AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 4, 1998
REGISTRATION NO. 333-42643

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Pre-effective Amendment No. 1
to
FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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

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

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

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

Copies to:

EDWARD J. HARDIN, ESQ.	JOHN W. WHITE, ESQ.
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2700 INTERNATIONAL TOWER	WORLDWIDE PLAZA
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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (1)
Shares of Class A Common Stock, $.01 par value	5,405,000 shares	$20.00	$108,100,000	$31,890

(1) Registration fee calculated on the basis of $295 per $1,000,000 or fraction thereof of the proposed maximum offering price. $29,500 has been paid in previous filings.

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

Red Herring Language

[The following text appears along the left margin of the following page]

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

P R O S P E C T U S

4,700,000 SHARES
COMPX INTERNATIONAL INC.
CLASS A COMMON STOCK

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

Each share of Class A Common Stock entitles its holder to one vote, and each share of Class B Common Stock, par value $.01 per share (the "Class B Common Stock" and together with the Class A Common Stock, the "Common Stock"), of the Company entitles its holder to one vote on all matters except the election of directors on which each share of Class B Common Stock is entitled to ten votes. All the shares of Class B Common Stock are owned by Valcor, Inc. Immediately after consummation of the Offering (assuming no exercise of the over-allotment option granted to the Underwriters), Valcor will beneficially own shares of Common Stock having approximately 68% of the combined voting power (95% for election of directors) of the outstanding shares of Common Stock.

Prior to the Offering, there has not been a public market for the Class A Common Stock of the Company. It is currently estimated that the initial public offering price will be between $17 and $20 per share of Class A Common Stock. See "Underwriting" for information relating to the factors considered in determining the initial public offering price. The Company intends to apply to have the Class A Common Stock approved for listing on the New York Stock Exchange (the "NYSE") under the symbol "CIX".

SEE "RISK FACTORS" BEGINNING ON PAGE 12 FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE CLASS A COMMON STOCK.

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

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company (2)
Per Share	$	$	$
Total(3)	$	$	$

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

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

(3) The Company has granted to the Underwriters a 30-day option to purchase up to 705,000 additional shares of Class A Common solely to cover over-allotments, if any. If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be $, $ and $, respectively.

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

SALOMON SMITH BARNEY
NATIONSBANC MONTGOMERY SECURITIES LLC
WHEAT FIRST UNION

FEBRUARY __, 1998

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

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

PROSPECTUS SUMMARY

The following summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. As used in this Prospectus, unless the context requires otherwise, the terms "Company" and "CompX[trademark]" refer to CompX International Inc. and its subsidiaries. Unless otherwise indicated or the context otherwise requires, all share and per-share data in this Prospectus and all other information relating to the Offering (i) assume no exercise of the Underwriters' over-allotment option; (ii) gives effect to the amendment to the Company's certificate of incorporation to change the Company's authorized capital stock to Class A Common Stock and Class B Common Stock and preferred stock, par value $.01 per share (the "Preferred Stock"), effected on February 4, 1998; and (iii) gives effect to the reclassification of each outstanding share of the Company's current common stock, par value $1 per share, into 10,000 shares of its newly created Class B Common Stock which is also to be effected prior to consummation of the Offering. The Company's operations are comprised of a 52 or 53 week fiscal year. Each of the years ended December 31, 1993 through 1997 consisted of a 52 week year.

THE COMPANY

CompX[trademark] is a leading manufacturer of ergonomic computer support systems, precision ball bearing drawer slides and medium-security mechanical locks for office furniture and a variety of other applications. The Company's products are principally designed for use in medium- to high-end applications, where product design, quality and durability are critical to the Company's customers. CompX[trademark] believes that, in the North American market, it is among the largest producers of ergonomic computer support systems for office furniture manufacturers, among the largest producers of precision ball bearing drawer slides and among the largest producers of medium-security cabinet locks.

In 1997, CompX[trademark] generated net sales of $108.7 million, a 22% increase from 1996. During 1997, ergonomic computer support systems, precision ball bearing drawer slides and medium-security mechanical locks accounted for approximately 34%, 39% and 26% of net sales, respectively.

OFFICE FURNITURE INDUSTRY DYNAMICS

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

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

COMPETITIVE STRENGTHS

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

INDUSTRY BRAND RECOGNITION AND MANAGEMENT EXPERIENCE. The Company's business traces its roots to 1903 when it began manufacturing cabinet locks. The Company is a supplier to major original equipment manufacturers ("OEMs") and believes its brand names are well recognized in the industry. CompX[trademark] currently markets its drawer slides and ergonomic computer support systems under the Waterloo Furniture Components Limited(R) name and markets its medium-

security locks under the National Cabinet Lock(R) name. The top seven executive management personnel have over 100 years of combined industry experience.

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

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

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

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

GROWTH STRATEGY

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

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

EXTEND INTO NON-FURNITURE APPLICATIONS. The Company's precision ball

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

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

manufacturing, marketing and distribution and through the application of the Company's manufacturing and management skills.

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

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

EXPAND INTO INTERNATIONAL MARKETS. While CompX[trademark] has historically focused on marketing its products in North America, the Company has a small but growing presence in international markets. The Company believes that there is significant demand for its quality, precision products in overseas markets, and intends to increase its international presence, particularly in Asia and Latin America, via expanded distributor relationships and, potentially, joint venture arrangements.

SECURITY OWNERSHIP

The Company is a wholly owned subsidiary of Valcor, a wholly owned subsidiary of Valhi, Inc. Contran Corporation owns, directly and through subsidiaries (Valhi Group, Inc.; National City Lines, Inc.; NOA, Inc.; Dixie Rice Agricultural Corporation, Inc.; Dixie Holding Company and Southwest

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

RECENT DEVELOPMENTS

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

Prior to the completion of the Offering, the Company plans to enter into a new $100 million revolving bank credit facility (the "Revolving Senior Credit Facility"). The Revolving Senior Credit Facility is expected to be an unsecured five-year revolving facility. Borrowings are expected to be available for the Company's general corporate purposes, including potential acquisitions. There can be no assurance that any such new Revolving Senior Credit Facility will be obtained. Prior to completion of the Offering, the Company intends to utilize borrowings under the Revolving Senior Credit Facility to fully repay the Valcor Note. Such borrowings under the Revolving Senior Credit Facility are expected to be repaid with a portion of the net proceeds of the Offering.

On February 3, 1998, the Company executed a definitive agreement concerning the acquisition of the Fort Lock Group. The Fort Lock Group, a vertically integrated manufacturer of highly engineered mechanical locks for a diverse customer base of original equipment manufacturers and locksmith distributors, is headquartered in River Grove, Illinois. The Fort Lock Group has over 40 years experience supplying cam locks, switch locks and special purpose locks to a wide variety of industries which include personal

computing, automotive products, security devices, office furniture, lockers, safes and coin operated devices. Fortronics designs, manufactures and distributes electronic locking systems to customers throughout the United States. Similar to CompX[trademark], the Fort Lock Group emphasizes customized engineering capabilities that permit collaboration with customers to develop innovative products designed to specifically address unique end product application requirements. The Company believes that the acquisition of the Fort Lock Group will enhance the Company's product offerings and provide synergies through the combined technical resources of both Companies. For its most recent fiscal year ended June 28, 1997, the Fort Lock Group reported net sales of approximately $26.8 million and net income of approximately $2.4 million. See historical consolidated combined financial statements of the Fort Lock Group presented elsewhere in this Prospectus.

CompX[trademark] will (i) acquire all of the outstanding stock of Fort Lock Corporation for cash consideration of approximately $30 million, (ii) acquire the net assets of Fortronics, Inc. for $.5 million and (iii) purchase Fort Lock Corporation's manufacturing building owned by a shareholder of Fort Lock Corporation for $2.5 million (collectively the "Fort Lock Acquisition"). The aggregate purchase price is subject to possible reduction pending the completion of a post closing audit. Funding of the Fort Lock Acquisition is expected to be provided by available cash on hand, including net proceeds of the Offering remaining after repayment of borrowings outstanding under the Revolving Senior Credit Facility. The Company's obligation to consummate the Fort Lock Acquisition is subject to the expiration of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, confirmation of the accuracy of certain representations, warranties and

covenants of the parties, the absence of certain material adverse developments, receipt of required consents and certain other conditions. The Fort Lock Acquisition is currently expected to be completed during the first quarter of 1998. There can be no assurance that the Fort Lock Acquisition will be successfully completed or that completion of the transaction can be accomplished on the terms set forth above.

THE OFFERING

Class A Common Stock offered	4,700,000	shares
Common Stock to be outstanding after the Offering:(a)		
Class A Common Stock	4,781,100	shares
Class B Common Stock	10,000,000	shares
Total.....	14,781,100	shares
Use of Proceeds.....	A portion of the net proceeds of the Offering will be used to repay borrowings expected to be incurred under the Revolving Senior Credit Facility. The remainder will be available to consummate the Fort Lock Acquisition and for the Company's general purposes.	
Voting Rights.....	The Class A Common Stock and Class B Common Stock vote as a single class on all matters, except as otherwise required by law, with each share of Common Stock entitling its holder to one vote on all matters except the election of directors where each share of Class B Common Stock entitles its holder to ten votes. All of the shares of Class B Common Stock are owned by Valcor. Immediately after completion of the Offering, Valcor will beneficially own shares of Common Stock having approximately 68% of the combined voting power (95% for director elections) of the outstanding shares of Common Stock (approximately 65%, and 95%, respectively, if the	

	Underwriters' over-allotment option is exercised in full).
Economic Interest	The shares of Class B Common Stock will represent approximately 68% of the economic interest in the Company (approximately 65% if the Underwriters' over-allotment option is exercised in full).
Proposed NYSE Symbol.....	CIX

(a) Includes up to 81,100 shares of Class A Common Stock to be issued to certain executives and directors upon completion of the Offering (the Management Shares, as defined herein) and excludes approximately 1.4 million additional shares reserved for issuance under the Incentive Plan (as defined herein). See "Management - Incentive Compensation Plan."

RISK FACTORS

See "Risk Factors" beginning on page 12 for a discussion of certain factors that should be considered by prospective purchasers of the Class A Common Stock.

SUMMARY FINANCIAL INFORMATION

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

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

	Years ended December 31,					Pro Forma (b)
	1993	1994	1995	1996	1997	1997
	($ in millions, except per share data)					
INCOME STATEMENT DATA						
Net sales	$64.4	$70.0	$80.2	$88.7	$108.7	$137.9
Operating income	17.5	20.9	19.9	22.1	28.3	30.0

Income before income taxes	17.5	20.7	19.9	22.1	27.7	29.5
Income taxes	8.0	8.8	7.8	9.1	11.0	12.2
Minority interest in losses	-	-	-			
Net income	9.5	11.9	12.1	13.0	16.7	17.4
Net income per common share						$ 1.18
OTHER DATA						
Operating income margin	27%	30%	25%	25%	26%	22%
Cash flows from:						
Operating activities	$12.4	$ 9.7	$12.8	$10.4	$23.0	
Investing activities	(2.6)	(3.1)	(7.9)	(2.0)	(5.5)	
Financing activities	(4.6)	(4.4)	(6.3)	(6.3)	(5.9)	
Total	$ 5.2	$ 2.2	$(1.4)	$ 2.1	$11.6	
EBITDA (a)	$19.2	$22.5	$22.1	$24.6	$ 31.2	$ 34.9
Depreciation and amortization	1.6	1.7	2.2	2.5	2.8	4.9
Capital expenditures (c)	2.7	3.4	2.0	2.3	5.5	
Dividends on common shares (d)	4.4	4.6	6.0	6.2	6.1	

	December 31, 1997	
	Actual	Pro Forma (b)
	(In millions)	
BALANCE SHEET DATA		
Cash and other current assets	$ 45.4	$ 49.3
Total assets	63.8	100.1
Current liabilities	64.4	18.0
Long-term debt, including current maturities	50.4	.8
Stockholders' equity (deficit)	(1.2)	79.8

(a) EBITDA as presented represents operating income plus depreciation and amortization. EBITDA is presented because the Company believes it is a

widely accepted financial indicator of a company's ability to incur and service debt, although the Company's calculation of EBITDA may differ from and therefore not be comparable to other companies' presentation of EBITDA. However, EBITDA should not be considered by an investor as an alternative to (i) operating income or net income as an indicator of a

company's operating performance or (ii) cash flows from operating activities as a measure of a company's liquidity. Trends in EBITDA are generally consistent with trends in the Company's operating income. Pro forma EBITDA and depreciation and amortization for 1997 is presented to assist investors in an analysis of the Fort Lock Acquisition.

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

(c) Assuming the Fort Lock Acquisition occurred January 1, 1997, capital expenditures on a pro forma basis are $6.8 million in 1997.

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

RISK FACTORS

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

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

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

such lost sales that might occur as a result of industry consolidation could be

replaced with sales to new customers.

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

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

Introduction of new products typically requires the Company to increase production volume on a timely basis while maintaining product quality. Manufacturers often encounter difficulties in increasing production volumes, including delays, quality control problems and shortages of qualified personnel. As it attempts to introduce new products in the future, there can

be no assurance that the Company will be able to increase production volume without encountering these or other problems, which might, individually or in

the aggregate, have a material adverse effect on the Company's financial condition or results of operations.

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

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

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

The Company continually focuses its efforts on product innovation and design improvements that enhance existing products and stimulate development of new products. The Company's approach to custom engineered solutions may subject

the Company to claims of patent infringement by competitors. There can be no assurance that any future successful assertion of patent infringement claims will not result in material legal, royalty or other costs to the Company.

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

EXCHANGE RATE FLUCTUATION. The Company has significant operations in Canada. During 1997, about three-fourths of the Company's total net sales were generated by its Canadian operations, of which about 60% are denominated in U.S. dollars with the remainder denominated in various foreign currencies, principally the Canadian dollar. Substantially all of the operating expenses related to the Company's Canadian operations are incurred in Canadian dollars. As a result, fluctuations in the value of the U.S. dollar relative to the

Canadian dollar can impact the Company's reported operating results. There can be no assurance that any future exchange rate fluctuations would not materially adversely impact the Company's future operating results.

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

CONTROL BY PRINCIPAL STOCKHOLDER; ANTI-TAKEOVER EFFECTS. The holders of Common Stock are entitled to one vote per share on all matters except the election of directors, on which the holders of Class B Common Stock are entitled to ten votes per share. Holders of Class A Common Stock are generally entitled to vote with holders of the Class B Common Stock as one class on all matters as to which the stockholders of the Company are entitled to vote. Immediately after consummation of the Offering, Valcor, an indirect subsidiary of Contran, will own all the outstanding 10,000,000 shares of Class B Common Stock, which will represent approximately 68% of the combined voting power (95% for the election of directors) of the outstanding shares of Common Stock (approximately 65% and 95%, respectively, if the over-allotment option is exercised in full). Transfer of the shares of Class B Common Stock owned by any member of the Contran Corporation Control Group (as hereafter defined), except for transfers between members of the Contran Corporation Control Group or transfers made in connection with a Tax-Free Spin-Off (as hereinafter defined) will result in the automatic conversion of such shares of Class B Common Stock into shares of Class A Common Stock. See "Description of Capital Stock -- Common Stock."

All of Valcor's common stock is owned by Valhi. Approximately 93% of Valhi's common stock is beneficially owned, directly or indirectly, by Contran.

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

In addition, the Company's Certificate of Incorporation currently authorizes the issuance of 1,000 shares of Preferred Stock. The Board of Directors has the power to issue any or all of these additional shares without stockholder approval, and such shares can be issued with such rights, preferences and limitations as may be determined by the Board. The rights of the holders of Class A Common Stock will be subject to, and may be adversely affected by, the rights of any holders of Preferred Stock that may be issued in the future. The Company presently has no commitments or contracts to issue

any shares of Preferred Stock. Authorized and unissued Preferred Stock could delay, discourage, hinder or preclude an unsolicited acquisition of the Company, could make it less likely that stockholders receive a premium for their shares

as a result of any such attempt and could adversely affect the market price of and the voting and other rights of the holders of outstanding shares of Common Stock.

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

RESTRICTIONS IMPOSED BY TERMS OF THE COMPANY'S INDEBTEDNESS. It is anticipated that the terms of the Revolving Senior Credit Facility will impose operating and financial restrictions on the Company. As a result, the ability of the Company to respond to changing business and economic conditions and to secure additional financing, if needed, may be significantly restricted, and the Company may be prevented from engaging in transactions that might further its growth strategy or otherwise be considered beneficial to the Company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

EFFECT OF NO PRIOR PUBLIC TRADING MARKET. Prior to the Offering, there has been no public trading market for the Class A Common Stock. The public offering price for the Class A Common Stock will be determined by negotiations between the Company and the Underwriters based upon several factors and will not necessarily bear any relationship to the Company's assets, book value, results of operations or net worth or any other generally accepted criteria of value, and should not be considered as indicative of the actual value of the Company. Therefore, the market price of the Class A Common Stock may fall below the public offering price of the Class A Common Stock at any time following the Offering. See "Underwriting."

In addition, although the Company intends to file a listing application for inclusion of the Class A Common Stock for trading on the NYSE, there can be no assurance that such application will be granted or that an active trading market will develop. To the extent an active trading market does develop, factors such as quarterly variations in the Company's financial results, public announcements by the Company or others, general market conditions or certain regulatory pronouncements may cause the market price of the Class A Common Stock to fluctuate substantially.

EFFECT OF SALES OF SUBSTANTIAL AMOUNTS OF COMMON STOCK. Immediately after consummation of the Offerings, Valcor will beneficially own all the outstanding 10,000,000 shares of Class B Common Stock, which will represent approximately 68% of the combined voting power (95% for election of directors) of the outstanding shares of Common Stock (approximately 65% and 95%, respectively, if the Underwriters' over-allotment option is exercised in full). Subject to applicable law and the terms of the Class B Common Stock, Valcor could sell all or some of the shares of Class B Common Stock owned by it from time to time for any reason. The Company cannot predict the effect, if any, that future sales of outstanding Common Stock or the availability of Common Stock for sale will have on the market price of the Common Stock prevailing from time to time. Sales of substantial amounts of Common Stock in the public market following the Offering, or the perception that such sales could occur, could adversely affect prevailing market prices of the Class A Common Stock.

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

FORWARD-LOOKING STATEMENTS. This Prospectus includes forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995 (the "Reform Act")). The "safe-harbor" protections of the Reform Act are not available to initial public offerings, including this Offering. These forward looking statements include, but are not limited to, statements regarding, among other items, (i) the Company's anticipated growth strategies, (ii) the Company's intention to introduce new products, (iii) anticipated trends in the Company's businesses, including trends in the market for office furniture and corporate concerns for worker health and safety, (iv) future expenditures for capital projects and (v) the Company's ability to continue to control costs and maintain quality. These forward-looking statements are based largely on the Company's expectations and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. Actual results could differ materially from these forward-looking statements as a result of many factors, including, but not limited to, the factors described in "Prospectus Summary," "Risk Factors" and "Business" including, among other things, (i) changes in the competitive marketplace, including the introduction of new products or pricing changes by the Company's competitors, and (ii) changes in market trends for office furniture, including changes in service industry employment. Other factors that materially affect actual results include, among others, the following: general economic and business conditions; industry capacity; changes in customer preferences; demographic changes; competition; changes in methods of marketing and in technology; changes in political, social and economic conditions; regulatory factors and various other factors beyond the Company's control. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Prospectus will in fact transpire.

POTENTIAL ACQUISITION. On February 3, 1998, the Company executed a definitive agreement concerning the Fort Lock Acquisition. See "Recent Developments".

The consummation of the acquisition is subject to the expiration of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, confirmation of the accuracy of certain representations, warranties and covenants of the parties, the absence of certain material adverse developments, receipt of required consents and certain other conditions. While the Company believes that it will complete the Fort Lock Acquisition during the first quarter of 1998, there can be no assurance that the Fort Lock Acquisition will be successfully completed during the first quarter of 1998, if at all, or that completion of the transaction can be accomplished on terms that are commercially advantageous or that the operations of the Fort Lock Group can be successfully integrated into the Company's current businesses.

DILUTION INCURRED BY INVESTORS. The per share price to the public of the Class A Common Stock is substantially higher than the net tangible book value per share of the Common Stock at December 31, 1997. Accordingly, at such date, investors purchasing the Class A Common Stock offered hereby would have incurred immediate, substantial dilution in the amount of $13.11 per share, assuming a public offering price of $18.50 per share and after giving pro forma effect to issuance of the Management Shares. Giving additional pro forma effect to the Fort Lock Acquisition results in additional dilution to investors purchasing the Class A Common Stock offered hereby of $1.47 per share.

USE OF PROCEEDS

The net proceeds to the Company from the Offering (based on an assumed offering price of $18.50 per share) will be approximately $80.4 million. The Company will utilize the net proceeds of the Offering to repay indebtedness and to complete the Fort Lock Acquisition. Approximately $50 million of the net proceeds will be used to fully repay borrowings outstanding under the Revolving Senior Credit Facility, which prior to completion of the Offering will be utilized to satisfy the Valcor Note. The Valcor Note was paid as a dividend to Valcor, the Company's sole stockholder, in December 1997. The Valcor Note is an unsecured $50 million demand note that bears interest at a fixed rate of 6% per annum. The Revolving Senior Credit Facility is expected to be an unsecured five-year revolving facility and is expected to bear interest at LIBOR plus 30 to 102.5 basis points, depending upon certain financial covenant ratios. Prior to completion of the Offering, the Company intends to utilize borrowings under the Revolving Senior Credit Facility to fully repay the Valcor Note.

The remaining net proceeds of the Offering, together with cash on hand and any borrowing availability under the Revolving Senior Credit Facility, will be available to consummate the Fort Lock Acquisition and for the Company's general corporate purposes. See "Recent Developments". There can be no assurance the Fort Lock Acquisition will be consummated. See "Risk Factors -- Ability to Consummate the Fort Lock Acquisition".

DIVIDEND POLICY

As a subsidiary of Valcor, the Company has historically been managed with a focus on generating cash flow to pay dividends to Valcor. After the Offering, the Company intends to seek to maximize stockholder value through growth. As a result, following the Offering, the Company does not intend initially to declare and pay regular quarterly cash dividends but intends, instead, to utilize available cash to fund additional acquisition and expansion opportunities.

Determinations to pay cash dividends in the future will be made at the discretion of the Board of Directors, and any payment of dividends in the future will depend upon the Company's results of operations, earnings, capital requirements and contractual restrictions and upon other factors deemed relevant by the Company's Board of Directors. The Company's ability to pay future dividends is expected to be restricted by certain covenants contained in the Revolving Senior Credit Facility. See "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources," "Description of Capital Stock" and the Historical Consolidated Financial Statements included in this Prospectus.

The Company paid dividends to Valcor aggregating $4.4 million in 1993, $4.6 million in 1994, $6.0 million in 1995, $6.2 million in 1996 and $6.1 million in 1997. In 1998 prior to completion of the Offering, the Company expects to pay approximately $1.5 million of dividends to Valcor. In addition, on December 12, 1997, the Company paid a $50 million dividend to Valcor in the form of the Valcor Note. The Company intends to use borrowings under the Revolving Senior Credit Facility to repay the Valcor Note. A portion of the proceeds of the Offering will be used to repay outstanding borrowings under the Revolving Senior Credit Facility. See "Use of Proceeds."

CAPITALIZATION

The following table sets forth as of December 31, 1997 (i) the historical consolidated capitalization of the Company and (ii) as adjusted to reflect (w) repayment of the Valcor Note from borrowings under the Revolving Senior Credit Facility, (x) issuance of the Management Shares, (y) the Offering with assumed net proceeds to the Company of $80.4 million (assuming an initial offering price of $18.50 per share) and the application of such net proceeds and (z) the Fort Lock Acquisition. See "Use of Proceeds" and "Pro Forma Condensed Consolidated Financial Statements."

	Actual	As adjusted
	($ in millions, except per share amounts)	
Long-term debt:		
Revolving Senior Credit Facility (a)	$ -	$ -
Demand note payable to Valcor	50.0	-
Other	.4	.8
Total long-term debt, including current maturities	50.4	.8
Less current maturities	50.1	.2
Total long-term debt	.3	.6
Stockholders' equity (deficit):		
Preferred stock, $.01 par value; 1,000 shares authorized, none issued	-	-
Class A Common Stock, $.01 par value;		

20,000,000 shares authorized; 4,781,100 shares issued and outstanding (b)	-	.1
Class B Common Stock, $.01 par value; 10,000,000 shares authorized, issued and outstanding	.1	.1
Additional paid in capital	4.4	86.2
Retained earnings (deficit)	(4.6)	(5.5)
Currency translation adjustment	(1.1)	(1.1)
Total stockholders' equity (deficit	(1.2)	79.8
Total capitalization	$ (.9)	$80.4

(a) Prior to the Offering, the Company expects to enter into a new $100 million Revolving Senior Credit Facility. See "Recent Developments." As adjusted, the Company would have $100 million of borrowing availability under this facility.

(b) Excludes approximately 1.4 million shares reserved for issuance under the Incentive Plan (as defined herein), including shares of Class A Common Stock subject to stock options which may be granted to the Company's management concurrent with the Offering at the initial public offering price of the Class A Common Stock. See "Management -- Incentive Compensation Plan."

DILUTION

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

The adjusted net tangible book value of the Company at December 31, 1997 was a deficit of approximately $1.2 million, or $(.12) per share of Common Stock. After giving effect to (y) the sale of shares of Class A Common Stock by the Company in the Offering at an assumed offering price of $18.50 per share and the application of the estimated net proceeds therefrom and (z) issuance of the Management Shares, the net tangible book value of the Company as of December 31, 1997 would have been $79.7 million, or $5.39 per share. This represents an immediate increase in net adjusted tangible book value of $5.51 per share to the holder of Class B Common Stock and an immediate dilution in net tangible book value of $13.11 per share to purchasers of Class A Common Stock in the Offering, as illustrated in the following table:

Assumed public offering price per share	$18.50
Adjusted net tangible book value per share at December 31, 1997	$(.12)
Increase per share attributable to new investors	5.51

Pro forma net tangible book value per share..... 5.39

Net tangible book value dilution per share to new investors $13.11

If the over-allotment option is exercised in full, the pro forma net tangible book value per share of Class A Common Stock after giving effect to the transaction described above would be $5.93 per share, the increase in the net tangible book value per share would be $6.05 and the dilution to persons who purchase shares of Class A Common Stock in the Offering would be $12.57 per share (at an assumed offering price of $18.50 per share).

In addition, after giving pro forma effect to the Fort Lock Acquisition, the net tangible book value per share of Class A common stock, the increase in the net tangible book value per share as a result of this Offering to holders of

Class B Common Stock and the dilution per share to purchasers of Class A Common Stock in the Offering would be $3.92, $4.04 and $14.58, respectively ($4.53, $4.65 and $13.97, respectively, if the over-allotment option is exercised in full).

