the Maximum Rate, any subsequent reductions in the Contract Rate shall not reduce the rate of interest on this Note below the Maximum Rate until the total amount of interest accrued equals the amount of interest that would have accrued if the Contract Rate had not been limited by the Maximum Rate. In the event that, upon the Final Payment Date, the total amount of interest paid or accrued on this Note is less than the amount of interest that would have accrued if the Contract Rate had not been limited by the Maximum Rate, then at such time, to the extent permitted by law, in addition to the principal and any other amounts Borrower owes to the Noteholder, the Borrower shall pay to the Noteholder an amount equal to the difference between: (i) the lesser of the amount of interest that would have accrued if the Contract Rate had not been limited by the Maximum Rate or the amount of interest that would have accrued if the Maximum Rate had at all times been in effect; and (ii) the amount of interest actually paid on this Note.

Section 8. Fees and Expenses. On the last day of each March, June, September and December, commencing March 31, 2021, and on the Final Payment Date, Borrower shall pay to Noteholder the Unused Commitment Fee for such period, *provided, however*, Borrower will not owe any Unused Commitment Fee for any part of such period (prorated as applicable) that the Noteholder is a net borrower of money from the Borrower. In addition, Borrower and any guarantor jointly and severally agree to pay on the Final Payment Date to Noteholder any other cost or expense reasonably incurred by Noteholder in connection with Noteholder's commitment to Borrower pursuant to the terms of this Note, including without limitation any other cost reasonably incurred by Noteholder pursuant to the terms of any credit facility of Noteholder.

Section 9. Remedy. Upon the occurrence and during the continuation of an Event of Default, the Noteholder shall have all of the rights and remedies provided in the applicable Uniform Commercial Code, this Note or any other agreement among Borrower and in favor of the Noteholder, as well as those rights and remedies provided by any other applicable law, rule or regulation. In conjunction with and in addition to the foregoing rights and remedies of the Noteholder, the Noteholder may declare all indebtedness due under this Note, although otherwise unmaturing, to be due and payable immediately without notice or demand whatsoever. All rights and remedies of the Noteholder are cumulative and may be exercised singly or concurrently. The failure to exercise any right or remedy will not be a waiver of such right or remedy.

Section 10. Right of Offset. The Noteholder shall have the right of offset against amounts that may be due by the Noteholder now or in the future to Borrower against amounts due under this Note.

Section 11. Record of Outstanding Indebtedness. The date and amount of each repayment of principal outstanding under this Note or interest thereon shall be recorded by Noteholder in its records. The principal balance outstanding and all accrued or accruing interest owed under this Note as recorded by Noteholder in its records shall be the best evidence of the principal balance outstanding and all accrued or accruing interest owed under this Note; *provided* that the failure of Noteholder to so record or any error in so recording or computing any such amount owed shall not limit or otherwise affect the obligations of the Borrower under this Note to repay the principal balance outstanding and all accrued or accruing interest.

Section 12. Waiver. Borrower and each surety, endorser, guarantor, and other party now or subsequently liable for payment of this Note, severally waive demand, presentment for payment, notice of nonpayment, notice of dishonor, protest, notice of protest, notice of the intention to accelerate, notice of acceleration, diligence in collecting or bringing suit against any party liable on this Note, and further agree to any and all extensions, renewals, modifications, partial payments, substitutions of evidence of indebtedness, and the taking or release of any collateral with or without notice before or after demand by the Noteholder for payment under this Note.

Section 13. Costs and Attorneys' Fees. In addition to any other amounts payable to Noteholder pursuant to the terms of this Note, in the event the Noteholder incurs costs in collecting on this Note, this Note is placed in the hands of any attorney for collection, suit is filed on this Note or if proceedings are had in bankruptcy, receivership,

reorganization, or other legal or judicial proceedings for the collection of this Note, Borrower and any guarantor jointly and severally agree to pay on demand to the Noteholder all expenses and costs of collection, including, but not limited to, reasonable attorneys' fees incurred in connection with any such collection, suit, or proceeding, in addition to the principal and interest then due.

Section 14. Time of Essence. Time is of the essence with respect to all of Borrower's obligations and agreements under this Note.

Section 15. Jurisdiction and Venue. THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE STATE OF TEXAS OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF TEXAS. BORROWER CONSENTS TO JURISDICTION IN THE COURTS LOCATED IN DALLAS, TEXAS.

Section 16. Notice. Any notice or demand required by this Note shall be deemed to have been given and received on the earlier of (i) when the notice or demand is actually received by the recipient or (ii) 72 hours after the notice is deposited in the United States mail, certified or registered, with postage prepaid, and addressed to the recipient. The address for giving notice or demand under this Note (i) to the Noteholder shall be the place of payment specified in Section 3 or such other place as the Noteholder may specify in writing to the Borrower and (ii) to Borrower shall be the address below the Borrower's signature or such other place as the Borrower may specify in writing to the Noteholder.

Section 17. Amendment or Waiver of Provisions of this Note. No amendment or waiver of any provision of this Note shall in any event be effective unless the same shall be in a writing referring to this Note and signed by the Borrower and the Noteholder. Such amendment or waiver shall be effective only in the specific instance and for the specific purpose for which given. No waiver of any of the provisions of this Note shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver.