COMPX INTERNATIONAL INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

COMPX INTERNATIONAL INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

December 31, 1997
(Unaudited)
(In millions)

ASSETS	Historical CompX	Historical Fort Lock Group	Note	Pro forma adjustments Senior Credit Facility, Stock Offering and Management Shares Adjustments
			1	
Current assets:				
Cash and cash equivalents	$19.2	$ .1	(a)	$ 30.4
Accounts receivable	14.6	2.3		-
Inventories	11.1	4.0		-
Deferred income taxes	.4	.2		-
Other current assets	.1	.1		-
Total current assets	45.4	6.7		30.4
Goodwill	-	-		-
Other assets	.2	.2		-
Property and equipment, net	18.2	5.4		-
	$63.8	$12.3		$ 30.4
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Demand note payable to Valcor	$50.0	$ -	(b)	$(50.0)
Notes payable and current maturities of long-term debt	.1	1.5		-
Accounts payable and accrued liabilities	11.7	4.1	(c)	(.6)

Income taxes	2.6	-		-
	64.4	5.6		(50.6)
Noncurrent liabilities:				
Long-term debt	.3	1.4	(b)	50.0
			(a)	(50.0)
Deferred income taxes	.1	.2		
Other	.2	-		-
	.6	1.6		-
Minority interest	-	.2		-
Stockholders' equity (deficit)	(1.2)	4.9	(a)	80.4
	$63.8	$12.3		$ 30.4

Pro forma adjustment - Fort Lock Acquisition

ASSETS	Note 1	Adjustments	Pro forma
Current assets:			
Cash and cash equivalents	(d)	$(30.7)	
	(e)	(2.5)	$ 16.5
Accounts receivable		-	16.9
Inventories		-	15.1
Deferred income taxes		-	.6
Other current assets		-	.2
Total current assets		(33.2)	49.3
Goodwill	(f)	21.8	21.8
Other assets		-	.4
Property and equipment, net	(e)	2.5	
	(f)	2.5	28.6
		$ (6.4)	$100.1

LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Demand note payable to Valcor		$ -	$ -
Notes payable and current maturities of long-term debt	(f)	(1.4)	.2
Accounts payable and accrued liabilities		-	15.2
Income taxes		-	2.6
		(1.4)	18.0
Noncurrent liabilities:			
Long-term debt	(f)	(1.1)	.6
Deferred income taxes	(f)	1.0	1.3
Other		-	.2
		(.1)	2.1
Minority interest		-	.2
Stockholders' equity (deficit)	(f)	(4.9)	79.8
		$ (6.4)	$100.1

COMPX INTERNATIONAL INC.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

(Unaudited)

Note 1 - Pro forma adjustments:

Pro forma adjustments described below reflect (i) repayment of a $50 million demand note payable to Valcor utilizing borrowings under the Revolving Senior Credit Facility, (ii) the Offering and repayment of the Revolving Senior Credit Facility, (iii) issuance of the Management Shares and (iv) the Fort Lock Acquisition, as if

such transactions had occurred on December 31, 1997. These transactions are more fully described elsewhere in this Prospectus.

Senior Credit Facility and Stock Offering:

		Amount (In millions)
(a)	Proceeds of the Offering:	
	Issuance of 4,700,000 Class A Common Stock at an assumed Offering price of $18.50 per share	$ 87.0
	Less underwriting discount	(6.1)
	Less estimated expenses of the Offering	(.5)
		80.4
	Repayment of borrowings under the Revolving Senior Credit Facility	(50.0)
	Net cash	$ 30.4

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

Issuance of the Management Shares:

(c) Issuance of 81,100 shares of Class A Common Stock to certain officers of the Company at an aggregate value of $1.5 million (based on assumed Offering price of $18.50 per share), less a $.6 million current tax benefit at an effective federal and state tax rate of 39%.

The Fort Lock Acquisition:

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

(e) The Company purchases Fort Lock Corporation's manufacturing building owned by a shareholder of Fort Lock Corporation for $2.5 million cash. The acquisition of the Fort Lock Group and the purchase of such building is referred to as the "Fort Lock Acquisition".

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

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

Approximately $2.5 million of Fort Lock Group bank indebtedness and Fort Lock Group loans from its shareholders will be repaid by the sellers out of the purchase price and will not become obligations of CompX[trademark].

COMPX INTERNATIONAL INC.
UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 1997
(In millions, except per share amounts)

	Pro Forma Adjustments

	Historical				
	CompX	Fort Lock Group	Note 1	Amount	Pro Forma Consolidated
Total revenues	$109.5	$29.2		$ -	$138.7
Costs and expenses:					
Cost of goods sold	70.6	20.0	(a)	.3	90.9
Selling, general and administrative	11.0	4.6	(b)	1.1	
			(g)	1.5	18.2
Interest					
			(e)	(.2)	.1
	81.8	24.9		2.5	109.2
Income before income taxes	27.7	4.3		(2.5)	29.5
Provision for income taxes	11.0	1.7	(d)	-	
			(f)	.1	
			(h)	(.6)	12.2
Minority interest in net loss					
Net income	$ 16.7	$ 2.7		$(2.0)	$ 17.4
Basic and diluted net income per common share					$ 1.18
Weighted average common shares outstanding					14.8
Other data:					
Operating income	$ 28.3				$ 30.0
EBITDA	31.2				34.9

CONSOLIDATED STATEMENT OF INCOME
Year Ended December 31, 1997

Note 1 - Basis of presentation:

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

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

Adjustments relating to the Fort Lock Acquisition:

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

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

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

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

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

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

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

Adjustments relating to the issuance of the Management Shares:

(g) Issuance of shares of Class A Common Stock to certain officers of the Company at an aggregate value of $1.5 million.

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

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

The shares used in the calculation of pro forma basic and diluted earnings per share assumes an Offering price to the public of $18.50 per share and is based upon (i) 10,000,000 shares of the Company's Class B Common Stock outstanding, (ii) 4,700,000 shares of Class A Common Stock to be issued in the Offering, the net proceeds of which, along with available cash on hand, are sufficient to fund repayment of the Revolving Senior Credit Facility and to

consummate the Fort Lock Group Acquisition, and (iii) issuance of 81,100 shares of Class A Common Stock (the maximum number of Management Shares which will be awarded).

Note 2 - Other data:

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

SELECTED FINANCIAL DATA

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

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

	Years ended December 31,					Pro Forma
	1993	1994	1995	1996	1997	1997 (b)
	($ in millions, except per share data)					
INCOME STATEMENT DATA						
Net sales	$64.4	$70.0	$80.2	$88.7	$108.7	$137.9
Operating income	17.5	20.9	19.9	22.1	28.3	30.0
Income before income taxes	17.5	20.7	19.9	22.1	27.7	29.5
Income taxes	8.0	8.8				
Minority interest in losses	-					
Net income	9.5	11.9	12.1	13.1	16.7	17.4
Net income per common share						$1.18

OTHER DATA						
Operating income margin	27%	30%	25%	25%	26%	22%
Cash flows from:						
Operating activities	$12.4	$ 9.7	$12.8	$10.4	$ 23.0	
Investing activities	(2.6)	(3.1)	(7.9)	(2.0)	(5.5)	
Financing activities	(4.6)	(4.4)	(6.3)	(6.3)	(5.9)	
Total	$ 5.2	$ 2.2	$(1.4)	$ 2.1	$ 11.6	
EBITDA (a)	$19.2	$22.5	$22.1	$24.6	$ 31.2	$34.9
Depreciation and amortization	1.6	1.7	2.2	2.5	2.8	4.9
Capital expenditures (c)	2.7	3.4	2.0	2.3	5.5	
Dividends on Common Stock (d)	4.4	4.6	6.0	6.2	6.1	
BALANCE SHEET DATA (AT PERIOD END)						
Cash and other current assets	$20.6	$25.9	$27.7	$32.2	$ 45.4	$ 49.3
Total assets	31.3	37.8	44.4	48.5	63.8	100.1
Current liabilities	9.5	8.9	9.6	8.1	64.4	18.0
Long-term debt, including current maturities	.2	.1	.1	.2	50.4	.8
Stockholders' equity (deficit)	19.4	26.2	32.6	39.2	(1.2)	79.8

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

EBITDA and depreciation and amortization for 1997 are presented to assist investors in an analysis of the Fort Lock Acquisition.

(b) the Valcor Note utilizing borrowings under the Revolving Senior Credit Facility, (iii) issuance of the Management Shares and (iv) the Offering and the application of the net proceeds therefrom. See "Pro Forma Condensed Consolidated Financial Statements."

(c) Assuming the Fort Lock Acquisition occurred January 1, 1997, capital expenditures on a pro forma basis are $6.8 million in 1997.

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

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

The following discussion and analysis should be read in conjunction with the Historical Consolidated Financial Statements of the Company and the notes thereto appearing elsewhere in this Prospectus. Certain statements in the following discussion are forward-looking statements or discussion of trends which by their nature involve substantial risks and uncertainties that could

significantly affect expected results. Actual future results and trends may differ materially from those described below depending on a variety of factors, including those detailed under the caption "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

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

Approximately 75% of the Company's products are sold to the office furniture manufacturing industry while the remainder (principally mechanical locks) is sold for use in other products, such as vending equipment, postal boxes, electromechanical enclosures and other furniture and equipment. According to BIFMA, the dollar value of U.S. office furniture industry shipments has grown in 23 of the past 25 years and is currently estimated to have grown at a compound annual rate of approximately 8.4% over the four year period ended December 31, 1997. Over the same period the Company's total net sales increased

at a compound annual rate of approximately 14%, and net sales in 1997 were 22% higher compared to 1996. Management believes that the market for the Company's ergonomic computer support systems is experiencing substantially higher rates of growth than the office furniture industry as a whole. In 1997, ergonomic computer support systems represented 34% of total net sales compared to 26% in 1994.

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

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

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

slide products, contributing to the majority of the improvement in operating margins 1997 compared to 1996.

A portion of the Company's sales are made pursuant to a government contract. In the first quarter of 1995, the Company completed shipments of medium-security locks pursuant to a 1992 government contract. This contract was

not renewed until the end of 1996 due to excess supply and contributed to a $.9 million decline in sales of medium-security cabinet locks in 1996 compared to 1995. The Company signed a new $650,000 contract for medium-security locks with the same government agency in December 1996, under which all shipments were made in 1997.

The Company's profitability depends on its ability to utilize its production capacity effectively, which is affected by, among other things, the demand for its products, and its ability to control its manufacturing costs, primarily comprised of raw materials such as zinc, copper, coiled steel and plastic resins and of labor costs. Raw material costs represent approximately 45% of the Company's total cost of sales. Beginning in August 1997, steel prices have increased approximately 4% per pound, resulting in an overall increase in raw material cost of approximately 2% in 1997 compared to 1996. The Company occasionally enters into raw material arrangements to mitigate the short-term impact of future increases in raw material costs. While these arrangements do not commit the Company to a minimum volume of purchases, they generally provide for stated unit prices based upon achievement of specified volume purchase levels. This allows the Company to stabilize raw material purchase prices provided the specified minimum monthly purchase quantities are met. The Company currently anticipates entering into such arrangements for zinc, coiled steel and plastic resins for 1998 and does not anticipate significant changes in the cost of these materials from their current levels. Materials purchased on the spot market are sometimes subject to unanticipated and sudden price increases. Due to the competitive nature of the markets served by the Company's products, it is often difficult to recover such increases in raw material costs through increased product selling prices and consequently overall operating margins can be affected by such raw material cost pressures.

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

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

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

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

quoted market price of $9.44 per share).

Upon completion of the Offering, five of the Company's officers and directors will be awarded 81,100 shares of Class A Common Stock under the Incentive Plan (as defined herein) for their services in connection with the Offering, with an option to receive one-half of the value of such shares in cash to satisfy individual income taxes related thereto. The number of Class A shares to be awarded is based upon the Price to Public. The Company will value the Class A shares awarded at the Price to Public, and the aggregate value of the Class A shares awarded will be approximately $1.5 million. The Company will recognize a charge, at the time of the completion of the Offering, equal to the aggregate value of the Class A shares awarded and cash payments made.

About three-fourths of the Company's net sales are generated by its Canadian operations. About 60% of these Canadian-produced sales are denominated in U.S. dollars while substantially all of the related costs are incurred in Canadian

dollars. Consequently, relative changes in the U.S. dollar/Canadian dollar exchange rate affect operating results. Since U.S. dollar/Canadian dollar exchange rates have not fluctuated significantly since 1993, the impact on operating income of fluctuations in the value of the U.S. dollar relative to the Canadian dollar since 1993 has not been material.

The Company is included in the consolidated U.S. federal income tax return of Contran, and a tax sharing agreement provides for allocation of tax liabilities and benefits to the Company, in general, as though it filed a separate U.S. federal income tax return. The principal reasons for the difference between the U.S. federal statutory income tax rate and the Company's effective income tax rates are explained in Note 8 to the Company's Historical Consolidated Financial Statements included in this Prospectus. Upon completion of the Offering, the Company will no longer be included in the consolidated U.S. federal income tax return of Contran.

RESULTS OF OPERATIONS

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

	Years ended December 31,		
	1995	1996	1997
Net sales	100%	100%	100%
Cost of sales	65	65	65
Gross profit	35	35	35
Selling, general and administrative	10	10	9
Operating income	25	25	26

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

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

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

On February 3, 1998, the Company signed a definitive agreement concerning the Fort Lock Acquisition. On a pro forma basis, assuming the Fort Lock Acquisition had occurred on January 1, 1997, the Company's net sales in 1997 would have been $137.9 million and operating income in 1997 would have been $30.0 million. See "Recent Developments" and Pro Forma Condensed Consolidated Financial Statements presented elsewhere in this Prospectus.

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

Net sales. Net sales increased $8.5 million, or 11%, to $88.7 million for the year ended December 31, 1996 from $80.2 million for the year ended December 31, 1995. The increase was primarily due to increased volumes in

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

Operating income. Operating income increased $2.2 million, or 11%, to $22.1 million for the year ended December 31, 1996 from $19.9 million for the year ended December 31, 1995, due primarily to increases in sales volumes in ergonomic computer support systems and precision ball bearing drawer slides. Operating income margins for the Company's cabinet lock sales improved slightly in 1996 primarily due to cost savings and efficiencies from the consolidation of certain Canadian lock operations acquired in 1992. The improvement in operating

income margins for cabinet locks was offset by slight declines in operating income margins of ergonomic computer support systems and precision ball bearing drawer slides due in part to the adverse effect of certain unprofitable or low-margin product lines acquired in August 1995.

Year 2000 Issue

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

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

The Company intends to initiate formal communications with its significant suppliers and large customers to determine the extent to which the Company may be vulnerable to those third parties' failure to eliminate their own Year 2000 Issue. There can be no assurance that the systems of other companies on which

the Company's systems rely will be timely converted, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems, would not have a material adverse effect on the Company. Because the Company has not completed the evaluation of its Year 2000 Issue with respect to such third parties, it is not able to quantify the costs that the Company may incur with respect to the Year 2000 Issue of such third parties.

Impact of accounting standards not yet adopted

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

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

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

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

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

Capital expenditures for 1998 are estimated at approximately $7 million, (approximately $9 million assuming the Fort Lock Acquisition is completed) the majority of which relate to projects that emphasize improved production efficiency and increase production capacity. Firm purchase commitments for capital projects not commenced at December 31, 1997 were not material.

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

Other

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

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

The Company plans to enter into a new $100 million Revolving Senior Credit Facility and use the proceeds to repay the Valcor Note. The Revolving Senior Credit Facility is expected to be an unsecured five-year revolving facility. Borrowings are expected to be available for the Company's general corporate purposes, including potential acquisitions. The Revolving Senior Credit Facility is expected to contain provisions which, among other things, would require the maintenance of minimum levels of net worth, require the

maintenance of certain financial ratios, limit dividends and additional indebtedness and contain other provisions and restrictive covenants customary in lending transactions of this type. Prior to the Offering, the Company expects to repay the Valcor Note with borrowings under the Revolving Senior Credit Facility.

The net proceeds to the Company from the Offering (based on an assumed offering price of $18.50 per share) will be approximately $80.4 million. Such net proceeds will be available to repay borrowings under the Revolving Senior Credit Facility and to fund the Fort Lock Acquisition.

On February 3, 1998, the Company executed a definitive agreement concerning the Fort Lock Acquisition. See "Recent Developments". CompX[trademark] will (i) acquire all of the outstanding stock of Fort Lock Corporation for cash consideration of approximately $30 million, (ii) acquire the net assets of Fortronics, Inc., for $.5 million and (iii) purchase Fort Lock Corporation's manufacturing building owned by a shareholder of Fort Lock for $2.5 million (collectively the "Fort Lock Acquisition"). The aggregate purchase price is subject to possible reduction pending completion of a post closing audit. Funding of the Fort Lock Acquisition is expected to be provided by available cash on hand, including net proceeds of the Offering remaining after repayment of borrowings outstanding under the Senior Credit Facility. Although, the Company's obligations to conclude the purchase are not conditioned upon the completion of the Offering or any other financing, the Company intends to use a portion of the proceeds of the Offering to fund the acquisition. The consummation of the purchase is subject to the expiration of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, confirmation of the accuracy of certain representations, warranties and covenants of the parties, the absence of certain material adverse developments, receipt of required consents and certain other conditions. There can be no assurance that the Fort Lock Acquisition will be successfully completed or that completion of the transaction can be accomplished on the terms set forth above.

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

BUSINESS

GENERAL

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

OFFICE FURNITURE INDUSTRY DYNAMICS

Approximately 75% of the Company's products are sold to the office furniture manufacturing industry while the remainder (principally mechanical locks) are sold for use in other products, such as vending equipment, postal boxes, electromechanical enclosures and other non-office furniture and equipment. The U.S. office furniture market generated wholesale sales of approximately $10.0 billion in 1996, according to estimates by the BIFMA. The dollar value of U.S. office furniture industry shipments has increased in 23 of the past 25 years and, according to BIFMA, is estimated to have grown at a compound annual rate of approximately 8.4% over the four year period ended December 31, 1997. BIFMA currently estimates that office furniture sales over

the next two years will grow at a compound annual rate of approximately 7%. The rate of growth in this industry ultimately will be affected by certain macroeconomic conditions such as service industry employment levels, corporate cash flow and non-residential construction levels. CompX[trademark] management believes that the sales of its ergonomic computer support systems are experiencing substantially higher rates of growth than the office furniture industry as a whole.

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

office furniture designs that embrace office sharing concepts such as office "hoteling" and open office designs. The Company's products target manufacturers of new furniture designed to address these industry dynamics as well as customers that specialize in retrofitting existing office furniture.

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

COMPETITIVE STRENGTHS

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

Industry brand recognition and management experience. The Company's business traces its roots to 1903 when it began manufacturing cabinet locks. The Company is a supplier to major OEMs and believes its brand names are well recognized in the industry. CompX[trademark] currently markets its drawer slides and ergonomic computer support systems under the Waterloo Furniture

Components Limited(R) name and markets its medium-security locks under the National Cabinet Lock(R) name. The top seven executive management personnel have over 100 years of combined industry experience.

Emphasis on customer collaboration. CompX[trademark] has been a leader in collaborating with customers to develop innovative customized solutions to their unique needs for product design, application, performance and cost. An

important ingredient to this approach is the Company's full-time engineering staff of 25 individuals and approximately $3 million in annual expenditures for product design, development and engineering. Management believes that the Company's responsiveness and commitment to work with customers has been critical to its success to date.

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

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

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

GROWTH STRATEGY

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

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

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

manufacturing strengths.

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

manufacturing, marketing and distribution and through the application of the Company's manufacturing and management skills. On February 3, 1998, the Company executed a definitive agreement concerning the purchase of the Fort Lock Group. The Fort Lock Group is a vertically integrated manufacturer of highly engineered mechanical locks for a diverse customer base of original equipment manufacturers and locksmith distributors. See "Recent Developments".

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

Expand into international markets. While CompX[trademark] has historically focused on marketing its products in North America, the Company has a small but growing presence in international markets. The Company believes that there is significant demand for its quality, precision products in overseas markets, and intends to increase its international presence, particularly in Asia and Latin

America, via expanded distributor relationships and, potentially, joint venture arrangements.

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

PRODUCTS

CompX[trademark] manufactures and sells components in three major product lines: ergonomic computer support systems, precision ball bearing drawer slides and medium-security cabinet locks. The Company's ergonomic computer support systems and precision ball bearing drawer slides are sold under the Waterloo Furniture Components Limited(R) name and the Company's medium-security cabinet locks are sold under the National Cabinet Lock(R) name. The Company believes that its brand names are well recognized in the industry.

Ergonomic computer support systems. CompX[trademark] is a leading

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

The Company's ergonomic computer support systems include adjustable computer keyboard support arms. These devices are designed to attach to office

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

Adjustable computer table mechanisms address the need for flexibility and adjustability in work surfaces. The Company's adjustable table mechanisms

provide adjustable workspace heights that permit users to stand or sit and that can be easily adjusted for different user needs.

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

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

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

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

In recent years, applications other than office furniture have represented a rapidly growing source of demand for the Company's precision ball bearing drawer slides. Recently, new opportunities in heavy-duty applications such as tool storage cabinets and electromechanical applications have created new market opportunities. As a result of the design efforts focused on these markets, CompX[trademark] created the Ball Lock[trademark] to prevent heavily filled drawers, such as auto mechanic tool boxes, from opening while cabinets are moved during routine use in the field. The Company's products are used extensively in professional toolboxes and, increasingly, in electromechanical imaging equipment to facilitate the movement of machine components in the document reproduction process.

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

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

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

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

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

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

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

Sales under this program are made both to a North American distribution network as well as to large OEMs when special needs require either smaller quantities or non-special products other than their normal volume requirements. The distribution network supplies the Company's products both to after-market replacement markets and to smaller cabinet shop manufacturers who do not purchase direct from the Company due to their smaller size.

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

PRODUCT DESIGN AND DEVELOPMENT

CompX[trademark] believes its ability to provide customized engineering to respond to specific customer application requirements provides it a competitive advantage, especially in middle- to high-end applications. A

dedicated and knowledgeable engineering and marketing staff continually collaborates with the Company's customers to identify and solve production and marketing issues. The Company's commitment to precision design and engineering to specific customer tolerances is a key element to its ability to serve effectively the niche markets for its products. CompX[trademark] has 25 full time engineers on staff and expends approximately $3 million annually for product engineering, design and development to enhance and expand product capabilities.

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

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

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

various types of accessories such as mouse trays and pads of a unique and proprietary nature. In 1997, the Company introduced a CPU storage device that can be mounted off the floor either under a work surface or on the side of desk panels to minimize dust contamination or damage from accidental impact. The

Company is currently working on several new generations of ergonomic products such as a new version of easily adjustable keyboard arms, including aesthetic improvements. In response to the increased use of laptop computers, a new product is in the design process to address ease of use and security for these computers.

During the 1990's, CompX[trademark] emerged as one of the more innovative companies in the design and manufacture of precision ball bearing drawer slides. The Company has designed and currently sells precision ball bearing drawer slides to facilitate the movement of component parts in imaging machines, for professional tool storage cabinets and other uses. Examples of other innovative products include the patented ISL[trademark] and the patented Ball Lock[trademark]. Development continues on a new "Cushion Close[trademark]" drawer slide to aid in the safe operation of overhead storage bin doors, and introduction of this new product is expected in mid-1998.

In 1980, the Company introduced the patented KeSet(R) Security System which has since gained acceptance as a cost effective product in the vending industry where protection of money collection is paramount. While many of the

product development efforts in the cabinet lock industry are adaptations of existing products in the pin tumbler or disc tumbler product line, products introduced in the past few years include the pin tumbler "Advantage Plus[trademark] System" allowing easy removal of the cylinder for re-keying in the field without removing the lock from the original installation. A new patented Snap-in locking system for institutional furniture allows either pin tumbler or disc tumbler keying to be determined after installation, which reduces customer inventories and allows improved delivery speed of their

products. In late 1997, the Company commenced customer field testing of an electronic locking system and the product is experiencing good operating results in its original test site.

SALES, MARKETING AND DISTRIBUTION

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

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

A significant portion of the Company's cabinet lock sales and a growing portion of ergonomic computer support systems and precision ball bearing drawer slides sales are made through hardware component distributors. The Company also has a significant market share of cabinet lock sales to the locksmith distribution channel. CompX[trademark] supports its distributor sales with a line of standardized products used by the largest segments of the marketplace. These products are packaged and merchandised for easy availability and handling

by distributors and the end user. Based on the Company's successful STOCK LOCKS(R) inventory program, similar programs have been implemented for distributor sales of ergonomic computer support systems and to some extent

precision ball bearing drawer slides. Since their addition to the Company's distributor product line in 1992, sales of these products to the distributor market have grown to represent approximately 10% of combined ergonomic computer support systems and precision ball bearing drawer slide net sales.

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

The Company does not believe it is dependent upon one or a few customers, the loss of which would have a material adverse effect on its component products operations. The ten largest customers accounted for about one-third of component products sales in each of the past three years, with the largest customer less than 10% in each year. In 1996, five of the ten largest customers were located in the United States with four located in Canada. Of such customers, all were primarily purchasers of slides and

ergonomic computer support system components.

ACQUISITION STRATEGY

In addition to pursuing internal growth opportunities, the Company intends to grow through acquisitions. The markets in which the Company competes have a large number of relatively small regional manufacturers and consequently offer potential consolidation opportunities. The Company seeks acquisitions that complement its existing product lines, provide access to new market segments or

expand the offering of proprietary products. The Company believes that it has been able to achieve synergies from acquisitions through economies of scale in purchasing, manufacturing, marketing and distribution and through the application of the Company's manufacturing and management skills.

Since 1990, the Company has utilized cash flow from operations to complete two acquisitions. In 1992 the Company acquired in a bankruptcy liquidation the assets of a Canadian manufacturer of precision ball bearing drawer slides and cabinet locks for $2 million. At the time of acquisition the operations had sales of approximately $3.2 million and operated at break-even operating profit. In 1995 the Company acquired the assets of another Canadian manufacturer of precision ball bearing drawer slides and ergonomic products for $6 million. At the time of acquisition the operations had sales of approximately $5.6 million and operated at a slight operating loss. As a result of integrating these operations into the Company's operations and eliminating unprofitable product lines, these operations currently contribute approximately $8 million in net sales and $2 million in operating income annually.

On February 3, 1998, the Company executed a definitive agreement concerning the Fort Lock Acquisition. See "Recent Developments". CompX[trademark] will (i) acquire all of the outstanding stock of Fort Lock Corporation for cash consideration of approximately $30 million, (ii) acquire the net assets of Fortronics, Inc., for $.5 million and (iii) purchase Fort Lock Corporation's manufacturing building owned by a shareholder of Fort Lock Corporation for $2.5 million, (collectively the "Fort Lock Acquisition"). See "Management's Discussions and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

MANUFACTURING AND OPERATIONS

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

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

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

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

CompX[trademark] has focused on its operating cost structure and timely capital investment in equipment and processes. This investment has allowed the Company to reduce lead times to its customers and to implement "just-in-time" production methods to improve inventory turns. For example, the Company has reduced the lead time for STOCK LOCKS(R) shipments from two weeks to 48 hours through investments that focus on enhancing automation and managed information systems. With the recently installed information systems upgrades, CompX[trademark] has fully integrated all stages of manufacturing process information.

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

RAW MATERIALS

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

locks. These raw materials are purchased from several suppliers and readily available from numerous sources.

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

COMPETITION

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

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

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

The Company competes in its ergonomic computer support systems with a small number of manufacturers that compete primarily on the basis of product quality and features. The Company competes in the precision ball bearing drawer slide market with one large manufacturer and a number of smaller manufacturers that compete primarily on the basis of product quality and price. The Company's medium-security cabinet locks compete with a variety of relatively small competitors, which makes significant price increases difficult.

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

PATENTS AND TRADEMARKS

CompX[trademark] holds a number of patents relating to its component products operations, none of which by itself is considered significant, and owns a number of trademarks, including National Cabinet Lock(R), STOCK LOCKS(R) and Waterloo Furniture Components Limited(R), which the Company believes are well recognized in the component products industry.

ENVIRONMENTAL MATTERS

The Company's operations are subject to federal, state, local and

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

additional expenditures, or that such additional costs would not have a material adverse effect on the Company's business, results of operations, or financial condition.

EMPLOYEES

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

LEGAL PROCEEDINGS

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

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY PERSONNEL

Set forth below is certain information (ages as of February 1, 1998) relating to the current directors, executive officers and key personnel of the Company.

NAME	AGE	OSITION(S)
Glenn R. Simmons.....	70	Chairman of the Board
David A. Bowers.....	60	President, Chief Executive Officer and Director
Robert W. Singer.....	61	Director

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

GLENN R. SIMMONS has served as Chairman of the Board since the Company's formation in 1993. Mr. Simmons is also a member of the Company's Management Development and Compensation committee. Mr. Simmons has served as a director of Valhi or certain of Valhi's predecessors since 1980. Mr. Simmons has been Vice Chairman of the Board of Valhi and Contran, a diversified holding company, since prior to 1993. Mr. Simmons' positions also include: director of Valhi's majority owned subsidiary, NL Industries, Inc., a titanium dioxide

pigments and specialty chemicals company; Vice Chairman of the Board and a director of Valcor; Chairman of the Board and a director of Contran's less-than-majority-owned affiliate, Keystone Consolidated Industries, Inc. ("Keystone"), a steel fabricated wire products, industrial wire and carbon steel rod company; and a director of Contran's less-than-majority-owned affiliate, Tremont Corporation, a holding company engaged in the titanium metals and chemicals industries ("Tremont"). Mr. Simmons has been an executive officer or director of various companies related to Contran since 1969. Mr. Simmons is the brother of Harold C. Simmons.

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

of the Board of Monmouth College, Monmouth, Illinois.

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

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

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

JOSEPH S. COMPOFELICE has served as Executive Vice President of the Company since December 1997. Mr. Compofelice has also served as Executive Vice President of Valhi since 1994, Vice President and Chief Financial Officer of NL and Tremont since 1994, a director of NL since 1995, and since 1996 Vice President and Chief Financial Officer of Titanium Metals Corporation ("TIMET"), Tremont's 30% owned principal operating affiliate and, except for a period during 1996, a director of TIMET since 1994. From prior to 1993 to 1994, Mr. Compofelice was the Vice President and Chief Financial Officer of Baroid Corporation, a company engaged in the petroleum services industry that Dresser Industries, Inc. acquired in 1994. Mr. Compofelice has served as an executive officer or director of various companies related to Valhi and Contran since 1988.

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

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

ROBERT J. WARD has served as Vice President-Manufacturing of Waterloo

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

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

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

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

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

BOBBY D. O'BRIEN has served as Vice President and Treasurer of the Company since June 1997. Mr. O'Brien has also served as Vice President of Valhi and Contran since October 1996 and Treasurer of Valhi since May 1997 and Contran

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

WILLIAM J. LINDQUIST has served as Vice President and Tax Director of the Company since 1994. Mr. Lindquist has also served as Vice President and Tax Director of Valhi and Contran since prior to 1993. Mr. Lindquist has

served as an executive officer or director of various companies related to Valhi and Contran since 1980.

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

Each of the above-named directors of CompX[trademark] serves until the next annual meeting of the stockholders of the Company or until their respective

earlier removal or resignation. Each of the above-named officers of CompX[trademark] serves at the pleasure of the Board of Directors.

COMMITTEES OF THE BOARD OF DIRECTORS

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

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

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

COMPENSATION OF DIRECTORS

Directors of the Company who are not employees of the Company will receive an annual retainer of $12,000, payable in quarterly installments, plus a fee of $750 per day for attendance at meetings and at a daily rate for other services rendered on behalf of the Board of Directors or committees thereof. In

addition, directors who are members of the Audit Committee or the MD&C Committee will receive an annual retainer of $1,000, paid quarterly in installments, for each committee on which they serve. Directors are reimbursed for reasonable expenses incurred in attending meetings and in the performance of other services rendered on behalf of the Board of Directors or its committees. Directors are also eligible for awards under the Incentive Plan.

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table. The Summary Compensation Table below provides certain summary information concerning annual and long-term compensation paid or accrued by the Company to or on behalf of the Company's

Chief Executive Officer and the four other most highly compensated individuals in 1997 for services rendered to the Company (the "named executive officers").

SUMMARY COMPENSATION TABLE (a)

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY	ONUS	ALL OTHER

David A. Bowers..... President and Chief Executive Officer	1997	$147,000	$125,000	$20,500
Ronald J. Simmons..... Vice President; President-Waterloo Furniture Components Limited	1997	117,753	86,667	4,638
Emory E. Hodges ..... Vice President- Operations- National Cabinet Lock	1997	80,028	27,113	13,667
Scott C. James ..... Vice President- Sales and Marketing- National Cabinet Lock	1997	83,200	36,508	16,164
Neil M. Poag ..... Vice President- Finance- Waterloo Furniture Components Limited	1997	65,428	37,752	3,611

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

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

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

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

attributable to such officer's services.

It has been Valhi's policy to award certain key employees of the Company shares of restricted Valhi common stock or grant options to purchase Valhi

common stock under the terms of Valhi's stock option plans. After the Offering, Valhi does not intend to continue this policy.

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

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

	SHARES ACQUIRED ON EXERCISE		NUMBER OF SECURITIES UNDERLYING UNEXPIRED OPTIONS AT DECEMBER 31, 1997 (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS/SARS AT DECEMBER 31, 1997 (A) (B)	
NAME	(#)	VALUE REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
DAVID A. BOWERS	38,000	$113,550	43,000	29,000	$102,048	$66,578
RONALD J. SIMMONS	-	-	20,000	10,000	51,388	20,715
EMORY E. HODGES	-	-	4,000	6,000	5,750	8,625
SCOTT C. JAMES	7,000	17,748	-	8,000	-	14,670
NEIL M. POAG	-	-	5,000	5,000	13,998	10,358

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

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

INCENTIVE COMPENSATION PLAN

Prior to completion of the Offering, the Company intends to adopt the CompX[trademark] International Inc. 1997 Incentive Compensation Plan (the "Incentive Plan".) The purpose of the Incentive Plan is to advance the interests of the Company and its stockholders by providing incentives to certain eligible persons who contribute significantly to the strategic and long-term performance objectives and growth of the Company. The Incentive Plan provides for awards or grants of stock options, stock appreciation rights, performance grants and other awards deemed by the MD&C Committee to be consistent with the purposes of the Plan (collectively, "Awards") Under the Incentive Plan, key individuals employed by, or performing services for, the Company are eligible to

receive Awards. A person who is eligible to receive an Award may be a nonemployee director or some other person who is not employed by the Company. The MD&C Committee is the initial committee to administer the Incentive Plan. The MD&C Committee determines the eligible persons to whom it grants Awards and the type, size and terms of such Awards. The Company has reserved for

issuance a maximum of 1,500,000 shares of Class A Common Stock for Awards under the Incentive Plan, subject to certain adjustments. A stock option awarded under the Incentive Plan may be an incentive stock option or non-qualified stock option and the term of such stock option cannot exceed ten years. Awards may be granted in conjunction with other Awards.

Upon completion of the Offering, five of the Company's officers and directors will be awarded 81,100 shares of Class A Common Stock under the Incentive Plan for their services in connection with the Offering, with an option to receive one-half of the value of such shares in cash to satisfy individual income taxes related thereto (the "Management Shares"). The number of Class A shares to be awarded is based upon the public offering price to the public. The Company will value the Class A shares awarded at such public offering price, and the aggregate value of the Class A shares awarded will be approximately $1.5 million. The Company will recognize a charge, at the time of the completion of the public offering, equal to the aggregate value of the Class A shares awarded and cash payments made.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Relationships with Related Parties. As set forth under the caption "Security Ownership in the Company and its Affiliates," Mr. Harold C. Simmons, through Valcor, Valhi and Contran, may be deemed to control the Company. Mr. Glenn R. Simmons, Chairman of the Board of the Company, is the brother of Mr. Harold C. Simmons. Mr. Glenn R. Simmons and Mr. Singer are also directors of the Company's parent company, Valcor, and of certain affiliates of the Company and Valcor. See "Management - Directors, Executive Officers and Key Personnel." Corporations that may be deemed to be controlled by or affiliated with Mr. Harold C. Simmons, including the Company, sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties, and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. The Company continuously considers, reviews and evaluates, and understands that Contran and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, it is

possible that the Company might be a party to one or more such transactions in the future.

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

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

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

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

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

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

Certain employees of the Company have been awarded shares of restricted Valhi common stock or granted options to purchase Valhi common stock under the terms of Valhi's stock option plans. The Company will reimburse Valhi for the

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

The Company, Valcor and Valhi are members of Contran's consolidated United States federal income tax group (the "Contran Tax Group"). The policy for intercompany allocation of federal income taxes provides that subsidiaries

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

Certain Litigation. In November 1991, a purported derivative complaint was filed in the Court of Chancery of the State of Delaware, New Castle County (Alan Russell Kahn v. Tremont Corporation, et al., No. 12339) in connection with Tremont's agreement to purchase 7.8 million NL common shares from Valhi. In addition to Tremont and Valhi, the complaint names as defendants the members of Tremont's board of directors at the time, which included Mr. Glenn R. Simmons. The complaint alleges, among other things, that Tremont's purchase of the NL shares constitutes a waste of Tremont's assets and that Tremont's board of directors breached its fiduciary duty to Tremont's public stockholders and seeks, among other things, to rescind Tremont's consummation of the purchase of the NL shares and award damages to Tremont for injuries allegedly suffered as a result of the defendants' wrongful conduct. In March 1996, the trial court

ruled in favor of the defendants, and concluded that Tremont's purchase did not constitute an overreaching of Tremont by its controlling stockholder (Valhi), that Tremont's purchase price for the NL shares was fair and that in all other respects the transaction was fair to Tremont. In June 1996, the plaintiffs filed an appeal with the Delaware Supreme Court. A hearing before a three-judge panel of the Delaware Supreme Court was held in December 1996, and an en banc hearing before the full Supreme Court was held in February 1997. In June 1997, the Delaware Supreme Court en banc reversed the trial court ruling and remanded

the matter to the lower court for further proceedings. The Supreme Court held, in part, that the trial court had erred in placing the burden of proof on the plaintiffs and

remanded the matter so that the trial court could determine whether the defendants had demonstrated the entire fairness of the transaction. In October 1997, oral arguments upon remand were heard and since then the judge has requested additional testimony. The Company understands that Valhi, Tremont and the other defendants believe that the action is without merit and that each intends to defend the action vigorously.

In September 1996, a complaint was filed in the Superior Court of New Jersey, Bergen County, Chancery Division (Frank D. Seinfeld v. Harold C. Simmons, et al., No. C-336-96) against Valhi, NL and certain current and former members of NL's board of directors including Mr. Glenn R. Simmons. The complaint, a derivative action on behalf of NL, alleges, among other things, that NL's August 1991 "Dutch auction" tender offer was an unfair and wasteful expenditure of NL's funds. The complaint seeks, among other things, to rescind NL's purchase of approximately 10.9 million shares of NL's common stock from Valhi pursuant to the Dutch auction, and the plaintiff has stated that the damages sought are $149 million. Valhi and the other defendants have answered the complaint and have denied all allegations of wrongdoing. Discovery has been completed. A trial date has yet to be set. The Company understands that Valhi and each of the other defendants believe that the complaint is without merit and that each intends to defend the action vigorously.

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

SECURITY OWNERSHIP IN THE COMPANY AND ITS AFFILIATES

Prior to the Offering, no shares of the Company's Class A Common Stock were outstanding, and all of the shares of the Company's Class B Common Stock were held by Valcor, a wholly-owned subsidiary of Valhi.

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

Immediately after completion of the Offering, the only shares of Class A Common Stock that will be outstanding are those shares that will be issued in the Offering (including any shares issued if the Underwriters' over-allotment option is exercised) and approximately 81,100 Management Shares. After completion of the Offering, all of the Company's shares of Class B Common Stock will continue to be held by Valcor. Such shares of Class B Common Stock will represent approximately 68% of the combined voting power (95% for election of directors) of all shares of the Company's Common Stock outstanding (65% and 95%, respectively, if the Underwriters' over-allotment option is exercised in full).

The following table sets forth as of January 26, 1998, the beneficial ownership, as defined by the regulations of the Commission, of Valhi common stock by (i) each person or group of persons known to the Company to beneficially own more than 5% of the outstanding shares of Valhi common stock, (ii) each director of the Company, (iii) each named executive officer of the Company, and (iv) all executive officers and directors of the Company as a group. Except as set forth below, no securities of the Company's parent companies or subsidiary companies are beneficially owned by any director or

named executive officer of the Company. All information is taken from or based upon ownership filings made by such persons with the Commission or upon information provided by such persons to the Company.

	VALHI COMMON STOCK	
NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP (A)	PERCENT OF CLASS (B)
Contran Corporation and subsidiaries:		
Contran Corporation (c).....	8,884,458 (d)(e)	7.7%
National City Lines, Inc. (c)...	11,491,009 (d)	10.0%
Valhi Group, Inc. (c).....	85,644,496 (d)	74.7%
Paul M. Bass, Jr.....	7,000 (f)	*
David A. Bowers.....	64,000 (f)	*
Joseph S. Compofelice.....	40,000 (f)(g)	*
Edward J. Hardin.....	-	*
Glenn R. Simmons.....	425,533 (f)(h)	*
Robert W. Singer.....	__,___ (i)	*
Ronald J. Simmons.....	22,000 (f)	*
Emory E. Hodges	4,000 (f)	*
Scott C. James	11,000 (f)	*
Neil M. Poag	6,000 (f)	*
All directors and executive officers as a group (16 persons)	1,043,000 (f)	1.0%

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* Less than 1%.

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

(b) The above table is based on 114,643,514 shares of Valhi common stock outstanding as of February 2, 1998. For purposes of calculating the outstanding shares of Valhi common stock as of February 2, 1998, 1,186,200 shares of Valhi common stock held by NL, a majority owned subsidiary of Valhi, and 1,000,000 shares of Valhi common stock held by Valmont Insurance Company, a wholly owned subsidiary of Valhi, are excluded from the amount of Valhi common stock outstanding. Pursuant to Delaware corporate law, Valhi treats these excluded shares as treasury stock for voting purposes.

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

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

approximately 88.7% and 54.3% of the outstanding common stock of Southwest

and Dixie Rice, respectively, and may be deemed to control Southwest and Dixie Rice.

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

Substantially all of Contran's outstanding voting stock is held by two trusts, the Harold C. Simmons Family Trust No. 1 dated January 1, 1964 and the Harold C. Simmons Family Trust No. 2 dated January 1, 1964 (together, the "Trusts"), established for the benefit of Mr. Simmons, children and grandchildren, of which Mr. Simmons is the sole trustee. As sole trustee of each of the Trusts, Mr. Simmons has the power to vote and direct the disposition of the shares of Contran stock held by each of the Trusts. Mr. Simmons, however, disclaims beneficial ownership of any shares of Contran stock.

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

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

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

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

Although the Company is not a party to the action, the Company is aware that a lawsuit captioned In re: The Harold C. Simmons Family Trust No. 1 (No. 96-306-P) is pending in the Probate Court of Dallas County, Texas. Pleadings filed in the action contain allegations by two of Mr. Harold C. Simmons' four daughters who are among the beneficiaries of the Trusts) that Mr. Simmons has breached his fiduciary duties as trustee of the Trusts. The breaches of fiduciary duty claimed include, among others, allegedly unfair self dealing, allegedly improper charitable contributions and alleged violations of the federal election laws. Pleadings by Mr. Simmons in the action assert that all actions taken by

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him as trustee were specifically permitted by the terms of the Trusts and greatly benefited the Trusts and the beneficiaries. The relief sought by

the plaintiffs includes the removal of Mr. Simmons as trustee of the Trusts. Mr. Simmons' other two daughters have filed pleadings in the action opposing the relief sought by the plaintiffs. The first trial of this matter ended in a mistrial. Unless this matter is resolved through mediation or otherwise, a new trial is expected to begin in March 1998. Mr. Simmons has advised the Company that the action has no merit; that he denies all allegations of wrongdoing made by the plaintiffs; and that he intends to continue to defend the action vigorously.

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

(f) The shares of Valhi common stock shown as beneficially owned by Glenn R. Simmons, David A Bowers, Joseph S. Compofelice, Ronald J. Simmons, Emory E. Hodges, Scott C. James, Neil M. Poag and all executive officers and directors as a group include 380,000, 52,000, 30,000, 22,000, 4,000, 1,000, 6,000 and 1,043,000 shares, respectively, that such person or group has the right to acquire upon the exercise within 60 days subsequent to February 2, 1998 of stock options granted pursuant to the Valhi, Inc. 1987 Stock Option - Stock Appreciation Rights Plan, as amended.

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

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

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

CERTAIN INDEBTEDNESS

Prior to the completion of the Offering, the Company plans to enter into the Revolving Senior Credit Facility. The Revolving Senior Credit Facility is expected to be an unsecured five-year revolving facility. Borrowings are expected to be available for the Company's general corporate purposes,

including potential acquisitions. There can be no assurance that any such new Revolving Senior Credit Facility will be obtained. The following summary of the material provisions of the Revolving Senior Credit Facility is based upon a preliminary term sheet and drafts of the proposed credit agreement. Because the terms, conditions and covenants of the Revolving Senior Credit Facility are subject to the negotiation, execution and delivery of the definitive loan documents, certain of the actual terms, conditions and covenants thereof may differ from those described below.

The Revolving Senior Credit Facility will mature in 2003. Borrowings of up to $100 million will be available under the Revolving Senior Credit Facility

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

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

DESCRIPTION OF CAPITAL STOCK

GENERAL

The following discussion of the capital stock of the Company assumes that the Restated Certificate of Incorporation of the Company, which will become effective before the Offering commences, is in effect.

The authorized capital stock of the Company consists of 30,000,000 shares of Common Stock, par value $.01 per share, of which 20,000,000 shares have been designated as Class A Common Stock and 10,000,000 shares have been designated as Class B Common Stock, and 1,000 shares of preferred stock, par value $.01 per share (the "Preferred Stock"). Effective upon completion of the Offering, 4,781,100 shares of Class A Common Stock will be issued and outstanding (5,486,100 if the Underwriters' over-allotment option is exercised in full), including 81,100 Management Shares, 10,000,000 shares of Class B Common Stock will be issued and outstanding, and no shares of Preferred Stock will be issued and outstanding. In addition, approximately 1.4 million shares of Class A Common Stock will be reserved for issuance pursuant to the Incentive Plan and 10,000,000 shares of Class A Common Stock will be reserved for issuance upon conversion of the Class B Common Stock. The following summary does not purport to be complete and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Company's

Restated Certificate of Incorporation and Bylaws, copies of which have been filed as exhibits to the Registration Statement of which this Prospectus is a part, and to the applicable provisions of the Delaware General Corporation Law of the State of Delaware ("DGCL").

COMMON STOCK

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

Voting Rights. The holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to one vote per share in all matters except the election of directors where such holders are entitled to ten votes per share. Holders of all classes of Common Stock entitled to vote will vote together as a single class on all matters presented to the stockholders for their vote or approval except as otherwise required by applicable law. Immediately after the Offering, the shares of Class B Common Stock will represent approximately 68% of the combined voting power (95% for election of directors) of all classes of voting stock of the Company (approximately 65% and 95%, respectively, if the Underwriters' over-allotment option is exercised in full).

The Common Stock does not have cumulative voting rights, which means that holders of the shares of Common Stock with a majority of the votes to be cast for the election of directors can elect all directors then being elected. Since the purchasers of the shares of Class A Common Stock offered hereby will acquire

shares entitling them to less than a majority of such votes, such stockholders will be unable to elect a director without the affirmative vote of Valcor.

Dividends. Each share of Class A Common Stock and Class B Common Stock has an equal and ratable right to receive dividends to be paid from the Company's assets legally available therefor when, as and if declared by the Board of Directors. Delaware law generally requires that dividends be paid only out of the Company's surplus or current net profits in accordance with the DGCL. The Company may not make any dividend or distribution to any holder of any class of Common Stock unless simultaneously with such dividend or distribution the Company makes the same dividend or distribution with respect to each outstanding share of Common Stock regardless of class. Whenever a dividend or distribution, including distributions pursuant to stock splits or divisions of the Common Stock, is payable in shares of Common Stock, the number of shares of Common Stock payable per share of Common Stock shall be equal in number.

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

Conversion and Transfer. Class A Common Stock has no conversion rights. Prior to a "Tax-Free Spin-Off" (as defined below), shares of Class B Common Stock may be freely transferred (i) between members of the Contran Corporation Control Group (as defined below) or (ii) outside the Contran Corporation

Control Group (as defined below) in a transaction that is not a "Tax-Free Spin-Off" (as defined below). However, shares of Class B Common Stock transferred to a person who is not a member of the Contran Corporation Control Group (as defined below) in a transaction that is not a "Tax-Free Spin-Off" (as defined below) shall automatically convert into shares of Class A Common Stock as of the date of such transfer. Transfers of Class B Common Stock between members of the Contran Corporation Control Group (as defined below) shall have no effect other

than to change the beneficial ownership of such Class B Common Stock. For purposes hereof, a member of the Contran Corporation Control Group shall be Contran Corporation, a Delaware corporation, and any entity included in the affiliated group as defined in Section1504 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), of which Contran Corporation or its successor is the common parent. For purposes hereof, "Tax-Free Spin-Off" shall mean any transfer effected in connection with a distribution of Class B Common Stock as a spin-off, split-up or split-off to stockholders of a member of the Contran Corporation Control Group intended to be on a tax-free basis under Section368 of the Code.

Following a Tax-Free Spin-Off, shares of Class B Common Stock shall be transferred as Class B Common Stock, subject to applicable laws; provided, however, that shares of Class B Common Stock shall automatically convert into

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

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

Reclassification and Merger. In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are converted into another security, then a holder of Class B Common Stock will be

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

payment of the dividend due on such date.

In the event the Company enters into any consolidation, merger, combination or other transaction in which shares of Common Stock are exchanged for or changed into other stock or securities, cash or any other property, then, and in such event, the shares of each class of Common Stock will be exchanged for or changed into either (1) the same amount of stock, securities, cash or any other property, as the case may be, into which or for which each share of any other class of Common Stock is exchanged for or changed into, provided such shares so exchanged for or changed into may differ to the extent and only to the extent that the Class A Common Stock and the Class B Common Stock differ as provided in the Company's Restated Certificate of Incorporation or (2) if holders of each class of Common Stock are to receive different distributions of stock, securities, cash or any other property, an amount of stock, securities, cash or property per share having a value, as determined by an independent investment banking firm of national reputation selected by the Board of Directors, equal to the value per share into which or for which each share of any other class of Common Stock is exchanged or changed.

Liquidation. In the event of the dissolution, liquidation or winding up of the Company, the holders of Class A Common Stock and Class B Common Stock are

entitled to share equally and ratably in the assets available for distribution after payments are made to the Company's creditors and to the holders of any Preferred Stock of the Company that may be outstanding at the time.

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

Prior to the date of this Prospectus, there has been no established public trading market for the Common Stock. It is expected that the Common Stock will be approved for listing on the NYSE under the symbol "CIX."

PREFERRED STOCK

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

DELAWARE GENERAL CORPORATION LAW

Section 203 of the DGCL provides, in general, that a stockholder acquiring more than 15% of the outstanding voting stock of a corporation subject to the statute (an "Interested Stockholder") but less than 85% of such stock may not engage in certain Business Combinations (as defined in Section 203) with the corporation for a period of three years subsequent to the date on which the stockholder became an Interested Stockholder unless (i) prior to such date the corporation's board of directors approved either the Business

Combination or the transaction in which the stockholder became an Interested Stockholder or (ii) the Business Combination is approved by the corporation's board of directors and authorized by a vote of at least 66 2/3% of the outstanding voting stock of the corporation not owned by the Interested Stockholder. The provisions of Section 203 ("Section 203") of the DGCL do not apply to the Company. Such provisions, if they were to apply to the Company, would restrict the Company's ability to enter into business combinations with certain stockholders of the Company and would render an unsolicited takeover attempt of the Company more difficult.

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

LIMITATIONS ON DIRECTORS' LIABILITY

The Company's Restated Certificate of Incorporation provides that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock purchases or redemptions, or (iv) for any transaction from which the director derived an improper personal benefit. The effect of these provisions is to eliminate the rights of the Company and its stockholders (through stockholders, derivative suits on behalf of the Company) to recover monetary damages against a director for breach of fiduciary duty as a director (including breaches resulting from grossly negligent behavior), except in the situations described above. These provisions do not limit the liability of directors under federal securities laws

and do not affect the availability of equitable remedies such as an injunction or rescission based upon a director's breach of his duty of care.

TRANSFER AGENT AND REGISTRAR

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

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have outstanding 4,781,100 shares of Class A Common Stock (5,486,100 shares if the Underwriters' over-allotment option is exercised in full) without taking into account any options which may be granted and including 81,100 Management Shares granted to officers and employees of the Company concurrent with the Offering. All of such shares of Class A Common Stock sold hereby will be freely tradable without restriction or further registration under the Securities Act of 1933 (the "Securities Act") by persons other than "affiliates" of the Company (defined in Rule 144 under the Securities Act as a person who directly or indirectly through the use of one or more intermediaries controls, is controlled by, or is under common control with, the Company). The 10,000,000 shares of Class B Common Stock held by Valcor will be deemed restricted securities within the meaning of Rule 144. Shares of Class A Common Stock acquired or to be acquired by officers and employees of the Company pursuant to the exercise of options or restricted

stock grants will be, upon the filing of a Registration Statement on Form S-8 registering such shares, freely tradable without restriction or further registration under the Securities Act by persons other than "affiliates." Sales of restricted

securities and shares of Class A Common Stock held by "affiliates" are subject to certain volume, timing and manner of sale restrictions pursuant to Rule 144. Any sales of substantial amounts of these shares in the public market might adversely affect prevailing market prices for the shares of Class A Common Stock.

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

The Company and Valcor, and each of their respective officers and directors have agreed that, for a period of 180 days from the date of this Prospectus, they will not, without the prior written consent of Smith Barney Inc., offer, sell, contract to sell, or otherwise dispose of, any shares of Common Stock of the Company or any securities convertible into, or exercisable or exchangeable for, Common Stock of the Company. Thereafter, Valcor will be able to sell any shares of Common Stock it owns in reliance upon Rule 144, subject to the resale, volume and other limitations described above. Under certain circumstances

shares of Class B Common Stock may be automatically converted into shares of Class A Common Stock. It is possible that Valcor or another member of the Contran Corporation Control Group may cause the Company to register any such converted shares of Class A Common Stock that may be owned by Valcor or another member of the Contran Corporation Control Group to permit a further distribution of such shares of Class A Common Stock by Valcor.

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

CERTAIN UNITED STATES TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

A general discussion of certain United States federal income and estate tax consequences of the ownership and disposition of Common Stock applicable to Non-U.S. Holders (as defined) of Common Stock is set forth below. In

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

DIVIDENDS

In general, the gross amount of dividends paid to a Non-U.S. Holder will be subject to United States withholding tax at a 30% rate (or any lower rate prescribed by an applicable tax treaty) unless the dividends are (i) effectively connected with a trade or business carried on by the Non-U.S. Holder within the

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

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

SALE OF COMMON STOCK

Generally, a Non-U.S. Holder will not be subject to United States federal income tax on any gain realized upon the disposition of his Common Stock unless: (i) the Company has been, is, or becomes a "U.S. real property holding corporation" for federal income tax purposes and certain other requirements are met; (ii) the gain is effectively connected with a trade or business carried on by the Non-U.S. Holder within the United States; or (iii) the Common Stock is

disposed of by an individual Non-U.S. Holder, who holds the Common Stock as a capital asset and is present in the United States for

183 days or more in the taxable year of the disposition, and the gains are considered derived from sources within the United States. The Company believes that it has not been, is not currently and, based upon its current business plans, is not likely to become a U.S. real property holding corporation. A Non-U.S. Holder also may be subject to tax pursuant to the provisions of United States tax law applicable to certain United States expatriates. Non-U.S. Holders should consult applicable treaties, which may exempt from United States taxation gains realized upon the disposition of Common Stock in certain cases.