Section 18. Successors and Assigns. All of the covenants, obligations, promises and agreements contained in this Note made by Borrower shall be binding upon its successors and permitted assigns, as applicable. Notwithstanding the foregoing, Borrower shall not assign this Note or its performance under this Note without the prior written consent of the Noteholder. Noteholder at any time may assign this Note without the consent of Borrower.

Section 19. Definitions. For purposes of this Note, the following terms shall have the following meanings:

- a. "**Basis Point**" shall mean 1/100th of 1 percent.
- b. "**Business Day**" shall mean any day banks are open in the state of Texas.
- c. "**Contract Rate**" means the amount of any interest (including fees, charges or expenses or any other amounts that, under applicable law, are deemed interest) contracted for, charged or received by or for the account of Noteholder.
- d. "**Event of Default**" wherever used herein, means any one of the following events:
 - i. the Borrower fails to pay any amount due on this Note and/or any fees or sums due under or in connection with this Note after any such payment otherwise becomes due and payable and three Business Days after demand for such payment;
 - ii. the Borrower otherwise fails to perform or observe any other provision contained in this Note and such breach or failure to perform shall continue for a period of thirty days after notice thereof shall have been given to the Borrower by the Noteholder;
 - iii. a case shall be commenced against Borrower, or Borrower shall file a petition commencing a case, under any provision of the Federal Bankruptcy Code of 1978, as amended, or shall seek relief under any provision of any other bankruptcy,

reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or shall consent to the filing of any petition against it under such law, or Borrower shall make an assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall consent to the appointment of a receiver, trustee or liquidator of Borrower or all or any part of its property; or

- iv. an event occurs that, with notice or lapse of time, or both, would become any of the foregoing Events of Default.
- e. “**Final Payment Date**” shall mean the earlier of:
- written demand by the Noteholder for payment of all or part of the unpaid principal, the accrued and unpaid interest thereon and the accrued and unpaid commitment fee thereon, but in any event no earlier than December 31, 2022; or
 - acceleration as provided herein.
- f. “**Maximum Rate**” shall mean the highest lawful rate permissible under applicable law for the use, forbearance or detention of money.
- g. “**Prime Rate**” shall mean the fluctuating interest rate per annum in effect from time to time equal to the base rate on corporate loans as reported as the Prime Rate in the Money Rates column of *The Wall Street Journal* or other reliable source.
- h. “**Unused Commitment Amount**” for any period on after the date of this Note shall mean the average on each day of such period of the difference between (A) \$40,000,000.00 and (B) the amount of the unpaid principal balance of this Note.
- i. “**Unused Commitment Fee**” shall mean the product of (A) 50 Basis Points per annum (pro rated to take into account that the fee is payable quarterly, or such shorter period if applicable) and (B) the Unused Commitment Amount.

BORROWER:

VALHI, INC.

By: /s/ James W. Brown
James W. Brown
Executive Vice President and Chief Financial Officer

Address:

5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2620

As of the date hereof, CompX International Inc., as the Noteholder, hereby agrees that this Note renews, replaces, amends and restates in its entirety the Prior Note, and that the unpaid principal of \$29,500,000.00, the accrued and unpaid interest thereon of nil and the accrued and unpaid commitment fee thereon of nil that was owed under the Prior Note as of the close of business on December 31, 2020 are the unpaid principal, the accrued and unpaid interest thereon and the accrued and unpaid commitment fee thereon, respectively, owed under this Note as of the close of business on the date of this Note.

COMPX INTERNATIONAL INC.

By: /s/ Amy A. Samford
Amy A. Samford
Vice President and Chief Financial Officer

SUBSIDIARIES OF THE REGISTRANT

Name of Corporation	Jurisdiction of Incorporation or Organization	% of Voting Securities Held at December 31, 2020
CompX Security Products Inc.	Delaware	100
CompX Marine Inc.	Delaware	100
Custom Marine Inc.	Delaware	100
JZTB Realty LLC	Wisconsin	100
Livorsi Marine Inc.	Illinois	100

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-181794) of CompX International Inc. of our report dated March 3, 2021 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas

March 3, 2021

CERTIFICATION

I, Scott C. James, certify that:

- 1) I have reviewed this annual report on Form 10-K of CompX International Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2021

By: /s/ Scott C. James

Scott C. James

President and Chief Executive Officer

CERTIFICATION

I, Amy A. Samford, certify that:

- 1) I have reviewed this annual report on Form 10-K of CompX International Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2021

By: /s/ Amy A. Samford

Amy A. Samford

Vice President and Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CompX International Inc. (the Company) on Form 10-K for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Scott C. James, President and Chief Executive Officer of the Company and I, Amy A. Samford, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /s/ Scott C. James

Scott C. James

President and Chief Executive Officer

By: /s/ Amy A. Samford

Amy A. Samford

Vice President and Chief Financial Officer

Date: March 3, 2021

Note: The certification the registrant furnishes in this exhibit is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Registration Statements or other documents filed with the Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.