ESTATE TAX

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

BACKUP WITHHOLDING AND INFORMATION REPORTING REQUIREMENTS

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

Except as provided below, this section describes rules applicable to payments made on or before December 31, 1998. Backup withholding (which generally is a withholding tax imposed at the rate of 31% on certain payments to persons that fail to furnish the information required under the United States information reporting and backup withholding rules) generally will not apply to

(i) dividends paid to Non-U.S. Holders that are subject to the 30% withholding discussed above (or that are not so subject because a tax treaty applies that reduces or eliminates such 30% withholding) or (ii) dividends paid on the Common Stock to a Non-U.S. Holder at an address outside the United States. The Company will be required to report annually to the IRS and to each Non-U.S. Holder the amount of dividends paid to, and the tax withheld with respect to, such holder, regardless of whether any tax was actually withheld. This information may also be made available to the tax authorities in the Non-U.S. Holder's country of residence.

In the case of a Non-U.S. Holder that sells Common Stock to or through a United States office of a broker, the broker must backup withhold at a rate of 31% and report the sale to the IRS, unless the holder certifies its Non-U.S. status under penalties of perjury or otherwise establishes an exemption. In the

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

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against the holder's U.S. federal income tax, which may entitle the holder to a refund, provided that the holder furnishes the required information to the IRS. In addition, certain penalties may be imposed by the IRS on a holder who is required to supply information

but does not do so in the proper manner.

The Final Regulations eliminate the general current law presumption that dividends paid to an address in a foreign country are paid to a resident of that country. In addition, the Final Regulations impose certain certification and documentation requirements on Non-U.S. Holders claiming the benefit of a reduced withholding rate with respect to dividends under a tax treaty.

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

UNDERWRITING

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

UNDERWRITER	NUMBER OF SHARES
Smith Barney Inc.....	
NationsBanc Montgomery Securities LLC.....	
Wheat First Securities, Inc.	
TOTAL.....	4,700,000

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

The Underwriters, for whom Smith Barney Inc., NationsBanc Montgomery

Securities LLC and Wheat First Union, a division of Wheat First Securities, Inc., are acting as the Representatives, propose to offer part of the shares directly to the public at the public offering price set forth on the cover page of this Prospectus and part of the shares to certain dealers at a price which represents a concession not in excess of $0. per share under the public offering price. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $0. per share to certain other dealers. After the initial offering of the shares to the public, the public offering price and such concessions may be changed by the Representatives. The Representatives of the Underwriters have advised the Company that the Underwriters do not intend to confirm any Shares to any accounts over which they exercise discretionary authority.

The Company has granted to the Underwriters an option, exercisable for thirty days from the date of this Prospectus, to purchase up to 705,000 additional shares of Class A Common Stock at the price to public set forth on the cover page of this Prospectus minus the underwriting discounts and commissions. The Underwriters may exercise such option solely for the purpose

of covering over-allotments, if any, in connection with the Offering of the shares offered hereby. To the extent such option is exercised, each Underwriter will be obligated, subject to certain conditions, to purchase

approximately the same percentage of such additional shares as the number of shares set forth opposite each Underwriter's name in the preceding table bears to the total number of shares listed in such table.

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

In connection with this Offering and in compliance with applicable law, the Underwriters may overallot (i.e., sell more Class A Common Stock) than the total amount shown on the list of Underwriters and participations which appears above) and may effect transactions which stabilize, maintain or otherwise affect the market price of the Class A Common Stock at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the Class A Common Stock or effecting purchases of the Class A Common Stock for the purpose of pegging, fixing or maintaining the price of the Class A Common Stock or for the purpose of reducing a syndicate short position created in connection with the Offering. A syndicate short position may be covered by exercise of the option described above in lieu of or in addition to open market purchases. In addition, the contractual arrangements among the Underwriters include a provisions whereby if the Representatives purchase Class A Common Stock in the open market for the account of the underwriting syndicate and the securities purchased can be traced to a particular Underwriter or member of the selling group, the underwriting syndicate may require the Underwriter or selling

group member in question to purchase the Common Stock in question at the cost price to the syndicate or may recover from (or decline to pay to) the Underwriter or selling group member in question the selling concession applicable to the securities in question. The Underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

Prior to this Offering, there has not been any public market for the Class A Common Stock of the Company. Consequently, the initial public offering price for the Shares of Class A Common Stock included in this Offering has been determined by negotiations between the Company and the Representatives. Among the factors considered in determining such price were the history of and prospects for the Company's business and the industry in which it competes, an

assessment of the Company's management and the present state of the Company's development, the past and present revenues and earnings, the current state of the economy in the United States and the current level of economic activity in the industry in which the Company competes and in related or comparable industries, and currently prevailing conditions in the securities markets, including current market valuations of publicly traded companies which are comparable to the Company.

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

LEGAL MATTERS

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

EXPERTS

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

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

ADDITIONAL INFORMATION

The Company has filed with the Commission a registration statement on Form S-1 under the Securities Act (together with all amendments and exhibits thereto, the "Registration Statement"), with respect to the shares of Common Stock offered hereby. This Prospectus, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement and the exhibits filed as part thereof. For further information with respect to the Company and the shares of Class A Common Stock offered hereby,

reference is made to the Registration Statement and to the exhibits filed as a part thereof. Statements contained in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete and are qualified in their entirety by reference to each such contract, agreement or other document which is filed as an exhibit to the Registration Statement. The Registration Statement, including the exhibits and schedules thereto, may be inspected without charge at the principal office of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, or at the Regional offices of the Commission at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661, and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of such material may be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission maintains a worldwide web site that contains reports, proxy statements and other information

regarding registrants, including the Company, that file electronically with the Commission, at http://www.sec.gov.

INDEX TO HISTORICAL FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

our audits.

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

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

the period ended December 31, 1997, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Dallas, Texas
January 23, 1998, except
for Note 12 as to which
the date is February 4, 1998

COMPX INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1996 AND 1997

(IN THOUSANDS, EXCEPT SHARE DATA)

ASSETS	1996	1997
Current assets:		
Cash and cash equivalents	$ 8,550	$19,187
Accounts receivable, less allowance for doubtful accounts of $167 and $311	11,658	14,573
Receivable from affiliates	384	-
Inventories	10,879	11,073
Prepaid expenses	394	161
Deferred income taxes	343	438
Total current assets	32,208	45,432
Other assets:		
Deferred income taxes	-	133
Other	83	66
	83	199
Property and equipment:		
Land	394	383
Buildings	8,364	8,194

Equipment	20,668	24,343
Construction in progress	88	707
	29,514	33,627
Less accumulated depreciation	13,355	15,464
Net property and equipment	16,159	18,163
	$48,450	$63,794

COMPX INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 1996 AND 1997

(IN THOUSANDS, EXCEPT SHARE DATA)

LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT	1996	1997
Current liabilities:		
Demand note payable to Valcor	$ -	$50,000
Current maturities of long-term debt	88	113
Accounts payable and accrued liabilities	6,896	11,427
Other payable to affiliates	5	331
Income taxes	1,066	2,559
Total current liabilities	8,055	64,430
Noncurrent liabilities:		
Long-term debt	74	262
Deferred income taxes	1,068	115
Other	11	150
Total noncurrent liabilities	1,153	527
Stockholder's equity (deficit):		
Preferred stock, $.01 par value; 1,000 shares authorized, none issued	-	-
Class A common stock, $.01 par value; 20,000,000 shares authorized, none issued	-	-
Class B common stock, $.01 par value; 10,000,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	4,412	4,412
Retained earnings (deficit)	34,852	(4,596)
Currency translation adjustment	(122)	(1,079)

Total stockholder's equity (deficit)	39,242	(1,163)
	$48,450	$63,794

Commitments and contingencies (Note 10)

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	1995	1996	1997
Revenues:			
Net sales	$80,238	$88,744	$108,652
Other income	499	759	872
	80,737	89,503	109,524
Costs and expenses:			
Cost of sales	52,400	58,295	70,638
Selling, general and administrative	8,465	9,106	11,018
Interest	13	18	199
	60,878	67,419	81,855
Income before income taxes	19,859	22,084	27,669
Provision for income taxes	7,758	9,055	11,019
Net income	$12,101	$13,029	$ 16,650
Unaudited pro forma per share data:			
Net income			$16,650
Pro forma adjustment - reduction in ne income for employee stock grants			(915)

Pro forma net income	$15,735
Basic and diluted pro forma net income per common share	$1.21
Common shares outstanding	13,005

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

(IN THOUSANDS)

	1995	1996	1997
Cash flows from operating activities:			
Net income	$12,101	$13,029	$16,650
Depreciation and amortization	2,193	2,483	2,811
Deferred income taxes	(475)	(625)	(651)
Other, net	109	206	338
Change in assets and liabilities:			
Accounts receivable	(1,608)	(1,093)	(3,117)
Inventories	(162)	(1,662)	(194)
Accounts payable and accrued liabilities	807	(1,277)	4,531
Accounts with affiliates	(292)	(59)	710
Income taxes	111	(221)	1,502
Other, net	65	(306)	372
Net cash provided by operating activities	12,849	10,475	22,952
Cash flows from investing activities:			
Capital expenditures	(2,013)	(2,287)	(5,536)
Purchase of business unit	(5,982)	-	-
Other, net	25	263	15
Net cash used by investing activities	(7,970)	(2,024)	(5,521)

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

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

(IN THOUSANDS)

	CLASS B COMMON STOCK	ADDITIONAL PAID-IN	EARNINGS (DEFICIT)
Balance at December 31, 1994	$100	$ 4,412	$ 21,969
Net income	-	-	12,101
Cash dividends -		-	(6,000)
Adjustments, net	-	-	-
Balance at December 31, 1995	100	4,412	28,070
Net income	-	-	13,029
Cash dividends	-	-	(6,247)
Adjustments, net	-	-	-

Balance at December 31, 1996	100	4,412	34,852
Net income	-	-	16,650
Dividends:			
Cash	-	-	(6,098)
Noncash	-	-	(50,000)
Adjustments, net	-	-	-
Balance at December 31, 1997	$100	$4,412	$ (4,596)

	CURRENCY TRANSLATION ADJUSTMENT	TOTAL STOCKHOLDER'S EQUITY (DEFICIT)
Balance at December 31, 1994	$ (294)	$ 26,187
Net income	-	12,101
Cash dividends	-	(6,000)
Adjustments, net	324	324
Balance at December 31, 1995	30	32,612
Net income	-	13,029
Cash dividends	-	(6,247)
Adjustments, net	(152)	(152)
Balance at December 31, 1996	(122)	39,242
Net income	-	16,650
Dividends:		
Cash	-	(6,098)
Noncash	-	(50,000)
Adjustments, net	(957)	(957)
Balance at December 31, 1997	$(1,079)	$ (1,163)

COMPX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION:

CompX International Inc. is a wholly-owned subsidiary of Valcor, Inc., which

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

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

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

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

Net sales. Sales are recorded when products are shipped.

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

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

Income taxes. CompX International, Valcor and Valhi are members of Contran's consolidated United States federal income tax group (the "Contran Tax Group"). The policy for intercompany allocation of federal income taxes provides that subsidiaries included in the Contran Tax Group compute the provision for federal income taxes on a separate company basis. Subsidiaries of Valcor make payments to, or receive payments from, Valcor in the amount they would have paid to or received from the Internal Revenue Service had they not

been members of the Contran Tax Group. The separate company provisions and payments are computed using the tax elections made by Contran.

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

New accounting principles not yet adopted. The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income, in the first quarter of 1998. Upon adoption of SFAS No. 130, the Company will present a new Statement of Comprehensive Income which will report all changes in the Company's stockholder's equity other than transactions

with its stockholders. Comprehensive income pursuant to SFAS No. 130 would include the Company's consolidated net income, as reported in the Consolidated Statement of Income, plus the net change in the foreign currency translation component of stockholder's equity.

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

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

NOTE 3 - GEOGRAPHIC SEGMENTS:

	Years ended December 31,		
	1995	1996	1997
	(In thousands)		
Net sales:			
Point of origin:			
Canada	$58,123	$65,758	$ 80,632
United States	22,115	22,986	28,020
	$80,238	$88,744	$108,652
Point of destination:			
United States	$55,442	$58,155	$ 70,354
Canada	22,788	27,763	33,974
Other	2,008	2,826	4,324
	$80,238	$88,744	$108,652

Operating income:			
Canada	$13,425	$16,417	$ 20,533
United States	6,441	5,697	7,807
	19,866	22,114	28,340
General corporate income (expense), net	6	(12)	(472)
Interest expense	)		
Income before income taxes	$19,859	$22,084	$ 27,699

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

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

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

NOTE 4 - INVENTORIES:

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

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

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

NOTE 6 - INDEBTEDNESS:

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

NOTE 7 - EMPLOYEE BENEFIT PLANS:

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

NOTE 8 - INCOME TAXES:

	YEARS ENDED DECEMBER 31,		
	1995	1996	1997
	(IN THOUSANDS)		
Components of pre-tax income:			
Canada	$13,425	$16,417	$20,533
United States	6,434	5,667	7,136
	$19,859	$22,084	$27,669

Expected tax expense, at the U.S. federal statutory income tax rate of 35%	$ 6,951	$ 7,729	$ 9,684
Non-U.S. tax rates	882	128	550
Incremental U.S. tax on earnings of Canadian subsidiary	750	1,050	631
Rate change adjustment of deferred taxes resulting from U.S./Canadian tax treaty	(978)	-	-
State income taxes and other, net	153	148	154
	$ 7,758	$ 9,055	$11,019
Provision for income taxes:			
Currently payable:			
U.S. federal	$ 2,065	$ 1,676	$ 2,491
U.S. state	255	260	256
Canadian	5,913	7,744	8,923
	8,233	9,680	11,670
Deferred taxes:			
U.S.	(561)	(872)	(85)
Canadian			
	(475)	(625)	(651)
	$ 7,758	$ 9,055	$11,019

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

	DECEMBER 31,	
	1996	1997
	(IN THOUSANDS)	
Tax effect of temporary differences relating to:		
Inventories	$ 172	$ 198
Property and equipment	(1,236)	(717)
Accrued liabilities and other deductible differences	233	447
Investment in Canadian subsidiary not a member of		

the consolidated tax group	106	627
Other taxable differences	-	(99)
	$ (725)	$ 456

Current deferred tax assets	$ 343	$ 438
Noncurrent deferred tax assets	-	133
Noncurrent deferred tax liabilities	(1,068)	(115)
	$ (725)	$ 456

NOTE 9 - RELATED PARTY TRANSACTIONS:

The Company may be deemed to be controlled by Harold C. Simmons. See Note 1. Corporations that may be deemed to be controlled by or affiliated with Mr. Simmons sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties, and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. The Company continuously considers, reviews and evaluates, and understands that Contran and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, it is possible that the Company might be a party to one or more such transactions in the future.

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

Receivables from and payable to affiliates are summarized below.

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

	$ 5	$50,331

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

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

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

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

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

Income taxes. The Company is undergoing examinations of certain of its income tax returns, and tax authorities have or may propose tax deficiencies.

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

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

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

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

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

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

NOTE 11 - QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):

	QUARTER ENDED			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
	(IN MILLIONS)			
1995:				
Net sales	$20.1	$19.2	$19.4	$21.5
Operating income	5.5	5.1	4.5	4.8
Net income	3.2	3.0	2.7	3.2
1996:				
Net sales	$21.2	$21.7	$21.8	$24.1
Operating income	4.4	5.0	5.4	7.3
Net income	2.6	2.9	3.2	4.3
1997:				
Net sales	$25.8	$27.4	$27.0	$28.4
Operating income	6.3	6.9	6.9	8.2
Net income	3.7	4.2	4.1	4.7

NOTE 12 - SUBSEQUENT EVENTS:

New credit facility. Prior to completion of a public offering of shares of the Company's Class A common stock discussed below, the Company plans to enter into a new $100 million revolving senior credit facility (the "Revolving Senior Credit Facility"). The Revolving Senior Credit Facility is expected to be an unsecured five-year revolving facility. Borrowings are expected to be available for the Company's general corporate purposes, including potential acquisitions. Prior to completion of the offering, the Company intends to utilize borrowings under the Revolving Senior Credit Facility to fully repay the Valcor Note.

Recapitalization. On February 4, 1998, the Company amended and restated its certificate of incorporation. The authorized capital stock of the Company now consists of shares of Class A Common Stock (20,000,000 shares authorized)

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

The shares of Class A Common Stock and Class B Common Stock are identical in all respects, except for certain voting rights and certain conversion rights in respect of the shares of the Class B Common Stock. Holders of Class A Common Stock are entitled to one vote per share. Holders of Class B Common Stock are entitled to one vote per share in all matters except for election of directors where such holders are entitled to ten votes per share. Holders of all classes of common stock entitled to vote will vote together as a single class on all

matters presented to the stockholders for their vote or approval, except as otherwise required by applicable law. Each share of Class A Common Stock and Class B Common Stock have an equal and

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

Public offering. The Company has filed a preliminary registration statement with the Securities and Exchange Commission for an initial public offering of shares of the Company's Class A Common Stock. A majority of the net proceeds to the Company from the offering is expected to be used to repay borrowings under the Revolving Senior Credit Facility discussed above and to consummate the potential acquisition discussed below. There can be no assurance that any such public offering will be completed.

Incentive compensation plan. The Company's board of directors has authorized, subject to successful completion of the public offering described above, the adoption of the CompX International Inc. 1997 Incentive Compensation Plan (the "Incentive Plan"). The Incentive Plan will provide for the award or grant of stock options, stock appreciation rights, performance grants and other awards to employees and other individuals providing services to the Company. Up to 1.5 million shares of Class A Common Stock may be issued pursuant to the Incentive Plan. Stock options will be granted at prices not less than the market price of the Company's stock on the date of grant, and will generally vest over five years and expire ten years from the date of grant. The Company

expects to make an initial grant of stock options pursuant to the Incentive Plan upon completion of the public offering at an exercise price equal to the public offering price, although the number of options to be granted has not yet been determined. Other than the Management Shares described below, the Company currently has no plans to grant any stock awards under the Incentive Plan, although it may do so in the future.

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

Stock award grants. The Company's board of directors has authorized, subject to successful completion of the public offering described above, the grant of shares of Class A Common Stock and cash payments to certain employees (the "Management Shares") for their services in connection with the public

offering. The number of Class A shares to be awarded will be based upon the public offering price to the public. The Company will value the Class A shares awarded at such public offering price, and the aggregate value of the Class A shares awarded will be approximately $1.5 million. The employees will have the option of receiving cash in lieu of a portion of their Class A shares. The Company will recognize a charge, at the time of the completion of the public offering, equal to the aggregate value of the Class A shares awarded and cash payments made.

Potential acquisition. On February 3, 1998, the Company signed a definitive agreement concerning the purchase a lock competitor for approximately $33 million cash. The transaction is subject to regulatory approval and negotiation and execution of a definitive agreement and is

expected to be completed in the first quarter of 1998. There can be no assurance that the acquisition will be completed.

Unaudited pro forma net income and net income per common share. The unaudited pro forma net income in 1997 reflects the net-of-tax adjustment for the award of the Management Shares described above. The unaudited pro forma data assumes an initial public offering price to the public of $18.50 per Class A share. Pro forma common shares outstanding used in the calculation of pro forma earnings per share include (i) the 10,000,000 shares of Class B Common Stock outstanding after the recapitalization discussed above, (ii) 81,100 shares of Class A Common Stock (the maximum number) to be awarded pursuant to the Management Shares and (iii) 2,924,000 shares of Class A Common Stock to be issued in the public offering, the net proceeds of which will be used to repay borrowings under the Revolving Senior Credit Facility incurred to repay the Valcor Note.

INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated combined financial position of Fort Lock Group as of June 29, 1996 and June 28, 1997 and the results of its operations

and its cash flows for the fiscal years ended June 24, 1995, June 29, 1996 and

June 28, 1997, in conformity with generally accepted accounting principles.

ALTSCHULER, MELVOIN AND GLASSER LLP

Chicago, Illinois
September 26, 1997

FORT LOCK GROUP

CONSOLIDATED COMBINED BALANCE SHEETS

ASSETS (Substantially all pledged - Note 7)	June 29, 1996	June 28, 1997	December 27, 1997
			(Unaudited)
Current assets:			
Cash	$ 31,641	$ 18,289	$ 129,240
Accounts receivable, trade (net of allowance for doubtful accounts of $117,800, $105,121 and $111,121 respectively)	1,954,029	2,621,570	2,288,726
Inventories (Notes 1 and 4)	2,336,692	3,079,128	4,012,076
Deferred income taxes (Note 8)	-	183,000	183,000
Income taxes refundable	-	-	150,453
Other current assets	347,798	132,522	40,154
	4,670,160	6,034,509	6,803,649
Property and equipment (at cost, net of accumulated depreciation--Notes 1 and 5)	3,259,059	4,552,887	5,356,443
Other assets	169,612	211,827	163,434
	$8,098,831	$10,799,223	$12,323,526

FORT LOCK GROUP

CONSOLIDATED COMBINED BALANCE SHEETS (CONTINUED)

	June 29, 1996	June 28, 1997	December 27, 1997
			(Unaudited)

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

Commitments and contingencies (Note 10).

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENTS OF INCOME

	Fiscal years ended		26 weeks ended

	June 24, 1995	June 29,	June 28,	December 1996	December 1997
				(Unaudited)	
Net sales (Note 1)	$16,228,314	$19,977,460	$26,755,378	$12,559,719	$15,037,338
Cost of goods sold (Note 1)	12,332,537	15,097,200	18,835,353	9,656,711	10,890,043
Gross profit	3,955,777	4,880,260	7,920,025	2,903,008	4,147,295
Operating expenses:					
Engineering	847,422	1,040,429	971,489	519,537	569,183
Selling	1,328,388	1,564,568	1,551,471	758,180	702,216
General and administrative	1,240,161	1,589,290	1,770,134	865,173	1,179,369
	3,415,971	4,194,287	4,293,094	2,142,890	2,450,768
Income from operations	539,806	685,973	3,626,931	760,118	1,696,527
Other (income) expense:					
Interest expense	257,185	279,649	306,263	140,541	113,041
Other (net)	(20,922)	(17,525)	(11)	(24,652)	14,984
	236,263	262,124	306,252	115,889	128,025
Income before income taxes and minority interest	303,543	423,849	3,320,679	644,229	1,568,502
Income tax provision (Note 6)	76,000	154,000	1,132,000	144,338	642,849
	227,543	269,849	2,188,679	499,891	925,653
Minority interest in net loss of subsidiary	-	79,302	190,492	226,640	96,468
Net income	$ 227,543	$ 349,151	$ 2,379,171	$ 726,531	$ 1,022,121

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FISCAL YEARS ENDED June 24, 1995, June 29, 1996, June 28, 1997

And

26 WEEKS ENDED December 27, 1997 (Unaudited)

Foreign

	Fort Lock Corporation common stock	Fortronics, Inc. common stock	currency translation adjustment	Retained earnings	Total stockholders ' equity
Balance, June 26, 1994	$10,000	$1,000	$ -	$1,003,436	$1,014,436
Net income	-	-	-	227,543	227,543
Balance, June 25, 1995	10,000	1,000	-	1,230,979	1,241,979
Foreign currency translation adjustment	-	-			
Net income	-	-	-	349,151	349,151
Balance, June 29, 1996	10,000	1,000	(21,068)	1,580,130	1,570,062
Foreign currency translation adjustment	-	-	(35,483)	-	(35,483)
Net income	-	-	-	2,379,171	2,379,171
Balance June 28, 1997	10,000	1,000	(56,551)	3,959,301	3,913,750
Unaudited: Foreign currency translation adjustment	-				
Net income	-	-	-	1,022,121	1,022,121
Balance, December 27, 1997	$10,000	$1,000	$(121,914)	$4,981,422	$4,870,508

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENT OF CASH FLOWS

	Fiscal years ended		
	June 24, 1995	June 29, 1996	June 28, 1997
Cash flows from operating activities:			
Net income	$ 227,543	$ 349,151	$2,379,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	395,923	426,960	602,739

Minority interest in net loss of subsidiary	-	(79,302)	(190,492)
Other, net	-	206,656	22,166
(Increase) decrease in assets:			
Accounts receivable, net	(289,679)	(367,769)	(667,541)
Inventories	292,033	(131,446)	(742,436)
Income taxes refundable	(9,636)	15,136	-
Other assets	(5,898)	(466,162)	173,061
Increase (decrease) in liabilities:			
Checks issued in excess of funds on deposit	7,840	53,655	183,574
Accounts payable	599,669	(1,633)	647,336
Accrued expenses	24,885	91,787	251,395
Income taxes payable	(76,377)	43,162	608,782
Net cash provided by operating activities	1,166,303	140,195	3,267,755
Cash flows from investing activities:			
Purchases of property and equipment	(724,601)	(1,788,394)	(1,896,567)
Proceeds from sale of equipment	-	10,000	-
Proceeds from sale of shares in subsidiary	-	30,061	-
Cash contributed by minority shareholder	205,800	201,820	-
Net cash used in investing activities	(518,801)	(1,546,513)	(1,896,567)

	26 weeks ended	
	December 28, 1996	December 27,
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 726,531	$ 1,022,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212,133	307,494
Minority interest in net loss of subsidiary	(26,073)	(96,468)
Other, net	(30,151)	(40,138)
(Increase) decrease in assets:		
Accounts receivable, net	(232,662)	332,844
Inventories	(63,811)	(932,948)
Income taxes refundable	-	(150,453)
Other assets	127,984	140,761
Increase (decrease) in liabilities:		
Checks issued in excess of funds on deposit	(132,540)	383,764
Accounts payable	1,123,552	(85,979)
Accrued expenses	264,853	38,655
Income taxes payable	(30,662)	(651,924)
Net cash provided by operating activities	1,939,154	267,730
Cash flows from investing activities:		
Purchases of property and equipment	(712,646)	(1,111,050)
Proceeds from sale of equipment	-	-
Proceeds from sale of shares in subsidiary	-	-
Cash contributed by minority shareholder	-	170,290

Net cash used in investing activities	(712,646)	(940,760)

FORT LOCK GROUP

CONSOLIDATED COMBINED STATEMENT OF CASH FLOWS (CONTINUED)

	Fiscal years ended		
	June 24, 1995	June 29, 1996	June 28, 1997
Cash flows from financing activities:			
Net borrowings (repayments) from notes payable to bank	$(389,859)	$ 123,333	$(1,595,000)
Repayments of shareholder and related-party loans	(31,073)	(63,395)	(70,497)
Proceeds from long-term debt	424,184	1,678,881	1,454,171
Repayment of long-term debt	(122,937)	(829,177)	(1,173,214)
Net cash provided by (used in) financing activities	(119,685)	909,642	(1,384,540)
Net increase (decrease) in cash	527,817	(496,676)	(13,352)
Cash, beginning of period	500	528,317	31,641
Cash, end of period	$ 528,317	$ 31,641	$ 18,289
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 261,702	$ 279,165	$ 206,373
Income taxes	160,013	90,000	355,000
Noncash investing and financing activities:			
Acquisition of assets under notes payable and capital leases	17,126	56,175	139,064

	26 weeks ended	
	December 28,	December 27,
	(Unaudited)	

Cash flows from financing activities:		
Net borrowings (repayments) from notes payable to bank	$ (876,000)	$1,015,000
Repayments of shareholder and related-party loans	(77,215)	(30,000)
Proceeds from long-term debt	-	-
Repayment of long-term debt	(176,060)	(201,019)
Net cash provided by (used in) financing activities	(1,129,275)	783,981
Net increase (decrease) in cash	97,233	110,951
Cash, beginning of period	528,317	18,289
Cash, end of period	$ 625,550	$ 129,240
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 127,876	$ 24,426
Income taxes	55,000	130,000
Noncash investing and financing activities:		
Acquisition of assets under notes payable and capital leases	-	-

FORT LOCK GROUP

NOTES TO THE CONSOLIDATED COMBINED FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies

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

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

Unaudited interim information - Information included in the consolidated combined financial statements for the interim periods ended in December 28, 1996 and December 27, 1997 is unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the information for the interim periods have been made. The

results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

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

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

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

Net sales - Sales are recorded when products are shipped.

Depreciation and amortization - Provisions for depreciation and amortization of property and equipment are computed under the straight-line method for financial reporting purposes and under accelerated methods as

permitted under the Internal Revenue Code for tax reporting purposes. All such assets are depreciated over periods within reasonable ranges of economic life.

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

leases for financial reporting purposes and under accelerated methods for tax reporting purposes.

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

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

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

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

Major supplier - Purchases from one major supplier amounted to approximately 12% of fiscal 1997 consolidated combined purchases. Purchases from two major suppliers amounted to approximately 26% of fiscal 1996 consolidated combined purchases. Purchases from one major supplier amounted to approximately 18% of fiscal 1995 consolidated combined purchases. No other single supplier accounted for more than 10% of consolidated combined purchases in any period presented.

Foreign currency translation - The financial statements of Fort Lock (U.K.) Limited and Fort Securitie S.A. have been translated in accordance with the

requirements of Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". Currency transaction gains and losses are recognized in income currently and for all periods presented were not material.

Note 2 - Nature of activities

The Group operates in one business segment - the design, manufacture and distribution of a wide variety of locks. The Corporation is engaged in the manufacture and distribution of cam, switch and special purpose locks to customers located throughout the United States. Operations are conducted from

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

Geographic segment data is presented below:

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

	June 29, 1996	June 28, 1997	December 27,
			(Unaudited)
Identifiable assets:			
United States	$6,553,471	$ 8,972,178	$10,319,411

France	1,487,656	1,881,704	2,068,425
United Kingdom	245,575	234,376	159,635
Eliminations	(187,871)	(289,035)	(223,945)
	$8,098,831	$10,799,223	$ 12,323,526

Note 3 - Related-party transactions

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

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

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

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

Note 4 - Inventories

Inventories consisted of the following:

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

Note 5 - Property and Equipment

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

	June 29, 1996	June 28, 1997	December 27,
			(Unaudited)
Operating assets:			
Machinery and equipment	$3,629,040	$4,078,375	$3,278,918
Tools and dies	1,340,745	2,099,974	1,042,611
Office furniture and equipment	266,268	280,367	135,526
Leasehold improvements	874,223	1,117,132	942,699
Transportation equipment	271,670	223,989	151,229
Data processing equipment	529,266	538,556	287,776
Capital lease equipment	204,204	326,268	326,268
	7,115,416	8,664,661	6,165,027
Less accumulated depreciation and amortization (including capital lease amortization of $144,722, $172,992 and $92,947, respectively)	3,856,357	4,416,766	2,173,981
	3,259,059	4,247,895	3,991,046
Construction in progress	-	304,992	1,365,397
	$3,259,059	$4,552,887	5,356,443

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

Note 6 - Notes payable

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

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

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

The significant provisions of the Harris agreements are summarized below:

Maximum Borrowings:

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

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

Note 7 - Long-term debt

Long-term debt consisted of the following:

	June 29, 1996	June 28, 1997
Financial and Credit Institutions:		
Term loan under agreement dated December 31, 1996, payable to Harris (due December 31, 2001 - See Note 6)	$ -	$ 901,000
Term loans payable to Harris (repaid in full during fiscal 1997 - See Note 6)	912,000	-
Equipment notes payable (secured by certain automotive equipment; payable in monthly installments totaling $2,893)	79,612	42,106
Capitalized lease obligation, in the original amount of $39,076 payable to Hewlett-Packard (secured by certain computer equipment and software; payable in monthly installments of $889; final payment due June 2000)	33,143	26,391
Capitalized lease obligation in the original amount of $83,510		

payable to Leasetec Corporation (secured by certain computer software; payable in monthly installments of $3,857; final payment due January 1999)	-	67,465
Capitalized lease obligation in the original amount of $38,554 payable to Ameritech (secured by certain telephone equipment; payable in monthly installments of $1,220, final payment due November 1999)		
Note payable under agreement dated March 29, 1996, payable to SOFIREM (unsecured, payable in annual installments of $13,624 for years 1999 and 2004 ($27,248 for interim years), plus interest at 7% per annum, due June 30, 2004)	77,680	68,120
Note payable under agreement dated February 21, 1997 payable to SOFIREM (unsecured payable in quarterly installments of $6,812 plus interest of 6% per annum, due December 30, 2003)	-	136,240
Note payable under agreement dated February 22, 1996, payable to two French banks (maximum borrowings of $510,900, secured by certain equipment, payable in monthly installments of $3,983 inclusive of interest and quarterly installments and quarterly installments $15,327 plus interest, interest at 6.25% per annum, due December 10, 2001)	393,352	447,265
	1,495,787	1,720,356
Shareholders and other related parties: Other subordinate long-term notes due to shareholders and related parties (unsecured; due on demand or absent demand, payable under various installment terms and rates of interest - see below and Note 3)	420,918	406,809
	1,916,705	2,127,165
Less current portion	379,692	556,204
	$1,537,013	$1,570,961

	(Unaudited)
Financial and Credit Institutions:	
Term loan under agreement dated December 31, 1996, payable to Harris (due December 31, 2001 - See Note 6)	$ 787,000
Term loans payable to Harris (repaid in full during fiscal 1997 - See Note 6)	-
Equipment notes payable (secured by certain automotive equipment; payable in monthly installments totaling $2,893)	24,824
Capitalized lease obligation, in the original amount of $39,076 payable to Hewlett-Packard (secured by certain computer equipment and software; payable in monthly installments of $889; final payment due June 2000)	22,673
Capitalized lease obligation in the original amount of $83,510 payable to Leasetec Corporation (secured by certain computer software; payable in monthly installments of $3,857; final payment due January 1999)	47,193
Capitalized lease obligation in the original amount of $38,554 payable to Ameritech (secured by certain telephone equipment; payable in monthly installments of $1,220, final payment due November 1999)	25,708
Note payable under agreement dated March 29, 1996, payable to SOFIREM (unsecured, payable in annual installments of $13,624 for years 1999 and 2004 ($27,248 for interim years), plus interest at 7% per annum, due June 30, 2004)	65,960
Note payable under agreement dated February 21, 1997 payable to SOFIREM (unsecured payable in quarterly installments of $6,812 plus interest of 6% per annum, due December 30, 2003)	122,612
Note payable under agreement dated February 22, 1996, payable to two French banks (maximum borrowings of $510,900, secured by certain equipment, payable in monthly installments of $3,983 inclusive of interest and quarterly installments and quarterly installments $15,327 plus interest, interest at 6.25% per annum, due December 10, 2001)	423,367

	1,519,337
Shareholders and other related parties:	
Other subordinate long-term notes due to shareholders and related parties (unsecured; due on demand or absent demand, payable under various installment terms and rates of interest - see below and Note 3)	376,809
	1,896,146
Less current portion	539,410
	$1,356,736

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

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

Fiscal Year	Amount
1998	$ 556,204
1999	707,573
2000	392,544
2001	363,937
2002	66,037
Thereafter	40,870
	$2,127,165

Note 8 - Income taxes

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

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

Fiscal years ended			26 weeks ended	
June 24, 1995	June 29,	June 28,	December 1996	December 1997

				(Unaudited)	
Currently payable	$100,000	$ 98,000	$1,048,000	$ 102,338	$617,603
Deferred	(58,000)	110,000	778,000	389,000	25,246
Utilization of general business and alternative minimum tax credit carry forwards	-	-	(360,000)	(180,000)	-
Change in valuation allowance	34,000	(54,000)		(167,000)	-
			(334,000)		
Provision for income taxes	$ 76,000	$154,000	$1,132,000	$ 144,338	$642,849

Deferred income taxes are provided for temporary differences, which are differences between the tax basis of an asset or liability and the amounts reported in the financial statements that will result in taxable or deductible amounts in future years when the reported amount of the asset or liability is recovered or settled. Gross deferred tax liabilities consist primarily of accelerated depreciation methods utilized for tax reporting purposes. Gross deferred assets consist of uniform capitalization rules with respect to additional inventory costs, allowance for doubtful accounts, inventory valuation allowances, vacation pay, and in fiscal 1996, general business and alternative minimum tax credit carryforwards.

The Group's deferred tax liabilities are as follows:

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

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

Note 9 - Accrued expenses

Accrued expenses consisted of the following:

	June 29, 1996	June 28, 1997	December 27,

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

Note 10 - Commitments and contingencies

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

In addition, the Group has entered into various leases for machinery and equipment, some of which have been capitalized for financial reporting purposes. Future minimum lease payments to be made under the capitalized and operating leases as of June 28, 1997 are as follows:

Fiscal Year	Capital Leases	Operating Lease
1998	$ 71,585	$286,284
1999	52,303	279,324
2000	16,731	269,580
2001	-	269,580
2002	-	236,552
Thereafter	-	466,957
Total minimum lease payments	140,619	$1,808,277
Less amount representing imputed interest	14,994	
Present value of net minimum lease payments	$125,625	

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

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

Note 11 - Employee benefit plan

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

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

4,700,000 Shares

CompX International Inc.

Class A Common Stock

[CompX Logotype]

P R O S P E C T U S

FEBRUARY , 1998

SALOMON SMITH BARNEY

NATIONSBANC MONTGOMERY SECURITIES LLC

WHEAT FIRST UNION

COMPX INTERNATIONAL INC.

INDEX TO FINANCIAL STATEMENT SCHEDULES

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

COOPERS & LYBRAND L.L.P.

Dallas, Texas
January 23, 1998

COMPX INTERNATIONAL INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS

DECEMBER 31, 1996 AND 1997

(IN THOUSANDS)

ASSETS	1996	1997
Current assets:		
Cash and cash equivalents	$ 2,092	$13,973
Accounts receivable	3,185	3,173
Receivable from affiliates	578	251
Inventories	5,405	5,395
Prepaid expenses	138	25
Deferred income taxes	343	438
Total current assets	11,741	23,255
Other assets:		
Investment in Waterloo Furniture Components Limited	25,441	24,317
Deferred income taxes	-	133

	25,441	24,450
Property and equipment	11,135	12,196
Less accumulated depreciation	5,657	6,600
Net property and equipment	5,478	5,596
	$42,660	$53,301

COMPX INTERNATIONAL INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED BALANCE SHEETS (CONTINUED)

DECEMBER 31, 1996 AND 1997

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT	1996	1997
Current liabilities:		
Demand note payable to Valcor	$ -	$50,000
Current maturities of long-term debt	88	113
Accounts payable and accrued liabilities	2,776	3,661
Other payable to affiliates	9	331
Income taxes	74	3
Total current liabilities	2,947	54,108
Noncurrent liabilities:		
Long-term debt	74	262
Deferred income taxes	388	-
Other	9	94
Total noncurrent liabilities	471	356
Stockholder's equity (deficit)	39,242	(1,163)
	$42,660	$53,301

COMPX INTERNATIONAL INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

(IN THOUSANDS)

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

COMPX INTERNATIONAL INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1995, 1996 AND 1997

(IN THOUSANDS)

	1995	1996	1997
Cash flows from operating activities:			
Net income	$12,101	$ 13,029	$ 16,650
Equity in earnings of Waterloo	(7,846)	(10,543)	(12,796)
Dividends from Waterloo	4,200	6,683	12,400
Depreciation and amortization	788	876	998
Deferred income taxes	(561)	(872)	(85)
Other, net	9	13	23
Change in assets and liabilities, net	(64)	(2,003)	1,652
Net cash provided by operating activities	8,627	7,183	18,842
Cash flows from investing activities:			
Capital expenditures	(679)	(627)	(1,123)
Other, net	6	43	15
Net cash used by investing activities	(673)	(584)	(1,108)
Cash flows from financing activities:			
Indebtedness, net	(42)	(74)	213
Loans from affiliates:			
Loans	-	-	-
Repayments	(250)	-	-
Dividends	(6,000)	(6,247)	(6,098)
Net cash used by financing activities	(6,292)	(6,321)	(5,885)
Cash and cash equivalents:			
Net increase (decrease) from:			
Operating, investing and financing activities	1,662	278	11,849
Currency translation	-	(39)	32
Balance at beginning of year	191	1,853	2,092

Balance at end of year	$ 1,853	$ 2,092	$ 13,973
Supplemental disclosures:			
Cash paid for:			
Interest	$ 13	$ 18	$ 35
Income taxes	3,030	4,028	2,887
Dividend in the form of a demand note payable	$ -	$ -	$ 50,000

COMPX INTERNATIONAL INC.

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT

NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

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

NOTE 2 - INVENTORIES:

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

COMPX INTERNATIONAL INC.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(IN THOUSANDS)

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

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

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

Commission Registration Fee	$ 31,890
NASD Fee	11,310
NYSE Listing Fee	100,000
Printing and mailing expenses	100,000
Legal fees and expenses	200,000
Accounting fees and expenses	30,000
Transfer Agent's fees and expenses	10,000
Miscellaneous expenses	16,800
Total	$500,000

_____

* To be supplied by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 102(b)(7) of the DGCL permits a Delaware corporation to limit the personal liability of its directors in accordance with the provisions set forth therein. The Restated Certificate of Incorporation of the Registrant provides

that the personal liability of its directors shall be limited to the fullest extent permitted by applicable law.

Section 145 of the DGCL contains provisions permitting Delaware

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

subsections a, or (b) of Section 145, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys, fees) actually and reasonably incurred by him in connection therewith. The Restated Certificate of Incorporation and the Bylaws of the Registrant provide for indemnification of its directors and officers to the fullest extent permitted by applicable law.

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

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

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

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of Registrant.
3.2	Bylaws of Registrant.
4.1*	Form of Common Stock certificate.
5.1*	Opinion and Consent of Rogers & Hardin LLP.
10.1**	Intercorporate Services Agreement between the Registrant and

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

(b) Financial Statement Schedules.

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

* To be provided by amendment.
** Previously filed.

ITEM 17. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, and controlling persons of the

Registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will,

unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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

The undersigned Registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Pre-effective Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mauldin, State of South Carolina, on the 4th day of February , 1998.

COMPX INTERNATIONAL INC.

By: *

David A. Bowers
President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1933, this Pre-effective Amendment No. 1 to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
* David A. Bowers	Executive Officer and Director (Principal Executive Officer)	
* Joseph S. Compofelice	Executive Vice President and Director (Principal Financial Officer)	February 4, 1998

/s/ Bobby D. O'Brien Bobby D. O'Brien	Vice President and Treasurer (Principal Accounting Officer)	February 4, 1998
* Glenn R. Simmons	Chairman of the Board	February 4, 1998
* Robert W. Singer	Director	February 4, 1998
* Edward J. Hardin	Director	February 4, 1998
* Paul M. Bass	Director	February 4, 1998

* By: /s/ Bobby D. O'Brien

Bobby D. O'Brien
Attorney-in-Fact

EXHIBIT INDEX

Sequentially Numbered Exhibit No.	Description	Page No.
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24.1**	Powers of Attorney. See signature page to this Registration Statement.
27.1	Financial Data Schedule for the year ended December 31, 1997.

* To be provided by amendment.
** Previously filed.

RESTATED CERTIFICATE OF INCORPORATION

OF

COMPX INTERNATIONAL INC.

CompX International Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That the present name of the Corporation is CompX International Inc., the Corporation was originally incorporated under the name National Cabinet Lock, Inc. and the original certificate of incorporation was filed with the Secretary of State of Delaware on August 4, 1993.

SECOND: That the Corporation's original certificate of incorporation was subsequently amended by the Certificate of Amendment to the Certificate of Incorporation of National Cabinet Lock, Inc. filed with the Secretary of State of the State of Delaware on September 4, 1996 (the "Amended Certificate of Incorporation").

THIRD: That by unanimous action by written consent in lieu of a meeting of the board of directors of the Corporation (the "Board of Directors") effective as of February 4, 1998, resolutions were duly adopted setting forth a proposed amendment and restatement of the certificate of incorporation of said Corporation (the "Certificate of Incorporation") and recommending that such Certificate of Incorporation be approved by the sole stockholder.

FOURTH: That thereafter, by written consent in lieu of a special meeting of the sole stockholder of the Corporation pursuant to Section 228(a) of the General Corporation Law of the State of Delaware, 8 Delaware Code Section 101 et. seq. (the "DGCL"), stockholders of the Corporation having not less than the minimum number of votes that would be necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted adopted a resolution approving the Certificate of Incorporation.

FIFTH: That this Certificate of Incorporation restates and amends the Amended Certificate of Incorporation, and has been duly adopted in accordance with Sections 242 and 245 of the DGCL.

SIXTH: That the text of the Certificate of Incorporation is hereby restated and amended to read in its entirety as follows:

ARTICLE ONE

The name of the corporation is CompX International Inc.

ARTICLE TWO

The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, County of New Castle, Wilmington, Delaware, 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE THREE

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE FOUR

I. Authorized Stock. The total number of shares of stock which the Corporation shall have authority to issue is thirty million one thousand (30,001,000) shares, consisting of (i) twenty million (20,000,000) shares of Class A Common Stock, par value $.01 per share (hereinafter referred to as "Class A Common Stock"), and ten million (10,000,000) shares of Class B Common Stock, par value $.01 per share (hereinafter referred to as "Class B Common Stock") (the Class A Common Stock and the Class B Common Stock being hereinafter collectively referred to as the "Common Stock"), and (ii) one thousand (1,000) shares of Preferred Stock, par value $.01 per share (hereinafter referred to as "Preferred Stock").

(B) Common Stock. The following is a statement of the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations and restrictions of the Class A Common Stock and the Class B Common Stock of the Corporation:

(i) Except as otherwise set forth in this Article Four, the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations and restrictions of the Class A Common Stock and the Class B Common Stock shall be identical in all respects.

(ii) Subject to the rights of holders of Preferred Stock, and subject to any other provisions of this Certificate of Incorporation, holders of Class A Common Stock and Class B Common Stock shall be entitled to receive such dividends and other distributions in cash, stock or property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor. If any dividend or other distribution in cash or other property is paid with respect to Class A Common Stock or with respect to Class B Common Stock, a like dividend or other distribution in cash or other property shall also be paid with respect to shares of the other class of Common Stock, in an amount equal per share. Neither the shares of Class A Common Stock nor the shares of Class B Common Stock may be reclassified, subdivided or combined unless such reclassification, subdivision or combination occurs simultaneously and in the same proportion for each class.

(iii) (a) At each meeting of the stockholders of the Corporation, each holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Class A Common Stock or Class B Common Stock standing in his or her name on the transfer books of the Corporation, except in connection with the election of directors, in which case each holder of Class A Common Stock shall be entitled to one vote in person or by proxy for each share of Class A Common Stock standing in his or her name on the transfer books of the Corporation and each holder of Class B Common Stock shall be entitled to ten votes in person or by proxy for each share of Class B Common Stock standing in his or her name on the transfer books of the Corporation. Except as may be otherwise required by law or by this Article Four, the holders of Class A Common Stock and Class B Common Stock shall vote together as a single class, subject to any voting rights which may be granted to holders of Preferred Stock, on all matters submitted to a vote of stockholders of the Corporation.

(b) Except as otherwise provided by law, and subject to any rights of the holders of Preferred Stock, the provisions of this Certificate of Incorporation shall not be modified, revised, altered or amended, repealed or rescinded in whole or in part, without the approval of a majority of the votes entitled to be cast by the holders of the Class A Common Stock and the Class B Common Stock, voting together as a single class; provided, however, that with respect to any proposed amendment of this Certificate of Incorporation which would alter or change the powers, preferences or special rights of the shares of Class A Common Stock or Class B Common Stock so as to affect them adversely, the approval of a majority of the votes entitled to be cast by the holders of the shares affected by the proposed amendment, voting separately as a class, shall be obtained in addition to the approval of a majority of the votes entitled to

be cast by the holders of the Class A Common Stock and the Class B Common Stock voting together as a single class as hereinbefore provided. Any increase in the authorized number of shares of any class or classes of stock of the Corporation or creation, authorization or issuance of any securities convertible into, or warrants, options or similar rights to purchase, acquire or receive, shares of any such class or classes of stock shall be deemed not to affect adversely the powers, preferences or special rights of the shares of Class A Common Stock or Class B Common Stock.

(c) Each reference in this Certificate of Incorporation to a majority or other proportion of shares of Common Stock, Class A Common Stock or Class B Common Stock shall refer to such majority or other proportion of the votes to which such shares of Common Stock, Class A Common Stock or Class B Common Stock, as applicable, are entitled.

(iv) In the event of any dissolution, liquidation or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment in full of the amounts required to be paid to the holders of Preferred Stock, the remaining assets and funds of the Corporation shall be distributed pro rata to the holders of Class A Common Stock and Class B Common Stock (and, for the avoidance of doubt, such distribution shall be irrespective of the difference in voting rights between such classes of stock). For purposes of this paragraph (B)(iv), the voluntary sale, conveyance, lease, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets of the Corporation or a consolidation or merger of the Corporation with one or more other corporations or other Persons (whether or not the Corporation is the corporation surviving such consolidation or merger) shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary. For purposes hereof "Person" shall mean any individual, firm, corporation or other entity.

(v) (a) Prior to a "Tax-Free Spin-Off" (as defined below), shares of Class B Common Stock may be transferred to (i) a member of the Contran Corporation Control Group (as defined in this paragraph (B)(v)(a) below) as Class B Common Stock or (ii) a Person (as defined in paragraph (B)(iv) above) outside the Contran Corporation Control Group in a transaction that is not a "Tax-Free Spin-Off" whereupon such shares of Class B Common Stock shall automatically be converted into shares of Class A Common Stock. A transfer of Class B Common Stock which results in such a conversion shall be effected by the presentation at the Office of the Secretary of the Corporation (or at such additional place or places as may from time to time be designated by the Secretary of the Corporation) of the certificate(s) for such shares, in proper form for transfer and accompanied by all requisite stock transfer tax stamps and of a written notice executed by the transferring member of the Contran Corporation Control Group which states that the shares evidenced by the certificate(s) presented should be converted into the same number of shares of Class A Common Stock and requesting that the Corporation issue all of such shares of Class A Common Stock to Person(s) named therein, setting forth the number of shares of Class A Common Stock to be issued to each such Person(s) and the denominations in which the certificates therefor are to be issued. To the extent permitted by law, such conversion shall be deemed to have been effected at the close of business on the date of such surrender. Following a Tax-Free Spin-Off, shares of Class B Common Stock shall no longer be convertible into shares of Class A Common Stock except as set forth in paragraph (B)(v)(b) below. For purposes hereof, a member of the Contran Corporation Control Group shall be Contran Corporation, a Delaware corporation, and any entity included in the affiliated group as defined in Section1504 of the Internal Revenue Code, as amended from time to time (the "Code"), of which Contran Corporation or its successor is the common parent (such group being hereinafter referred to as "CCCG"). Any shares of Class B Common Stock transferred to any Person other than a member of the CCCG (other than in a Tax-Free Spin-Off) shall automatically convert into shares of Class A Common Stock. For purposes hereof, a "Tax-Free Spin-Off shall be any transfer effected in connection with a distribution of Class B Common Stock as a spin-off, split-up or split-off to stockholders of a member of the CCCG intended to be on a tax-free basis under the Code. For purposes of this paragraph (B)(v), a Tax-Free Spin-Off shall be deemed to

have occurred at the time shares are first transferred to stockholders of a member of the CCCG who are not members of the CCCG, following receipt of an affidavit described in clause (2) of the first sentence of paragraph (B)(v)(d) below.

(b) In the event of a Tax-Free Spin-Off, shares of Class B Common Stock shall automatically convert into shares of Class A Common Stock on the fifth anniversary of the date on which shares of Class B Common Stock are first transferred to stockholders of a member of the CCCG in a Tax-Free Spin-Off unless, prior to such Tax-Free Spin-Off, the distributing member of the CCCG or its successor, as the case may be, delivers to the Corporation an opinion of counsel, reasonably satisfactory to the Corporation, to the effect that such conversion could adversely affect the ability of the distributing member of the CCCG, or its successor, as the case may be, to obtain a favorable ruling from the Internal Revenue Service (the "IRS") that the distribution would be a Tax-Free Spin-Off under the Code. If such an opinion is received, approval of such conversion shall be submitted to a vote of the holders of the Common Stock as soon as practicable after the fifth anniversary of the Tax-Free Spin-Off unless the distributing member of the CCCG or its successor, as the case may be, delivers to the Corporation an opinion of counsel, reasonably satisfactory to the Corporation, prior to such anniversary to the effect that such vote could adversely affect the status of the Tax-Free Spin-Off (including without limitation the ability to obtain a favorable ruling from the IRS); if such opinion is so delivered, such vote shall not be held. At the meeting of stockholders called for such purpose, each holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Common Stock standing in his or her name on the transfer books of the Corporation. Approval of such conversion shall require the approval of a majority of the votes, on the per share voting basis provided in the preceding sentence, entitled to be cast by the holders of the Class A Common Stock and the Class B Common Stock present and voting, voting together as a single class, and the holders of the Class B Common Stock shall not be entitled to a separate class vote. Such conversion shall be effective on the date on which such approval is given at a meeting of stockholders called for such purpose.

The Corporation will provide notice of any automatic conversion of all outstanding shares of Class B Common Stock to all holders of record of the Common Stock as soon as practicable following such conversion; provided, however, that the Corporation may satisfy such notice requirement by providing such notice prior to such conversion. Such notice shall be provided by mailing notice of such conversion first class postage prepaid, to each holder of record of the Common Stock at such holder's address as it appears on the transfer books of the Corporation; provided, further, that no failure to give such notice nor any defect therein shall affect the validity of the automatic conversion of any shares of Class B Common Stock. Each such notice shall state, as appropriate, the following:

(1) the automatic conversion date;

(2) that all outstanding shares of Class B Common Stock are automatically converted;

(3) the place or places where certificates for such shares are to be surrendered for conversion; and

(4) that no dividends of Class B Common Stock will be declared after such conversion date.

(c) Immediately upon any conversion of the Class B Common Stock into Class A Common Stock made pursuant to this Article Four, the rights of the holders of such shares of Class B Common Stock as such shall cease and such holders shall be treated for all purposes as having become the record owners of the shares of Class A Common Stock issuable upon such conversion; provided, however, that such Persons shall be entitled to receive when paid dividends, if any, declared on the Class B Common Stock as of a record date preceding the time of such conversion and unpaid as of the time of such conversion, subject to paragraph (B)(v)(g) below.

(d) Prior to a Tax-Free Spin-Off, shares of Class B Common Stock may be freely transferred. Such shares of Class B Common Stock shall be transferred on the books of the Corporation and a new certificate therefor

issued, upon presentation at the office of the Secretary of the Corporation (or at such additional place or places as may from time to time be designated by the Secretary of the Corporation) of the certificate for such shares, in proper form for transfer and accompanied by all requisite stock transfer tax stamps, only if such certificate when so presented shall also be accompanied by any one of the following:

(1) an affidavit from the transferring member of the CCCG stating that such certificate is being presented to effect a transfer by the transferring member of the CCCG of such shares to another member of the CCCG; or

(2) an affidavit from the transferring member of the CCCG stating that such certificate is being presented to effect a transfer by the transferring member of the CCCG of such shares to the stockholders of a member of the CCCG in connection with a Tax-Free Spin-Off.

Each affidavit of a record holder furnished pursuant to this paragraph (B)(v)(d) shall be verified as of a date not earlier than five days prior to the date of delivery thereof, and, where such record holder is a corporation or partnership, shall be verified by an officer of the corporation or by a general partner of the partnership, as the case may be.

The delivery by a record holder of shares of Class B Common Stock of a certificate for such shares, endorsed by him or her for transfer or accompanied by an instrument of transfer signed by him or her, to a Person who receives such shares in connection with and as security for a bona fide obligation, then such Person or any successive transferee of such certificate may treat such endorsement or instrument as authorizing him or her on behalf of such record holder to convert such shares for the purpose of the transfer to himself or herself of the shares of Class A Common Stock issuable upon such conversion, and to give on behalf of such record holder the written notice of conversion, and may convert such shares of Class B Common Stock accordingly.

If a record holder of shares of Class B Common Stock shall deliver a certificate for such shares, endorsed by him or her for transfer or accompanied by an instrument of transfer signed by him or her, to a Person who receives such shares in connection with a transfer which does not meet the qualifications set forth in this paragraph (B)(v)(d), then such Person or any successive transferee of such certificate may treat such endorsement or instrument as authorizing him or her on behalf of such record holder to convert such shares in the manner above provided for the purpose of the transfer to himself or herself of the shares of Class A Common Stock issuable upon such conversion, and to give on behalf of such record holder the written notice of conversion above required, and may convert such shares of Class B Common Stock accordingly.

If such shares of Class B Common Stock shall improperly have been registered in the name of such a Person (or in the name of any successive transferee of such certificate) and a new certificate therefor issued, such Person or transferee shall surrender such new certificate for cancellation, accompanied by the written notice of conversion above required, in which case (1) such Person or transferee shall be deemed to have elected to treat the endorsement on (or instrument of transfer accompanying) the certificate so delivered by such former record holder as authorizing such Person or transferee on behalf of such former record holder so to convert such shares and so to give such notice, (2) the shares of Class B Common Stock registered in the name of such former record holder shall be deemed to have been surrendered for conversion for the purpose of the transfer to such Person or transferee of the shares of Class A Common Stock issuable upon conversion, and (3) the appropriate entries shall be made on the books of the Corporation to reflect such action. In the event that the Board of Directors of the Corporation (or any committee of the Board of Directors, or any officer of the Corporation, designated for the purpose by the Board of Directors) shall determine, upon the basis of facts not disclosed in any affidavit or other document accompanying the certificate for shares of Class B Common Stock when presented for transfer, that such shares of Class

B Common Stock have been registered in violation of the provisions of this paragraph (B)(v), or shall determine that a Person is enjoying for his or her own benefit the special rights and powers of shares of Class B Common Stock in violation of such provisions, then the Corporation shall take such action at law or in equity as is appropriate under the circumstances. Without limiting the generality of the preceding sentence, an unforeclosed pledge made to secure a bona fide obligation shall not be deemed to violate such provisions.

(e) Prior to the occurrence of a Tax-Free Spin-Off, each certificate for shares of Class B Common Stock shall bear a legend on the face thereof reading as follows:

> "The transfer of shares of Class B Common Stock represented by this certificate prior to a Tax-Free Spin-Off will result in the automatic conversion of such shares into Class A Common Stock unless such shares of Class B Common Stock are transferred to a person or entity that meets the qualifications set forth in paragraph (B)(v) of Article Four of the Certificate of Incorporation of this corporation. Any person who receives such shares in connection with a transfer which does not meet the qualifications prescribed by said Article Four will become the registered record holder of such shares of Class A Common Stock. Each holder of this certificate, by accepting the same, accepts and agrees to all of the foregoing."

Upon and after the transfer of shares of Class B Common Stock in a Tax-Free Spin-Off, shares of Class B Common Stock shall no longer bear the legend set forth above in this paragraph (B)(v)(e).

(f) Upon any conversion of shares of Class B Common Stock into shares of Class A Common Stock pursuant to the provisions of this paragraph (B)(v), any dividend, for which the record date or payment date shall be subsequent to such conversion, which may have been declared on the shares of Class B Common Stock so converted shall be deemed to have been declared, and shall be payable, with respect to the shares of Class A Common Stock into or for which such shares of Class B Common Stock shall have been so converted, and any such dividend which is a Common Stock dividend shall be deemed to have been declared, and shall be payable, in shares of Class A Common Stock.

(g) The Corporation shall not reissue or resell any shares of Class B Common Stock which shall have been converted into shares of Class A Common Stock pursuant to or as permitted by the provisions of this paragraph (B)(v), or any shares of Class B Common Stock which shall have been acquired by the Corporation in any other manner. The Corporation shall, from time to time, take such appropriate action as may be necessary to retire such shares and to reduce the authorized amount of Class B Common Stock accordingly. The Corporation shall at all times reserve and keep available, out of its authorized but unissued Common Stock, such number of shares of Class A Common Stock as would become issuable upon the conversion of all shares of Class B Common Stock then outstanding.

(h) In connection with any transfer or conversion of any stock of the Corporation pursuant to or as permitted by the provisions of this paragraph (B)(v) or in connection with the making of any determination referred to in this paragraph (B)(v):

> (1) the Corporation shall be under no obligation to make any investigation of facts unless an officer, employee or agent of the Corporation responsible for making such transfer or determination or issuing Class A Common Stock pursuant to such conversion has substantial reason to believe, or unless the Board of Directors (or a committee of the Board of Directors designated for the purpose) determines that there is substantial reason to believe, that any affidavit or other document is incomplete or incorrect in a material respect or that an investigation would disclose facts upon which any determination referred to in paragraph (B)(v) above should be made, in either of which events the Corporation shall make or cause to be made such investigation as it may deem necessary or desirable in the

circumstances and have a reasonable time to complete such investigation; and

(2) neither the Corporation nor any director, officer, employee or agent of the Corporation shall be liable in any manner for any action taken or omitted in good faith.

(i) The Corporation will not be required to pay any documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Class A Common Stock on the conversion of shares of Class B Common Stock pursuant to this paragraph (B)(v), and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(vi) All rights to vote and all voting power (including, without limitation thereto, the right to elect directors) shall be vested exclusively in the holders of Common Stock, voting together as a single class, except as otherwise expressly provided in this Certificate of Incorporation, in a Preferred Stock Designation or as otherwise expressly required by applicable law.

(vii) No stockholder shall be entitled to exercise any right of cumulative voting.

(viii) Immediately upon the effectiveness of this Certificate of Incorporation, each share of common stock of the Corporation, par value $1.00 per share, issued and outstanding immediately prior to such effectiveness shall be changed into and reclassified as 10,000 shares of Class B Common Stock. Promptly after such effectiveness, each record holder of a certificate that, immediately prior to such effectiveness, represented common stock of the Corporation, par value $1.00 per share, shall be entitled to receive in exchange for such certificate, upon surrender of such certificate to the Corporation, a certificate for the number of shares of Class B Common Stock to which such holder is entitled as a result of the changes in the common stock effected by the preceding sentence (the "Reclassification"). Until surrendered and exchanged in accordance herewith, each certificate that, immediately prior to such effectiveness, represented common stock shall represent the number of shares of Class B Common Stock to which the holder is entitled as a result of the Reclassification.

(C) Preferred Stock. The Board of Directors is expressly authorized, at any time and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series with such designations, preferences and relative, participating, optional or other special rights, and such qualifications, limitations or restrictions thereof, as shall be expressed in the resolution or resolutions providing for the issuance thereof adopted by the Board of Directors (a "Preferred Stock Designation") and as are not inconsistent with this Certificate of Incorporation or any amendment hereto, and as may be permitted by the DGCL. Except as otherwise expressly required by law and except for such voting powers as may be stated in the Preferred Stock Designation relating to any series of Preferred Stock, the holders of any such series shall not have voting power whatsoever.

(D) Record Holders. The Corporation shall be entitled to treat the Person (as defined in paragraph (B)(iv) of Article Four) in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other Person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE FIVE

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter

or repeal the Bylaws of the Corporation.

ARTICLE SIX

The Corporation shall, to the fullest extent permitted by law, including Section 145 of the DGCL, as the same may be amended and supplemented, indemnify any and all officers and directors whom it shall have power to indemnify under said section from and against any and all of the expenses, liabilities, or other matters referred to in or covered by said Section, and the indemnification provided for herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, trustee, fiduciary or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

ARTICLE SEVEN

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that the foregoing clause shall not apply to any liability of a director (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article Nine by the stockholders of the Corporation shall not adversely affect an right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE EIGHT

The Corporation expressly elects not to be governed by Section 203 of the DGCL.

ARTICLE NINE

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction with the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the DGCL order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE TEN

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this

reservation.

IN WITNESS WHEREOF, COMPX INTERNATIONAL INC. has caused this certificate to be signed by its Secretary this 4th day of February, 1998.

By:__/s/ Steven L. Watson___

Steven L. Watson, Secretary

EXHIBIT 3.2

BYLAWS

OF

COMPX INTERNATIONAL INC.
A DELAWARE CORPORATION
(INCORPORATED ON AUGUST 4, 1993)

AS OF DECEMBER 16, 1997

BYLAWS

OF

COMPX INTERNATIONAL INC.

A DELAWARE CORPORATION
(INCORPORATED ON AUGUST 4, 1993)

AS OF DECEMBER 16, 1997

ARTICLE I.{TC \L 1 "ARTICLE I."}
OFFICES

SECTION 1.1. REGISTERED OFFICE{TC \L 2 "SECTION 1.1. REGISTERED OFFICE"}. The registered office of the corporation shall be located at such place within the State of Delaware as the board of directors may from time to time determine. The initial registered office of the corporation shall be as specified in the certificate of incorporation of the corporation.

SECTION 1.2. OTHER OFFICES{TC \L 2 "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.{TC \L 1 "ARTICLE II."}
MEETINGS OF STOCKHOLDERS

SECTION 2.1. PLACE AND TIME OF MEETINGS{TC \L 2 "SECTION 2.1. PLACE AND TIME OF MEETINGS"}. All meetings of the stockholders shall be held at such place, within or without the State of Delaware as shall be determined, from time to time, by the board of directors, and the place at which such meeting shall be held shall be stated in the notice and call of the meeting or a duly executed waiver of notice thereof. The annual meeting of the stockholders of the corporation for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on such date and at such time and place as shall be fixed by a majority of the board of directors. Special meetings of stockholders may be called by the chairman of the board, the president, the board of directors or the holders of at least 10% of the shares of the corporation that would be entitled to vote at such a meeting.

SECTION 2.2. BUSINESS TO BE TRANSACTED AT MEETINGS{TC \L 2 "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 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 ten days following the date on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made. A stockholder's notice to the secretary with regard to an annual meeting shall set forth as to each matter that the stockholder proposes to bring before the meeting (a) a brief description of the 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.

Error! Bookmark not defined.SECTION 2.3. NOTICE{TC \L 2 "SECTION 2.3. NOTICE"}. Notice of the time and place of an annual meeting of stockholders and notice of the time, place and purpose or purposes of a special meeting of the stockholders shall be given by mailing written or printed notice of the same not less than ten, nor more than sixty, days prior to the meeting, with postage prepaid, to each stockholder of record of the corporation entitled to vote at such meeting, and addressed to the stockholder's last known post office address or to the address appearing on the corporate books of the corporation.

Error! Bookmark not defined.SECTION 2.4. LIST OF STOCKHOLDERS{TC \L 2 "SECTION 2.4. LIST OF STOCKHOLDERS"}. The officer or agent having charge of the stock transfer books of the corporation shall make, at least ten 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, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. 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. The original stock transfer books shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer book or to vote at any such meeting of stockholders.

Error! Bookmark not defined.SECTION 2.5. QUORUM{TC \L 2 "SECTION 2.5. 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 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.

Error! Bookmark not defined.SECTION 2.6. PROXIES{TC \L 2 "SECTION 2.6. 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 similar transmission by the stockholder, or a photographic, photostatic, facsimile or similar reproduction of a writing executed 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 2.7. ORDER OF BUSINESS{TC \L 2 "SECTION 2.7. 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, 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.

Error! Bookmark not defined.SECTION 2.8. APPOINTMENT OF INSPECTORS OF ELECTION{TC \L 2 "SECTION 2.8. APPOINTMENT OF INSPECTORS OF ELECTION"}. The board of directors shall, in advance of sending to the stockholders any notice of a meeting of the holders of any class of shares, 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 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.

Error! Bookmark not defined.SECTION 2.9. INFORMAL ACTION{TC \L 2 "SECTION 2.9. INFORMAL ACTION"}.

(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 sixty (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 of the corporation.

(c) A telegram, telex, cablegram or similar transmission by a stockholder, or a photographic, photostatic, facsimile or other similar reproduction of a writing signed 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.

Error! Bookmark not defined.SECTION 2.10. FIXING A RECORD DATE{TC \L 2 "SECTION 2.10. FIXING A RECORD DATE"}. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or 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 that shall be not more than sixty days nor less than ten days prior to the date of such meeting, nor more than sixty days prior to any other action. If no record date has been fixed by the board of directors, the record date for determining the 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. If no record date has been fixed by the board of directors, the record date for determining the stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by the Delaware General Corporation Law, shall be the first date on which a signed written consent is duly delivered to the corporation. 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.

Error! Bookmark not defined.SECTION 2.11. TELEPHONE MEETINGS{TC \L 2 "SECTION 2.11. TELEPHONE MEETINGS"}. Stockholders may participate in and hold a meeting by means of conference telephone or similar communication 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 the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Error! Bookmark not defined.SECTION 2.12. MINUTES{TC \L 2 "SECTION 2.12. MINUTES"}. The stockholders shall keep regular minutes of their proceedings, and such minutes shall be placed in the minute book of the corporation.

Error! Bookmark not defined.ARTICLE III.{TC \L 1 "ARTICLE III."}
DIRECTORS

Error! Bookmark not defined.SECTION 3.1. NUMBER, QUALIFICATIONS AND TERM OF OFFICE{TC \L 2 "SECTION 3.1. NUMBER, QUALIFICATIONS AND TERM OF OFFICE"}. The business and affairs of the corporation shall be managed by a board of directors consisting of not less than one, nor more than fifteen, members. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time (i) by the board of directors pursuant to a resolution adopted by a majority of the entire board of directors or (ii) 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.

Error! Bookmark not defined.SECTION 3.2. NOMINATION OF DIRECTOR CANDIDATES{TC \L 2 "SECTION 3.2. NOMINATION OF DIRECTOR CANDIDATES"}. Subject to the rights of the holders of preferred stock or any other class of capital stock of the corporation (other than common stock) 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 directors at a meeting may nominate persons for election as directors 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, ninety days in advance of such 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.

Error! Bookmark not defined.SECTION 3.3. REMOVALS{TC \L 2 "SECTION 3.3. REMOVALS"}. Subject to the rights of the holders of preferred stock or any other class of capital stock of the corporation (other than common stock) or any series of any of the foregoing that is then outstanding, any director, or the entire board of directors, may be removed from office at any time by 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 directors.

Error! Bookmark not defined.SECTION 3.4. VACANCIES{TC \L 2 "SECTION 3.4. VACANCIES"}. Subject to the rights of the holders of preferred stock or any other class of capital stock of the corporation (other than common stock) or any series of any of the foregoing that is then outstanding, 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 Delaware General Corporation Law, 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.

Error! Bookmark not defined.SECTION 3.5. ANNUAL MEETING{TC \L 2 "SECTION 3.5. ANNUAL MEETING"}. The annual meeting of the board of directors shall be held without other notice than this bylaw immediately after the annual meeting of stockholders at the location of the stockholder's meeting.

Error! Bookmark not defined.SECTION 3.6. OTHER MEETINGS AND NOTICE{TC \L

2 "SECTION 3.6. OTHER MEETINGS AND NOTICE"}. Regular meetings, other than the annual meeting, of the board of directors may be held 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 or the president 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.

Error! Bookmark not defined.SECTION 3.7. QUORUM{TC \L 2 "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.

Error! Bookmark not defined.SECTION 3.8. COMMITTEES{TC \L 2 "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.

Error! Bookmark not defined.SECTION 3.9. COMMITTEE RULES{TC \L 2 "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.

Error! Bookmark not defined.SECTION 3.10. TELEPHONIC MEETINGS{TC \L 2 "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.

Error! Bookmark not defined.SECTION 3.11. PRESUMPTION OF ASSENT{TC \L 2 "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 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.

Error! Bookmark not defined.SECTION 3.12. INFORMAL ACTION{TC \L 2 "SECTION 3.12. INFORMAL ACTION"}. 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, and the writing or

writings 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.

Error! Bookmark not defined.SECTION 3.13. COMPENSATION{TC \L 2 "SECTION 3.13. COMPENSATION"}. The board of directors shall have the authority to fix the compensation of directors.

Error! Bookmark not defined.SECTION 3.14. MINUTES{TC \L 2 "SECTION 3.14. MINUTES"}. The board of directors shall keep regular minutes of its proceedings, and such minutes shall be placed in the minute book of the corporation.

Error! Bookmark not defined.ARTICLE IV.{TC \L 1 "ARTICLE IV."} OFFICERS

Error! Bookmark not defined.SECTION 4.1. NUMBER{TC \L 2 "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.

Error! Bookmark not defined.SECTION 4.2. ELECTION AND TERM OF OFFICE{TC \L 2 "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.

Error! Bookmark not defined.SECTION 4.3. THE CHAIRMAN OF THE BOARD{TC \L 2 "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 be the chief executive officer of the corporation and 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.

The chairman of the board may, from time to time, appoint an attorney-in-fact or attorneys-in-fact, or an agent or agents, of the corporation in the name and on behalf of the corporation to cast as a stockholder, in any other corporation, any of the securities that may be held by the corporation, at meetings of the holders of such securities of such corporation, or to consent in writing to any such action by any such other corporation, and may instruct the person or persons so appointed as to the manner of casting such votes or the giving of any consent, or may execute or cause to be executed on behalf of the corporation and under its corporate seal or otherwise such written proxies, consents, waivers, or other instruments as he or she may deem necessary or proper, or he or she may attend any meeting of the holders of such securities of any such other corporation and thereat vote or exercise any or all other powers of the corporation as the holder of such securities of such corporation.

Error! Bookmark not defined.SECTION 4.4. THE VICE CHAIRMAN OF THE BOARD{TC \L 2 "SECTION 4.4. THE VICE CHAIRMAN OF THE BOARD"}. The vice chairman of the board shall be the corporation's executive officer next in authority to the 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.

Error! Bookmark not defined.SECTION 4.5. THE PRESIDENT{TC \L 2 "SECTION 4.5. THE PRESIDENT"}. The president shall be the corporation's executive officer next in authority to the vice chairman of the board and shall be its 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.

Error! Bookmark not defined.SECTION 4.6. VICE PRESIDENTS{TC \L 2 "SECTION 4.6. 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. During the absence or disability of the president, one such vice president, when designated by the board of directors, shall exercise all the functions of the president.

Error! Bookmark not defined.SECTION 4.7. THE SECRETARY AND ASSISTANT SECRETARY{TC \L 2 "SECTION 4.7. 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, 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 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.

Error! Bookmark not defined.SECTION 4.8. THE TREASURER AND ASSISTANT TREASURER{TC \L 2 "SECTION 4.8. 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 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 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.

Error! Bookmark not defined.SECTION 4.9. VACANCIES{TC \L 2 "SECTION 4.9. 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.

Error! Bookmark not defined.SECTION 4.10. OTHER OFFICERS, ASSISTANT OFFICERS AND AGENTS{TC \L 2 "SECTION 4.10. 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 shall be determined from time to time by the board of directors.

Error! Bookmark not defined.ARTICLE V.{TC \L 1 "ARTICLE V."} INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND OTHERS

Error! Bookmark not defined.SECTION 5.1. THIRD-PARTY ACTIONS{TC \L 2 "SECTION 5.1. THIRD-PARTY ACTIONS"}. The corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed proceeding (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director or officer of the corporation, against expenses (including reasonable attorneys' fees), judgments, fines, liabilities, losses and amounts paid in settlement actually and reasonably incurred by him or her in connection with such proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the corporation, and, with respect to any criminal proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Error! Bookmark not defined.SECTION 5.2. DERIVATIVE ACTIONS{TC \L 2 "SECTION 5.2. DERIVATIVE ACTIONS"}. The corporation shall indemnify and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director or officer of the corporation, against expenses (including reasonable attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court in which such proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that the court shall deem proper.

Error! Bookmark not defined.SECTION 5.3. RIGHT TO INDEMNIFICATION OF EXPENSES{TC \L 2 "SECTION 5.3. RIGHT TO INDEMNIFICATION OF EXPENSES"}. To the extent that a director or officer of a corporation has been successful on the merits or otherwise in defense of any proceeding referred to in SECTIONS 5.1 and 5.2 or in defense of any claim, issue or matter therein, he or she shall be indemnified against expenses (including reasonable attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

Error! Bookmark not defined.SECTION 5.4. DETERMINATION OF INDEMNIFICATION{TC \L 2 "SECTION 5.4. DETERMINATION OF INDEMNIFICATION"}. Any indemnification under SECTIONS 5.1 and 5.2 (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the

circumstances because he or she has met the applicable standards of conduct set forth in SECTIONS 5.1 and 5.2. Such determination shall be made (A) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, (B) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion or (C) by the stockholders.

Error! Bookmark not defined.SECTION 5.5. EXPENSES OF CONTESTED INDEMNIFICATION CLAIMS{TC \L 2 "SECTION 5.5. EXPENSES OF CONTESTED INDEMNIFICATION CLAIMS"}. If a claim under SECTION 5.1 or 5.2 is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, 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 the expenses of prosecuting such claim.

Error! Bookmark not defined.SECTION 5.6. ADVANCEMENT OF EXPENSES{TC \L 2 "SECTION 5.6. ADVANCEMENT OF EXPENSES"}. Expenses (including reasonable attorneys' fees) incurred by a director or officer in defending any proceeding or prosecuting a claim under SECTION 5.5 shall be paid by the corporation in advance of the final disposition of such proceeding or suit upon receipt of a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and 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.

Error! Bookmark not defined.SECTION 5.7. INDEMNIFICATION NOT EXCLUSIVE{TC \L 2 "SECTION 5.7. 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.

Error! Bookmark not defined.SECTION 5.8. SURVIVAL OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES{TC \L 2 "SECTION 5.8. SURVIVAL OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES"}. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article shall, unless otherwise provided when authorized or ratified, 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 5.9. EMPLOYEES, AGENTS AND OTHERS{TC \L 2 "SECTION 5.9. EMPLOYEES, AGENTS AND OTHERS"}. The corporation may, to the fullest extent of the provisions of this Article with respect to directors and officers and to the extent authorized from time to time by the board of directors, grant rights of indemnification and advancement of expenses to any employee or agent of the corporation or any other person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

Error! Bookmark not defined.SECTION 5.10. CONTRACT RIGHT{TC \L 2 "SECTION 5.10. 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 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.

Error! Bookmark not defined.SECTION 5.11. INSURANCE{TC \L 2 "SECTION 5.11. INSURANCE"}. The corporation shall have power to purchase and maintain insurance on behalf of any person 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 corporation, partnership, joint venture, trust or other 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.

Error! Bookmark not defined.SECTION 5.12. CERTAIN REFERENCES UNDER ARTICLE V{TC \L 2 "SECTION 5.12. CERTAIN REFERENCES UNDER ARTICLE V"}. For purposes of this Article, the following references shall have the following meanings:

(A) "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger that, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued;

(B) "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan;

(C) a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation."

(D) "other enterprises" shall include employee benefit plans;

(E) "proceeding" shall include any pending or completed action, suit or proceeding, whether formal or informal or civil, criminal, administrative, arbitrative 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.

(F) "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and

Error! Bookmark not defined.ARTICLE VI.{TC \L 1 "ARTICLE VI."}
CERTIFICATES OF STOCK

Error! Bookmark not defined.SECTION 6.1. FORM{TC \L 2 "SECTION 6.1. FORM"}. Certificates of stock shall be issued in numerical order, and each stockholder shall be entitled to a certificate signed by the chairman of the board, the president 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. In the case of any officer who has signed, or whose facsimile signature has been used on a certificate, has ceased 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.

Error! Bookmark not defined.SECTION 6.2. TRANSFERS{TC \L 2 "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 before a new certificate is issued, the old certificate shall be surrendered for cancellation.

Error! Bookmark not defined.SECTION 6.3. LOST OR DESTROYED CERTIFICATES{TC \L 2 "SECTION 6.3. LOST OR DESTROYED CERTIFICATES"}. The corporation may issue a new certificate of stock 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, 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.

Error! Bookmark not defined.SECTION 6.4. REGISTERED STOCKHOLDERS{TC \L 2 "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 the other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Delaware.

Error! Bookmark not defined.ARTICLE VII.{TC \L 1 "ARTICLE VII."}
CERTAIN BUSINESS COMBINATIONS

The provision of Section 203, Subchapter VI, Chapter 1, Title 8 of the Delaware General Corporation Law shall not apply to the corporation.

This Article VII shall be amended, altered or repealed only as provided in Section 203, Subchapter VI, Chapter 1, Title 8 of the Delaware General Corporation Law.

Error! Bookmark not defined.ARTICLE VIII.{TC \L 1 "ARTICLE VIII."}
GENERAL PROVISIONS

Error! Bookmark not defined.SECTION 8.1. DIVIDENDS{TC \L 2 "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 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.

Error! Bookmark not defined.SECTION 8.2. MONEYS{TC \L 2 "SECTION 8.2. MONEYS"}. The moneys of the corporation shall be deposited in the name of the corporation in such bank or banks or trust company or trust companies as the board of directors shall designate, and shall be drawn out only by check signed by the chairman of the board or the president and countersigned by the secretary, assistant secretary, treasurer or the assistant treasurer, or signed and countersigned by such other persons as shall be designated by resolution of the board of directors, except that the chairman of the board may designate one or more officers to transfer by letter or wire funds from an account of the corporation in one bank to an account of the corporation or a subsidiary in another bank and the chairman of the board shall have the

authority on bank accounts to designate that one signature of an officer or other person shall be sufficient.

Error! Bookmark not defined.ARTICLE IX.{TC \L 1 "ARTICLE IX."}
NOTICES

Error! Bookmark not defined.SECTION 9.1. GENERAL{TC \L 2 "SECTION 9.1. GENERAL"}. Whenever the provisions of any statute or these bylaws require notice to be given to any director, officer or stockholder, such notice may be given personally or in writing by facsimile, by telegraph or by depositing the same in the United States mail with postage prepaid addressed to each director, officer or stockholder at his or her address, as the same appears in the books of the corporation, and the time when the same shall be personally given, sent by facsimile or telegraph or mailed shall be deemed to be the time of the giving of such notice. Whenever any notice whatever is required to be given under the provisions of these bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Error! Bookmark not defined.SECTION 9.2. WAIVERS{TC \L 2 "SECTION 9.2. WAIVERS"}. Whenever any notice is required to be given to any stockholder, director or committee member under the 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 such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

Error! Bookmark not defined.SECTION 9.3. ATTENDANCE AS WAIVER{TC \L 2 "SECTION 9.3. ATTENDANCE AS WAIVER"}. Attendance of a director or member of a committee at a meeting shall constitute a waiver of notice of such meeting, except where a director or committee member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Error! Bookmark not defined.SECTION 9.4. OMISSION OF NOTICE TO STOCKHOLDERS{TC \L 2 "SECTION 9.4. OMISSION OF NOTICE TO STOCKHOLDERS"}. Any notice required to be given to any stockholder under any statutory provision, the corporation's certificate of incorporation or these bylaws need not be given to the stockholder if (1) notice of two consecutive annual meetings and all notices of meetings held during the period between those annual meetings, if any, or (2) all (but in no event less than two) payments (if sent by first class mail) of distributions or interest on securities during a twelve (12) month period have been mailed to that person, addressed at his 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 then current address, the requirement that notice be given to that person shall be reinstated.

ADOPTED BY THE BOARD OF DIRECTORS AS OF DECEMBER 16, 1997

/s/ Steven L. Watson

Steven L. Watson, Vice President and Secretary

EXHIBIT 10.2

COMPX INTERNATIONAL INC.

1997 LONG-TERM INCENTIVE PLAN

SECTION 1. PURPOSE. The purpose of this Plan is to advance the interests of CompX and its stockholders by providing incentives to certain Eligible Persons who contribute significantly to the strategic and long-term performance objectives and growth of the Company.

SECTION 2. DEFINITIONS. The following terms shall have the meaning indicated:

(A) "ACTUAL VALUE" has the meaning set forth in SECTION 9.

(B) "ASSOCIATED AWARD" shall mean an Award granted concurrently or subsequently in conjunction with another Award.

(C) "AWARD" shall mean an award of rights to an Eligible Person under this Plan.

(D) "AWARD PERIOD" has the meaning set forth in SUBSECTION 9(B).

(E) "BENEFICIARY" has the meaning set forth in SECTION 16.

(F) "BOARD" shall mean the board of directors of CompX.

(G) "CLASS A COMMON SHARES" shall mean shares of class A common stock, par value $.01 per share, of CompX and stock of any other class into which such shares may thereafter be changed.

(H) "CODE" shall mean the Internal Revenue Code of 1986, as it now exists or may be amended from time to time, and the rules and regulations promulgated thereunder, as they may exist or may be amended from time to time.

(I) "COMMITTEE" shall mean a committee of the Board, if any, designated by the Board to administer this Plan that is comprised of not fewer than two directors. The membership of the Committee or any successor committee (i) shall consist of "nonemployee directors" (as defined in Rule 16b-3) and meet any other applicable requirements so as to comply at all times with the applicable requirements of Rule 16b-3, (ii) shall consist of "outside directors" (as defined in Treasury Regulation Section1.162-27(e)(3)(i) or any successor regulation) and meet any other applicable requirements so as to comply at all times with the applicable requirements of Section 162(m) (if the Board decides at some latter date that compliance with Section 162(m) is warranted) and (iii) shall meet any applicable requirements of any stock exchange or other market quotation system on which Class A Common Shares are listed. References to the Committee hereunder shall include the Board or the Designated Administrator where appropriate.

(J) "COMPANY" shall mean CompX and any parent or subsidiary of CompX.

(K) "COMPX" shall mean CompX International Inc., a Delaware corporation.

(L) "DESIGNATED ADMINISTRATOR" has the meaning set forth in SECTION 3.

(M) "EFFECTIVE DATE" shall mean the date the Board adopts this Plan (which adoption date may be a date subsequent to the date of the actual action taken by the Board if the Board action sets forth such subsequent adoption date).

(N) "ELIGIBLE PERSON(S)" shall mean those persons who are key employees of the Company or other key individuals who perform services for the Company, including, without limitation, directors who are not employees

of the Company.

(O) "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as it now exists or may be amended from time to time, and the rules promulgated thereunder, as they may exist or may be amended from time to time.

(P) "FAIR MARKET VALUE" shall mean such value rounded up to the nearest cent as determined by the BOARD in accordance with applicable law.

(Q) "INCENTIVE STOCK OPTION" shall mean a Stock Option that is an incentive stock option as defined in Section 422 of the Code. Incentive Stock Options are subject, in part, to the terms, conditions and restrictions described in SECTION 6.

(R) "MAXIMUM VALUE" has the meaning set forth in SUBSECTION 9(A).

(S) "NONQUALIFIED STOCK OPTION" shall mean a Stock Option that is not an incentive stock option as defined in Section 422 of the Code. Nonqualified Stock Options are subject, in part, to the terms, conditions and restrictions described in SECTION 6.

(T) "OTHER COMPX SECURITIES" shall mean CompX securities (which may include, but need not be limited to, unbundled stock units or components thereof, debentures, preferred stock, warrants, securities convertible into Class A Common Shares or other property) other than Class A Common Shares.

(U) "PARTICIPANT" shall mean an Eligible Person to whom an Award has been granted under this Plan.

(V) "PERFORMANCE GRANT" shall mean an Award subject, in part, to the terms, conditions and restrictions described in SECTION 9, pursuant to which the recipient may become entitled to receive cash, Class A Common Shares, Other CompX Securities or property, or other forms of payment, or any combination thereof, as determined by the Board.

(W) "PLAN" shall mean this CompX International Inc. 1997 Long-Term Incentive Plan.

(X) "PURCHASED OPTION" shall mean a Stock Option that is sold to an Eligible Person at a price determined by the BOARD. Purchase Options are subject, in part, to the terms, conditions and restrictions described in SECTION 6.

(Y) "RESTRICTED PERIOD" has the meaning set forth in SUBSECTION 8(B).

(Z) "RESTRICTED STOCK" shall mean an Award of Class A Common Shares that are issued subject, in part, to the terms, conditions and restrictions described in SECTION 8.

(AA) "RULE 16B-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act and any successor rule.

(BB) "SECTION 162(M)" shall mean Section162(m) of the Code, any rules or regulations promulgated thereunder, as they may exist or may be amended from time to time, or any successor to such section.

(CC) "STOCK APPRECIATION RIGHT" shall mean an Award of a right to receive (without payment to CompX) cash, Class A Common Shares, Other CompX Securities or property, or other forms of payment, or any combination thereof, as determined by the Board, based on the increase in the value of the number of Class A Common Shares specified in the Stock Appreciation Right. Stock Appreciation Rights are subject, in part, to the terms, conditions and restrictions described in SECTION 7.

(DD) "STOCK OPTION" shall mean an Award of a right to purchase Class A Common Shares. The term Stock Option shall include Nonqualified Stock Options, Incentive Stock Options and Purchased Options.

(EE) "TEN PERCENT EMPLOYEE" shall mean an employee of the Company who owns stock representing more than ten percent of the voting power of all classes of stock of CompX or any parent or subsidiary of CompX.

(FF) "TREASURY REGULATION" shall mean a final, proposed or temporary regulation of the Department of Treasury under the Code and any successor regulation.

SECTION 3. ADMINISTRATION. Unless the Board shall designate the Committee or a Designated Administrator to administer this Plan, this Plan shall be administered by the Board. If at any time Rule 16b-3 so permits without adversely affecting the ability of Awards to executive officers of CompX to comply with the conditions for Rule 16b-3, the Board may delegate the administration of this Plan and any of its power and authority in whole or in part, on such terms and conditions, and to such person or persons as it may determine in its discretion (a "DESIGNATED ADMINISTRATOR").

The Board has all the powers vested in it by the terms of this Plan, such powers to include exclusive authority to select the Eligible Persons to be granted Awards under this Plan, to determine the type, size and terms of the Award to be made to each Eligible Person selected, to modify the terms of any Award that has been granted, to determine the time when Awards will be granted, to establish performance objectives, to make any adjustments necessary or desirable as a result of the granting of Awards to Eligible Persons located outside the United States and to prescribe the form of the agreements embodying Awards made under this Plan. The Board is authorized to interpret this Plan and the Awards granted under this Plan, to establish, amend and rescind any rules and regulations relating to this Plan, and to make any other determinations that it deems necessary or desirable for the administration of this Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award in the manner and to the extent the Board deems necessary or desirable to carry it into effect. Any decision of the Board in the interpretation and administration of this Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. The Board may act only by a majority of its members in office, except that the members thereof may authorize any one or more of their members or any officer of the Company to execute and deliver documents or to take any other ministerial action on behalf of the Board with respect to Awards made or to be made to Participants.

No member of the Board and no officer of the Company shall be liable for anything done or omitted to be done by him, by any other member of the Board or by any officer of the Company in connection with the performance of duties under this Plan, except for his own willful misconduct or as expressly provided by statute. In addition to all other rights of indemnification and reimbursement to which a member of the Board and an officer of the Company may be entitled, the Company shall indemnify and hold harmless each such member or officer who was or is a party or is threatened to be made a party to any threatened, pending or completed proceeding or suit in connection with the performance of duties under this Plan against expenses (including reasonable attorneys' fees), judgments, fines, liabilities, losses and amounts paid in settlement actually and reasonably incurred by him in connection with such proceeding or suit, except for his own willful misconduct or as expressly provided otherwise by statute. Expenses (including reasonable attorneys' fees) incurred by a such a member or officer in defending any such proceeding or suit shall be paid by the Company in advance of the final disposition of such proceeding or suit upon receipt of a written affirmation by such member or officer of his good faith belief that he has met the standard of conduct necessary for indemnification and a written undertaking by or on behalf of such member or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Company as authorized in this Section.

SECTION 4. PARTICIPATION. Consistent with the purposes of this Plan, the Board shall have exclusive power to select the Eligible Persons who may participate in this Plan and be granted Awards under this Plan. Eligible Persons may be selected individually or by groups or categories, as determined by the Board in its discretion.

SECTION 5. AWARDS UNDER THIS PLAN.

(A) Types of Awards. Awards under this Plan may include, but need not be limited to, one or more of the following types, either alone or in any combination thereof: (i) Stock Options, (ii) Stock Appreciation Rights, (iii) Restricted Stock, (iv) Performance Grants and (v) any other type of Award deemed by the Board in its discretion to be consistent with the purposes of this Plan (including, but not limited to, Awards of or options or similar rights granted with respect to unbundled stock units or components thereof, and Awards to be made to Participants who are foreign nationals or are employed or performing services outside the United States).

(B) Maximum Number of Shares that May be Issued. There may be issued under this Plan (as Restricted Stock, in payment of Performance Grants, pursuant to the exercise of Stock Options or Stock Appreciation Rights or in payment of or pursuant to the exercise of such other Awards as the Board, in its discretion, may determine) an aggregate of not more than 1,500,000 Class A Common Shares, subject to adjustment as provided in SECTION 15. No Eligible Person may receive Awards under this Plan for more than 500,000 Class A Common Shares in any one fiscal year of CompX, subject to adjustment as provided in SECTION 15. Class A Common Shares issued pursuant to this Plan may be either authorized but unissued shares, treasury shares, reacquired shares or any combination thereof. If any Class A Common Shares issued as Restricted Stock or otherwise subject to repurchase or forfeiture rights are reacquired by the Company pursuant to such rights or, if any Award is canceled, terminates or expires unexercised, any Class A Common Shares that would otherwise have been issuable pursuant thereto will be available for issuance under new Awards.

(C) Rights with Respect to Class A Common Shares and Other Securities. Except as provided in SUBSECTION 8(C) with respect to Awards of Restricted Stock and unless otherwise determined by the Board in its discretion, a Participant to whom an Award is made (and any person succeeding to such a Participant's rights pursuant to this Plan) shall have no rights as a stockholder with respect to any Class A Common Shares or as a holder with respect to other securities, if any, issuable pursuant to any such Award until the date of the issuance of a stock certificate to him for such Class A Common Shares or other instrument of ownership, if any. Except as provided in SECTION 15, no adjustment shall be made for dividends, distributions or other rights (whether ordinary or extraordinary, and whether in cash, securities, other property or other forms of consideration, or any combination thereof) for which the record date is prior to the date such stock certificate or other instrument of ownership, if any, is issued. In all events, a Participant with whom an Award agreement is made to issue Class A Common Shares in the future, shall have no rights as a stockholder with respect to Class A Common Shares related to such agreement until issuance to him of a stock certificate representing such shares.

SECTION 6. STOCK OPTIONS. The Board may sell Purchased Options or grant other Stock Options either alone, or in conjunction with Associated Awards, either at the time of grant or by amendment thereafter; provided that an Incentive Stock Option may be granted only to Eligible Persons who are employees of the Company and have an Associated Award only to the extent that such Associated Award does not disqualify the Incentive Stock Option's status as such under the Code. Each Stock Option granted or sold under this Plan shall be evidenced by an agreement in such form as the Board shall prescribe from time to time in accordance with this Plan and shall comply with the applicable terms and conditions of this Section and this Plan, and with such other terms and conditions, including, but not limited to, restrictions upon the Stock Option or the Class A Common Shares issuable upon exercise thereof, as the Board, in its discretion, shall establish.

(A) The exercise price of a Stock Option may be less than, equal to, or greater than, the Fair Market Value of the Class A Common Shares subject to such Stock Option at the time the Stock Option is granted, as determined by the Board; provided, however, that in the case of an Incentive Stock

Option granted to an employee of the Company, the exercise price shall not be less than the Fair Market Value of the Class A Common Shares subject to such Stock Option at the time the Stock Option is granted, or if granted to a Ten Percent Employee, such exercise price shall not be less than 110% of such Fair Market Value at the time the Stock Option is granted. In no event, however, will the exercise price per share of a Stock Option be less than the par value per share of a Common Share.

(B) The Board shall determine the number of Class A Common Shares to be subject to each Stock Option. In the case of a Stock Option awarded in conjunction with an Associated Award, the number of Class A Common Shares subject to an outstanding Stock Option may be reduced on an appropriate basis to the extent that the Associated Award has been exercised, paid to or otherwise received by the Participant, as determined by the Board.

(C) Any Stock Option may be exercised during its term only at such time or times and in such installments as the Board may establish.

(D) A Stock Option shall not be exercisable:

(I) in the case of any Incentive Stock Option granted to a Ten Percent Employee, after the expiration of five years from the date it is granted, and, in the case of any other Stock Option, after the expiration of ten years from the date it is granted; and

(II) unless payment in full is made for the shares being acquired thereunder at the time of exercise as provided in SUBSECTION 6(I).

(E) The Board shall determine in its discretion and specify in each agreement embodying a Stock Option the effect, if any, the termination of the Participant's employment with or performance of services for the Company shall have on the exercisability of the Stock Option; provided, however, that an Incentive Stock Option shall not be exercisable at a time that is beyond the time an Incentive Stock Option may be exercised in order to qualify as such under the Code.

(F) In the case of an Incentive Stock Option, the amount of the aggregate Fair Market Value of Class A Common Shares (determined at the time of grant of the Stock Option) with respect to which incentive stock options are exercisable for the first time by an employee of the Company during any calendar year (under all such plans of his employer corporation and its parent and subsidiary corporations) shall not exceed $100,000.

(G) It is the intent of CompX that Nonqualified Stock Options granted under this Plan not be classified as Incentive Stock Options, that the Incentive Stock Options granted under this Plan be consistent with and contain or be deemed to contain all provisions required under Section 422 and the other appropriate provisions of the Code and any implementing regulations (and any successor provisions thereof), and that any ambiguities in construction shall be interpreted in order to effectuate such intent.

(H) A Purchased Option may contain such additional terms not inconsistent with this Plan, including but not limited to the circumstances under which the purchase price of such Purchased Option may be returned to the holder of the Purchased Option, as the Board may determine in its sole discretion.

(I) For purposes of payments made to exercise Stock Options, such payment shall be made in such form (including, but not limited to, cash, Class A Common Shares, the surrender of another outstanding Award under this Plan or any combination thereof) as the Board may determine in its discretion; provided, however, that for purposes of making such payment in Class A Common Shares, such shares shall be valued at their Fair Market Value on the day of exercise and shall have been held by the Participant for a period of at least six (6) months.

SECTION 7. STOCK APPRECIATION RIGHTS. The Board may grant Stock Appreciation Rights either alone, or in conjunction with Associated Awards,

either at the time of grant or by amendment thereafter. Each Award of Stock Appreciation Rights granted under this Plan shall be evidenced by an agreement in such form as the Board shall prescribe from time to time in accordance with this Plan and shall comply with the applicable terms and conditions of this SECTION 7 and this Plan, and with such other terms and conditions, including, but not limited to, restrictions upon the Award of Stock Appreciation Rights or the Class A Common Shares issuable upon exercise thereof, as the Board, in its discretion, shall establish.

(A) The Board shall determine the number of Class A Common Shares to be subject to each Award of Stock Appreciation Rights. In the case of an Award of Stock Appreciation Rights awarded in conjunction with an Associated Award, the number of Class A Common Shares subject to an outstanding Award of Stock Appreciation Rights may be reduced on an appropriate basis to the extent that the Associated Award has been exercised, paid to or otherwise received by the Participant, as determined by the Board.

(B) The Award of Stock Appreciation Rights shall not be exercisable:

(I) unless the Associated Award, if any, is at the time exercisable;

(II) if the Associated Award is a Stock Option and the Fair Market Value per share of the Class A Common Shares on the exercise date does not exceed the exercise price per share of such Stock Option; or

(III) if the Associated Award is an Incentive Stock Option and the exercise of the Award of Stock Appreciation Rights would disqualify the Incentive Stock Option as such under the Code.

(C) The Board shall determine in its discretion and specify in each agreement embodying an Award of Stock Appreciation Rights the effect, if any, the termination of the Participant's employment with or performance of services for the Company shall have on the exercisability of the Award of Stock Appreciation Rights.

(D) An Award of Stock Appreciation Rights shall entitle the holder to exercise such Award or to surrender unexercised an Associated Award (or any portion of such Associated Award) to CompX and to receive from CompX in exchange thereof, without payment to CompX, that number of Class A Common Shares having an aggregate value equal to (or, in the discretion of the Board, less than) the excess of the Fair Market Value of one share, at the time of such exercise, over the exercise price, times the number of shares subject to the Award or the Associated Award, or portion thereof, that is so exercised or surrendered, as the case may be. The Board shall be entitled in its discretion to elect to settle the obligation arising out of the exercise of a Stock Appreciation Right by the payment of cash or Other CompX Securities or property, or other forms of payment or any combination thereof, as determined by the Board, equal to the aggregate value of the Class A Common Shares it would otherwise be obligated to deliver. Any such election by the Board shall be made as soon as practicable after the receipt by the Board of written notice of the exercise of the Stock Appreciation Right.

(E) A Stock Appreciation Right may provide that it shall be deemed to have been exercised at the close of business on the business day preceding the expiration date of the Stock Appreciation Right or of the related Stock Option (or other Award), or such other date as specified by the Board, if at such time such Stock Appreciation Right has a positive value. Such deemed exercise shall be settled or paid in the same manner as a regular exercise thereof as provided in SUBSECTION 7(D) hereof.

SECTION 8. RESTRICTED STOCK. The Board may grant Awards of Restricted Stock either alone, or in conjunction with Associated Awards, either at the time of grant or by amendment thereafter. Each Award of Restricted Stock under this Plan shall be evidenced by an agreement in such form as the Board shall prescribe from time to time in accordance with this Plan and shall comply with

the applicable terms and conditions of this Section and this Plan, and with such other terms and conditions as the Board, in its discretion, shall establish.

(A) The Board shall determine the number of Class A Common Shares to be issued to a Participant pursuant to the Award of Restricted Stock, and the extent, if any, to which they shall be issued in exchange for cash, other consideration, or both.

(B) Until the expiration of such period as the Board shall determine from the date on which the Award is granted and subject to such other terms and conditions as the Board in its discretion shall establish (the "RESTRICTED PERIOD"), a Participant to whom an Award of Restricted Stock is made shall be issued, but shall not be entitled to the delivery of, a stock certificate representing the Class A Common Shares subject to such Award.

(C) Unless otherwise determined by the Board in its discretion, a Participant to whom an Award of Restricted Stock has been made (and any person succeeding to such a participant's rights pursuant to this Plan) shall have, after issuance of a certificate for the number of Class A Common Shares awarded and prior to the expiration of the Restricted Period, ownership of such Class A Common Shares, including the right to vote such Class A Common Shares and to receive dividends or other distributions made or paid with respect to such Class A Common Shares (provided that such Class A Common Shares, and any new, additional or different shares, or Other CompX Securities or property, or other forms of consideration that the Participant may be entitled to receive with respect to such Class A Common Shares as a result of a stock split, stock dividend or any other change in the corporation or capital structure of CompX, shall be subject to the restrictions hereinafter described as determined by the Board in its discretion), subject, however, to the options, restrictions and limitations imposed thereon pursuant to this Plan.

(D) The Board shall determine in its discretion and specify in each agreement embodying an Award of Restricted Stock the effect, if any, the termination of the Participant's employment with or performance of services for the Company during the Restricted Period shall have on such Award of Restricted Stock.

SECTION 9. PERFORMANCE GRANTS. The Board may grant Awards of Performance Grants either alone, or in conjunction with Associated Awards, either at the time of grant or by amendment thereafter. The Award of a Performance Grant to a Participant will entitle him to receive a specified amount determined by the Board (the "ACTUAL VALUE"), if the terms and conditions specified in this Plan and in the Award are satisfied. Each Award of a Performance Grant shall be subject to the applicable terms and conditions of this Section and this Plan, and to such other terms and conditions, including but not limited to, restrictions upon any cash, Class A Common Shares, Other CompX Securities or property, or other forms of payment, or any combination thereof, issued with respect to the Performance Grant, as the Board, in its discretion, shall establish, and shall be embodied in an agreement in such form and substance as is determined by the Board.

(A) The Board shall determine the value or range of values of a Performance Grant to be awarded to each Participant selected for an Award and whether or not such a Performance Grant is granted in conjunction with an Associated Award. As determined by the Board, the maximum value of each Performance Grant (the "MAXIMUM VALUE") shall be: (i) an amount fixed by the Board at the time the Award is made or amended thereafter, (ii) an amount that varies from time to time based in whole or in part on the then current value of the Class A Common Shares, Other CompX Securities or property, or other securities or property, or any combination thereof or (iii) an amount that is determinable from criteria specified by the Board. Performance Grants may be issued in different classes or series having different names, terms and conditions. In the case of a Performance Grant awarded in conjunction with an Associated Award, the Performance Grant may be reduced on an appropriate basis to the extent that the Associated Award has been exercised, paid to or otherwise received by the Participant, as determined by the Board.

(B) The award period ("AWARD PERIOD") related to any Performance Grant shall be a period determined by the Board. At the time each Award is made, the Board shall establish performance objectives to be attained within the Award Period as the means of determining the Actual Value of such a Performance Grant. The performance objectives shall be based on such measure or measures of performance, which may include, but need not be limited to, the performance of the Participant, the Company or one or more of its divisions or units, or any combination of the foregoing, as the Board shall determine, and may be applied on an absolute basis or be relative to industry or other indices or any combination thereof. The Actual Value of a Performance Grant shall be equal to its Maximum Value only if the performance objectives are attained in full, but the Board shall specify the manner in which the Actual Value of Performance Grants shall be determined if the performance objectives are met in part. Such performance measures, the Actual Value or the Maximum Value, or any combination thereof, may be adjusted in any manner by the Board in its discretion at any time and from time to time during or as soon as practicable after the Award Period, if it determines that such performance measures, the Actual Value or the Maximum Value, or any combination thereof, are not appropriate under the circumstances.

(C) The Board shall determine in its discretion and specify in each agreement embodying a Performance Grant the effect, if any, the termination of the Participant's employment with or performance of services for the Company during the Award Period shall have on such Performance Grant.

(D) The Board shall determine whether the conditions of a Performance Grant have been met and, if so, shall ascertain the Actual Value of the Performance Grant. If the Performance Grant has no Actual Value, the Award and such Performance Grant shall be deemed to have been canceled and the Associated Award, if any, may be canceled or permitted to continue in effect in accordance with its terms. If the Performance Grant has any Actual Value and:

(I) was not awarded in conjunction with an Associated Award, the Board shall cause an amount equal to the Actual Value of the Performance Grant earned by the Participant to be paid to him or his permitted assignee or Beneficiary; or

(II) was awarded in conjunction with an Associated Award, the Board shall determine, in accordance with criteria specified by the Board (A) to cancel the Performance Grant, in which event no amount with respect thereto shall be paid to the Participant or his permitted assignee or Beneficiary, and the Associated Award may be permitted to continue in effect in accordance with its terms, (B) to pay the Actual Value of the Performance Grant to the Participant or his permitted assignee or Beneficiary as provided below, in which event the Associated Award may be canceled or (C) to pay to the Participant or his Beneficiary, the Actual Value of only a portion of the Performance Grants, in which event all or a portion of the Associated Award may be permitted to continue in effect in accordance with its terms or be canceled, as determined by the Board.

Such determination by the Board shall be made as promptly as practicable following the end of the Award Period or upon the earlier termination of employment or performance of services, or at such other time or times as the Board shall determine, and shall be made pursuant to criteria specified by the Board.

(E) Payment of any amount with respect to the Performance Grants that the Board determines to pay as provided above shall be made by CompX as promptly as practicable after the end of the Award Period or at such other time or times as the Board shall determine, and may be made in cash, Class A Common Shares, Other CompX Securities or property, or other forms of payment, or any combination thereof or in such other manner, as determined by the Board in its discretion. Notwithstanding anything in this Section to the contrary, the Board may, in its discretion, determine

and pay out the Actual Value of the Performance Grants at any time during the Award Period.

SECTION 10. DEFERRAL OF COMPENSATION. The Board shall determine whether or not an Award shall be made in conjunction with the deferral of the Participant's salary, bonus or other compensation, or any combination thereof, and whether or not such deferred amounts may be:

(A) forfeited to the Company or to other Participants or any combination thereof, under certain circumstances (which may include, but need not be limited to, certain types of termination of employment or performance of services for the Company);

(B) subject to increase or decrease in value based upon the attainment of or failure to attain, respectively, certain performance measures; and/or

(C) credited with income equivalents (which may include, but need not be limited to, interest, dividends or other rates of return) until the date or dates of payment of the Award, if any.

SECTION 11. DEFERRED PAYMENT OF AWARDS. The Board may specify that the payment of all or any portion of cash, Class A Common Shares, Other CompX Securities or property, or any other form of payment, or any combination thereof, under an Award shall be deferred until a later date. Deferrals shall be for such periods or until the occurrence of such events, and upon such terms, as the Board shall determine in its discretion. Deferred payments of Awards may be made by undertaking to make payment in the future based upon the performance of certain investment equivalents (which may include, but need not be limited to, government securities, Class A Common Shares, other securities, property or consideration, or any combination thereof), together with such additional amounts of income equivalents (which may be compounded and may include, but need not be limited to, interest, dividends or other rates of return or any combination thereof) as may accrue thereon until the date or dates of payment, such investment equivalents and such additional amounts of income equivalents to be determined by the Board in its discretion.

SECTION 12. TRANSFERABILITY OF AWARDS. Except as may be approved by the Board, a Participant's rights and interest under this Plan or any Award may not be assigned or transferred, hypothecated or encumbered in whole or in part either directly or by operation of law or otherwise (except in the event of a Participant's death), including, but not by way of limitation, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner; provided, however, that any Incentive Stock Option granted pursuant to this Plan shall not be transferable other than by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by him.

SECTION 13. AMENDMENT OR SUBSTITUTION OF AWARDS UNDER THIS PLAN. The terms of any outstanding Award under this Plan may be amended or modified from time to time by the Board in its discretion in any manner that it deems appropriate (including, but not limited to, acceleration of the date of exercise of any Award and/or payments thereunder) if the Board could grant such amended or modified Award under the terms of this Plan at the time of such amendment or modification; provided that no such amendment or modification shall adversely affect in a material manner any right of a Participant under the Award without his written consent, unless the Board determines in its discretion that there have occurred or are about to occur significant changes in the Participant's position, duties or responsibilities, or significant changes in economic, legislative, regulatory, tax, accounting or cost/benefit conditions that are determined by the Board in its discretion to have or to be expected to have a substantial effect on the performance of the Company, or any affiliate, division or department thereof, on this Plan or on any Award under this Plan. The Board may, in its discretion, permit holders of Awards under this Plan to surrender outstanding Awards in order to exercise or realize the rights under other Awards, or in exchange for the grant of new Awards, or require holders of Awards to surrender outstanding Awards as a condition precedent to the grant of new Awards under this Plan.

SECTION 14. TERMINATION OF A PARTICIPANT. For all purposes under this Plan, the Board shall determine whether a Participant has terminated employment with, or the performance of services for, the Company; provided, however, an absence or leave approved by the Company, to the extent permitted by applicable provisions of the Code, shall not be considered an interruption of employment or performance of services for any purpose under this Plan.

SECTION 15. DILUTION AND OTHER ADJUSTMENTS. In the event of any change in the outstanding Class A Common Shares by reason of any stock split, dividend, split-up, split-off, spin-off, recapitalization, merger, consolidation, rights offering, reorganization, combination or exchange of shares, a sale by CompX of all or substantially all of its assets, any distribution to stockholders other than a normal cash dividend, or other extraordinary or unusual event, if the Board shall determine, in its discretion, that such change equitably requires an adjustment in the terms of any Award or the number of Class A Common Shares available for Awards, such adjustment may be made by the Board and shall be final, conclusive and binding for all purposes of this Plan. Each adjustment made pursuant to this Section shall be made with a view toward preserving the value of the affected Award had prior to the event or transaction giving cause to such adjustment.

In the event of the proposed dissolution or liquidation of CompX, all outstanding Awards shall terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of CompX or the merger of CompX with or into another corporation, all restrictions on any outstanding Awards shall lapse and Participants shall be entitled to the full benefit of all such Awards immediately prior to the closing date of such sale or merger, unless otherwise provided by the Board.

SECTION 16. DESIGNATION OF BENEFICIARY BY PARTICIPANT. A Participant may name a beneficiary to receive any payment to which he may be entitled with respect to any Award under this Plan in the event of his death, on a written form to be provided by and filed with the Board, and in a manner determined by the Board in its discretion (a "BENEFICIARY"). The Board reserves the right to review and approve Beneficiary designations. A Participant may change his Beneficiary from time to time in the same manner, unless such Participant has made an irrevocable designation. Any designation of a Beneficiary under this Plan (to the extent it is valid and enforceable under applicable law) shall be controlling over any other disposition, testamentary or otherwise, as determined by the Board in its discretion. If no designated Beneficiary survives the Participant and is living on the date on which any amount becomes payable to such a Participant's Beneficiary, such payment will be made to the legal representatives of the Participant's estate, and the term "BENEFICIARY" as used in this Plan shall be deemed to include such person or persons. If there are any questions as to the legal right of any Beneficiary to receive a distribution under this Plan, the Board in its discretion may determine that the amount in question be paid to the legal representatives of the estate of the Participant, in which event the Company, the Board, the Committee, the Designated Administrator (if any), and the members thereof, will have no further liability to anyone with respect to such amount.

SECTION 17. FINANCIAL ASSISTANCE. If the Board determines that such action is advisable, the Company may assist any Participant in obtaining financing from the Company (or under any program of the Company approved pursuant to applicable law), or from a bank or other third party, on such terms as are determined by the Board, and in such amount as is required to accomplish the purposes of this Plan, including, but not limited to, to permit the exercise of an Award, the participation therein, and/or the payment of any taxes with respect thereto. Such assistance may take any form that the Board deems appropriate, including, but not limited to, a direct loan from the Company, a guarantee of the obligation by the Company or the maintenance by the Company of deposits with such bank or third party.

SECTION 18. MISCELLANEOUS PROVISIONS.

(A) Any proceeds from Awards shall constitute general funds of CompX.

(B) No fractional shares may be delivered under an Award, but in lieu thereof a cash or other adjustment shall be made as determined by the Board in its discretion.

(C) No Eligible Person or other person shall have any claim or right to be granted an Award under this Plan. Determinations made by the Board under this Plan need not be uniform and may be made selectively among Eligible Persons under this Plan, whether or not such Eligible Persons are similarly situated. Neither this Plan nor any action taken hereunder shall be construed as giving any Eligible Person any right to continue to be employed by or perform services for the Company, and the right to terminate the employment of or performance of services by Eligible Persons at any time and for any reason is specifically reserved.

(D) No Participant or other person shall have any right with respect to this Plan, the Class A Common Shares reserved for issuance under this Plan or in any Award, contingent or otherwise, until written evidence of the Award shall have been delivered to the recipient and all the terms, conditions and provisions of this Plan and the Award applicable to such recipient (and each person claiming under or through him) have been met.

(E) No Class A Common Shares, Other CompX Securities or property, other securities or property or other forms of payment shall be issued hereunder with respect to any Award unless counsel for CompX shall be satisfied that such issuance will be in compliance with applicable law and any applicable rules of any stock exchange or other market quotation system on which Class A Common Shares are listed.

(F) It is the intent of CompX that this Plan comply in all respects with Rule 16b-3 with respect to Awards granted to executive officers of CompX, that any ambiguities or inconsistencies in construction of this Plan be interpreted to give effect to such intention and that if any provision of this Plan is found not to be in compliance with Rule 16b-3, such provision shall be deemed null and void with respect to Awards granted to executive officers of CompX to the extent required to permit such Awards to comply with Rule 16b-3. It is also the intent of CompX that this Plan comply in all respects with the provisions of the Code providing favorable treatment to Incentive Stock Options, that any ambiguities or inconsistencies in construction of this Plan be interpreted to give effect to such intention and that if any provision of this Plan is found not to be in compliance with the Incentive Stock Option provisions of the Code, such provision shall be deemed null and void with respect to Incentive Stock Options granted to employees of the Company to the extent required to permit such Incentive Stock Options to receive favorable treatment under the Code.

(G) The Company shall have the right to deduct from any payment made under this Plan any federal, state, local or foreign income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of CompX to issue Class A Common Shares, Other CompX Securities or property, other securities or property, or other forms of payment, or any combination thereof, upon exercise, settlement or payment of any Award under this Plan, that the Participant (or any Beneficiary or person entitled to act) pay to CompX, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold federal, state, local or foreign income or other taxes. If the amount requested is not paid, CompX may refuse to issue Class A Common Shares, Other CompX Securities or property, other securities or property, or other forms of payment, or any combination thereof. Notwithstanding anything in this Plan to the contrary, the Board may, in its discretion, permit an Eligible Person (or any Beneficiary or person entitled to act) to elect to pay a portion or all of the amount requested by the Company for such taxes with respect to such Award, at such time and in such manner as the Board shall deem to be appropriate (including, but not limited to, by authorizing CompX to withhold, or agreeing to surrender to CompX on or about the date such tax liability is determinable, Class A Common Shares, Other CompX Securities or property, other securities or property, or other forms of payment, or any combination thereof, owned by

such person or a portion of such forms of payment that would otherwise be distributed, or have been distributed, as the case may be, pursuant to such Award to such person, having a Fair Market Value equal to the amount of such taxes).

(H) The expenses of this Plan shall be borne by the Company; provided, however, the Company may recover from a Participant or his Beneficiary, heirs or assigns any and all damages, fees, expenses and costs incurred by the Company arising out of any actions taken by a Participant in breach of this Plan or any agreement evidencing such Participant's Award.

(I) This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under this Plan, and rights to the payment of Awards shall be no greater than the rights of the Company's general creditors.

(J) By accepting any Award or other benefit under this Plan, each Participant and each person claiming under or through him shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under this Plan by the Company, the Board, the Committee (if applicable) or the Designated Administrator (if applicable).

(K) The appropriate officers of the Company shall cause to be filed any reports, returns or other information regarding Awards hereunder of any Class A Common Shares issued pursuant hereto as may be required by applicable law and any applicable rules of any stock exchange or other market quotation system on which Class A Common Shares are listed.

(L) The validity, construction, interpretation, administration and effect of this Plan, and of its rules and regulations, and rights relating to this Plan and to Awards granted under this Plan, shall be governed by the substantive laws, but not the choice of law rules, of the State of Delaware.

(M) Records of the Company shall be conclusive for all purposes under this Plan or any Award, unless determined by the Board to be incorrect.

(N) If any provision of this Plan or any Award is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Plan or any Award, but such provision shall be fully severable, and this Plan or Award, as applicable, shall be construed and enforced as if the illegal or invalid provision had never been included in this Plan or Award, as applicable.

(O) The terms of this Plan shall govern all Awards under this Plan and in no event shall the Board have the power to grant any Award under this Plan that is contrary to any of the provisions of this Plan.

(P) For purposes of interpretation of this Plan, the masculine pronoun includes the feminine and the singular includes the plural wherever appropriate.

SECTION 19. PLAN AMENDMENT OR SUSPENSION. This Plan may be amended or suspended in whole or in part at any time from time to time by the Board. No amendment of this Plan shall adversely affect in a material manner any right of any Participant with respect to any Award previously granted without such Participant's written consent, except as permitted under SECTION 13.

SECTION 20. PLAN TERMINATION. This Plan shall terminate upon the earlier of the following dates or events to occur:

(A) upon the adoption of a resolution of the Board terminating this Plan; or

(B) the tenth anniversary of the Effective Date; provided, however,

that the Board may, prior to such date, extend the term of this Plan for an additional period of up to five years for the grant of Awards other than Incentive Stock Options. No termination of this Plan shall materially alter or impair any of the rights or obligations of any person, without his consent, under any Award previously granted under this Plan, except that subsequent to termination of this Plan, the Board may make amendments or modifications permitted under SECTION 13.

SECTION 21. EFFECTIVE DATE. This Plan shall be effective, and Awards may be granted under this Plan, on or after the Effective Date; provided, however, if this Plan is not approved by at least a majority of the votes cast by the stockholders of CompX at a meeting of stockholders at which a quorum is present within one year after the Effective Date then, in such event, this Plan and all Awards granted pursuant to this Plan shall be null and void.

ADOPTED BY THE BOARD: December 16, 1997
APPROVED BY THE STOCKHOLDERS: December 16, 1997
EFFECTIVE DATE: December 16, 1997

EXECUTED to evidence this CompX International Inc. 1997 Long-Term Incentive Plan adopted by the Board and the stockholder on December 16, 1997.

CompX International Inc.

By: /s/ Steven L. Watson

Steven L. Watson, Secretary

AGREEMENT

Between

HAWORTH, INC.

and

WATERLOO FURNITURE COMPONENTS, LTD.

and

WATERLOO FURNITURE COMPONENTS, INC.

AGREEMENT

This Agreement effective October 1, 1992, by and between Haworth, Inc., a Michigan corporation having a place of business at One Haworth Center, 1400 Highway M-40. Holland, Michigan 49423, hereinafter referred to as "HAWORTH," and Waterloo Furniture Components, Ltd., a corporation organized under the laws of the province of Ontario, having a place of business at 501 Manitou Drive, Kitchener, Ontario, Canada, N2C 1L2, and Waterloo Furniture Components, Inc., a corporation organized under the laws of the state of Nevada, having a place of business at 200 Old Mill Road, Mauldin, South Carolina, hereinafter collectively referred to as "WATERLOO."

WITNESSETH:

WHEREAS, HAWORTH is the owner of all right, title and interest in and to an invention in an articulated keyboard support device and in particular United States Patent No. 4,616,798 issued October 14, 1986, and entitled "ADJUSTABLE SUPPORT FOR CRT KEYBOARD" (hereinafter referred to as the "'798 patent" or the "Licensed Patent");

WHEREAS, WATERLOO has manufactured and sold articulated keyboard support devices subsequent to October 14, 1986, including the Model 6100 Series and Model 4100 Series products, some of which devices are asserted by Haworth to directly and/or contributorily infringe one or more of the claims of the '798 patent;

WHEREAS, HAWORTH and WATERLOO agree that HAWORTH has no patent protection prohibiting WATERLOO from continuing to manufacture and sell its existing articulated keyboard support products in Canada and HAWORTH has not, and will not in the future, seek damages or royalties for the manufacture of such products for sale and use in Canada.

WHEREAS, WATERLOO disputes HAWORTH's allegations of infringement and has challenged the validity of the '798 patent, but desires to avoid the expense of additional litigation.

WHEREAS, WATERLOO represents that the WATERLOO Model 6100 series products are within the scope of the claims of U.S. Patent No. 5,037,054 owned by WATERLOO, and HAWORTH acknowledges such representation.

WHEREAS, HAWORTH and WATERLOO are desirous of amicably settling pending litigation and resolving the outstanding controversy therebetween with respect to the allegedly infringing keyboard support devices manufactured and/or sold by WATERLOO subsequent to October 14, 1986;

WHEREAS, WATERLOO is desirous of also obtaining a license under the '798 patent to permit, without the threat of alleged infringement or litigation, the continued manufacture and/or sale of such devices beginning as of the effective date of this Agreement;

WHEREAS, HAWORTH is also desirous of resolving this controversy without further litigation.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein set forth, HAWORTH and WATERLOO agree as follows:

SECTION I
DEFINITIONS

I-1. The term "Licensed Patent" shall refer to aforesaid U.S. Patent No. 4,616,798 (hereinafter also referred to as the '798 patent).

I-2. The term "Licensed Unit(s)" shall refer to an articulated keyboard support device (either with or without the pad which directly supports a keyboard) which is adapted to be mounted on a work surface and (1) which HAWORTH heretofore alleged to fall or (2) which in the future falls within the scope of one or more claims of the Licensed Patent so as to give rise to direct or contributory infringement thereof. The current WATERLOO models for which royalties shall be paid are identified on Addendum A.

I-3. If the Licensed Unit is sold without the pad, then the term "Selling Price" shall mean the price of the Licensed Unit (without the pad) in an arm's length transaction for a separate specified consideration payable in money, less any sales or use taxes, less any discounts allowed and taken in amounts customary in the trade such as quantity discounts, and less duty, freight or shipping charges, if separately itemized on the invoice, but before deductions of cash discounts or agents' commissions. If the Licensed Unit is sold with a pad, then the price of the pad shall not be included in the "Selling Price" as defined herein if the price of the pad is separately itemized on the invoice. As to all Licensed Units sold with pads prior to the date of signing of this Agreement, it is not a requirement of this Agreement that the selling price of the pad be separately itemized on the invoice, and in situations where the Licensed Unit included a pad, then WATERLOO shall be entitled to deduct the cost of the pad from the "selling price."

I-4. The term "sell" or "sale" and conjugate terms shall include lease, transfer, deliver, or otherwise dispose of for consideration. The "sale" of a Licensed Unit shall be considered to have occurred or such Licensed Unit shall be considered to be "sold" when such Licensed Unit is billed out, or if not billed out, then when delivered, or disposed of by WATERLOO for purposes other than that of soliciting sales from customers or when paid for if paid for before delivery.

I-5. The term "Licensed Territory" shall include the United States of America including its territories and possessions. WATERLOO may sell Licensed Units anywhere in the world except Japan.

I-6. The term "Agreement Year" in reference to the length of term of this Agreement shall have reference to a twelve (12) month interval extending from either the effective date hereof or the annual anniversary of the effective date hereof, and the term "quarter(s)" will refer to three (3) month intervals within said Agreement Year and ending as of the last day of the months of September, December, March and June.

SECTION II
GUARANTEED PAYMENTS

II-1. In exchange for HAWORTH's agreement to settle pending litigation between HAWORTH and WATERLOO, and to refrain from legal action against WATERLOO's customers for infringement of the '798 patent based on sales and uses of WATERLOO keyboard support devices occurring prior to October 1, 1992, WATERLOO shall pay to HAWORTH a Guaranteed Total Sum of One Million Five Hundred Fifty Thousand Dollars ($1,550,000.00), payable as follows:

1.1 An initial payment of Five Hundred Fifty Thousand Dollars ($550,000) within ten (10) days of the execution of this Agreement; and

1.2 An Annual Settlement Payment of Two Hundred Thousand Dollars ($200,000) during each of the first, second, third, fourth and fifth Agreement years. The Annual Settlement Payment for each said Agreement Year shall be paid in equal quarterly installments on the thirtieth (30th) day of the month following each quarter (that is the thirtieth (30th) day of January, April, July and October). Any quarterly payments having a payment date prior to the execution of this agreement shall be paid within

ten (10) days of the execution of this agreement.

II-2. No interest shall be charged with respect to said Guaranteed Total Sum, provided that all payments are timely made.

II-3. WATERLOO guarantees payment of the Guaranteed Total Sum specified in Section II-1 above, in settlement of the controversy between the parties, except as provided under section VII-5 below. In the event that any claim of the '798 patent is held unpatentable, unenforceable or invalid for any reason in any litigation or re-examination, no part of said Guaranteed Total Sum shall be forgiven, or be discharged or be refundable to WATERLOO.

SECTION III
GRANT AND TERM

III-1. HAWORTH hereby grants to WATERLOO a non-exclusive right and license to manufacture, have manufactured, use and sell Licensed Units within said Licensed Territory. WATERLOO shall not have the right to grant sublicenses hereunder, except to affiliated companies.

III-2. No license is granted expressly or by implication by virtue of this Agreement under any other patent of HAWORTH, domestic or foreign. No current WATERLOO keyboard support device is an infringement or within the scope of any claim of any other U.S. or Canadian patent or patent application of HAWORTH.

III-3. The effective date of this Agreement and the license granted herein shall be October 1, 1992.

III-4. This Agreement shall be effective only when executed by both parties and shall continue for the full term of said Licensed Patent, unless this Agreement is earlier terminated pursuant to the provisions hereof.

SECTION IV
ROYALTIES

IV-1. In consideration of the grant by HAWORTH to WATERLOO of the license under Section III, WATERLOO agrees to pay to HAWORTH a royalty as follows:

1.1 (1) Ten percent (10%) of the selling price (as defined in Section I-3 above) for the first One Hundred Thousand (100,000) Licensed units sold by WATERLOO during each Agreement Year; (2) Eight percent (8%) of the Selling Price (as defined in Section I-3 above) for the second One Hundred Thousand (100,000) Licensed Units sold by WATERLOO during each agreement year; and (3) Three percent (3%) of the Selling Price (as defined in Section I-3 above) for any Licensed Units over Two Hundred Thousand (200,000) Licensed Units sold by WATERLOO during each agreement year.

1.2 However, as a matter of accounting convenience WATERLOO may elect to calculate and pay royalties at the following per unit rates based upon an average selling price of $35.00 per unit: (1) Three Dollars and Fifty Cents ($3.50) per Licensed Unit for the first One Hundred Thousand (100,000) Licensed units sold by WATERLOO during each Agreement Year; (2) Two Dollars and Eighty Cents ($2.80) per Licensed Unit for the second One Hundred Thousand (100,000) Licensed Units sold by WATERLOO during each agreement year; and (3) One Dollar and Five Cents ($1.05) per Licensed Unit for Licensed Units over Two Hundred Thousand (200,000) Licensed Units sold by WATERLOO during each agreement year.

1.3 It is understood that WATERLOO must elect, in writing, whether to calculate royalties under paragraph IV-1.1 or paragraph IV-1.2 at the time of the first quarterly payment and all future payments will be made on the same basis.

IV-2. WATERLOO shall be entitled to deduct from the royalties due Haworth, during each of the initial five Agreement Years, the Annual Settlement Payment (as defined in Section II-1.2) paid to HAWORTH for the same Agreement Year. The Initial Settlement Payment of Section II-1.1 above shall not be deductible from royalties.

IV-3. Royalties shall be payable from WATERLOO to HAWORTH on a quarterly basis, with the quarterly royalty payment being due by no later than the thirtieth (30th) day of the month following the end of each quarter (i.e., the quarterly royalties being due on the 30th day of January, April, July and October). Each Quarterly royalty payment may be reduced by the amount of the quarterly Annual Settlement Payment paid for the same quarter, and the royalty payment owed by WATERLOO to HAWORTH for the Agreement Year (as paid quarterly) shall be the difference between the total computed royalty for the Agreement Year (including any credit as described in paragraph IV-5 below) minus the total Annual Settlement Payment paid by WATERLOO to HAWORTH for the same Agreement Year.

IV-4. WATERLOO shall not be entitled to pay Settlement Payments or royalty payments into escrow accounts.

IV-5. With respect to sales of Licensed Units on or after October 1, 1992, WATERLOO may claim a credit for any royalty previously paid or due to HAWORTH for Licensed Units that have been returned to WATERLOO for credit by customers of WATERLOO in proportion to the amount of any credit against the Selling Price that has been allowed by WATERLOO to said customers. No credit may be claimed with respect to any keyboard support devices sold prior to October 1, 1992.

SECTION V
GENERAL PROVISIONS RELATING TO ROYALTIES

V-1. WATERLOO shall keep complete and accurate records of all Licensed Units sold or otherwise disposed of by WATERLOO. On or before the thirtieth (30th) day of each of January, April, July and October (the "payment date"), WATERLOO shall render a written statement to HAWORTH setting forth by model, style or catalog number, the quantity of Licensed Units sold by WATERLOO during the preceding quarter, and the amount of royalties due. If royalty payments are based upon a percentage of the Selling Price (as defined in paragraph I-3 above) then the written statement shall also include the Selling Price of the Licensed Units. WATERLOO shall contemporaneously pay the royalties due to HAWORTH in the manner set forth in this Agreement. The first royalty "payment date" shall be January 30, 1993, and the respective statement and royalty payment shall be for the fourth quarter, 1992. If no Licensed Units have been sold during any quarter, WATERLOO shall render a written statement to HAWORTH of such fact. The royalty statements of WATERLOO, if requested by HAWORTH, shall be certified as to correctness by a corporate officer of WATERLOO or by an independent certified public accountant.

V-2. Within thirty (30) days after expiration or termination of this Agreement, WATERLOO shall render a statement to HAWORTH containing the information called for in Section V-1 and covering any period prior to expiration or termination for which a statement has not been previously rendered and shall contemporaneously pay the royalties due for said period.

V-3. HAWORTH may require WATERLOO to pay interest upon any and all amounts of royalty or settlement payments due to HAWORTH that are unpaid more than fifteen (15) days following the applicable payment date, from the applicable payment date to the date of payment, the rate of such interest being the prime rate at the Bank of America on the applicable payment date.

V-4. WATERLOO agrees to permit the records referred to in Section V-1 hereof to be examined (at HAWORTH's expense) during normal business hours and no more frequently than once each calendar year by an auditor or independent certified public accountant mutually acceptable to HAWORTH and WATERLOO in order to verify the accuracy of WATERLOO's statements and of the payments required to be made hereunder. WATERLOO shall make prompt adjustments to correct any errors or omissions in WATERLOO's statements or payments disclosed by such audit. Neither HAWORTH's right to audit nor its right to receive adjustment shall be effected by any statement to the contrary appearing on checks or otherwise. In the event that such examination determines underpayment of royalties in excess of two percent (2%) for any Agreement Year, then WATERLOO shall bear the cost of the examination. In the event that such examination determines overpayment of royalties, HAWORTH shall promptly refund WATERLOO the overpayment to correct any

errors, alternatively, at WATERLOO's sole discretion, the overpayment may be credited to future royalty payments.

V-5. If any claim or claims of the '798 patent are subsequently declared invalid, unpatentable or unenforceable by any final and nonappealable decision by a Federal Court, the United States International Trade Commission or the Patent and Trademark Office, then WATERLOO's obligation to pay royalties with respect to said claim or claims shall cease as of the day the decision becomes final and nonappealable. Furthermore, in the event that hereafter either (1) The United States Patent and Trademark Office or a Court of competent jurisdiction in a final non-appealable determination or (2) HAWORTH construes the claims of the '798 patent to have a scope of coverage which excludes any WATERLOO model(s) listed on Addendum A, then (1) WATERLOO is not estopped from asserting non-infringement by said model(s), (2) no subsequent royalty is due hereunder as to said model(s) and (3) no presumption of claim coverage or infringement shall be applied to said model(s) by virtue of this Agreement.

V-6 In any case WATERLOO's obligation to pay royalties shall cease as of the day the '798 patent expires.

SECTION VI
NOTICE AND TERMINATION

VI-1. Any notice which HAWORTH or WATERLOO is required or permitted to give pursuant to any of the provisions of this Agreement by either party to the other, shall be regarded as properly given if the same is embodied in a letter signed by a duly authorized officer or agent of the party sending notice, sent by Certified or Registered Mail, Return Receipt Requested, and addressed to the parties as follows:

If to HAWORTH:

Haworth, Inc.
One Haworth Center
1400 Highway M-40
Holland, Michigan 49423

Attention: President

If to WATERLOO FURNITURE COMPONENTS, LTD.

Waterloo Furniture Components, Ltd.
501 Manitou Drive
Kitchener, Ontario N2C 1L2
CANADA

Attention: President

If to WATERLOO FURNITURE COMPONENTS, INC.

Waterloo Furniture Components, Inc.
200 Old Mill Road
Mauldin, South Carolina 29662

Attention: President

The effective date of said notice shall be the date of receipt by the addressee.

VI-2. Any payment made to HAWORTH under this Agreement shall be addressed to:

Haworth, Inc.
One Haworth Center
1400 Highway M-40
Holland, Michigan 49423

Attention: Vice President of Finance,

or to any other location subsequently authorized by HAWORTH in writing.

VI-3. WATERLOO shall have the right to terminate this Agreement and the license granted to it hereunder by written notice to HAWORTH. This Agreement and the rights granted to WATERLOO hereunder shall terminate upon receipt of such termination notice by HAWORTH. There shall be no refund or return of any monies paid to HAWORTH by WATERLOO prior to said termination, and WATERLOO shall

not thereby be relieved or discharged of paying either the Guaranteed Total Sum specified in Section II hereof or the full sum for past royalties set forth in Section IV hereof.

VI-4. If WATERLOO shall at any time default in making any payment required under this Agreement or in making any report hereunder, or commit any breach of any covenant or Agreement herein contained, and shall fail to remedy any such default or breach within sixty (60) days after receipt of written notice from HAWORTH specifying such default or breach, then by notice in writing to this effect and at its option, HAWORTH may terminate this Agreement and the license hereunder, but such termination shall not prejudice HAWORTH's rights which shall have accrued to the date of such termination, nor its rights to recover any royalty or any payment due at the time of such termination nor shall it prejudice any cause of action or claims of HAWORTH accrued or to accrue on account of any breach or default by WATERLOO. This Agreement and the rights granted to WATERLOO hereunder shall terminate upon receipt of such termination notice by WATERLOO.

VI-5. HAWORTH shall have the right to terminate this Agreement at any time upon or after the filing by WATERLOO of a petition in bankruptcy or insolvency, or upon or after any adjudication that WATERLOO is bankrupt or insolvent, or upon or after the filing by WATERLOO of any petition or answer seeking reorganization, readjustment, or rearrangement of WATERLOO under any law relating to bankruptcy or insolvency, or upon or after the appointment of a receiver for all or substantially all of the property of WATERLOO, or upon or after the making by WATERLOO of any assignment or attempted assignment for the benefit of creditors, or upon or after the institution by WATERLOO of any assignment or attempted assignment for the benefit of creditors, or upon or after the institution by WATERLOO of any proceedings for the liquidation or winding up of its business, and upon the exercise of such right, this Agreement shall terminate thirty (30) days after notice in writing to that effect has been sent by HAWORTH to WATERLOO. It is, however, understood that should either entity, Waterloo Furniture Components, Ltd. or Waterloo Furniture Components, Inc. liquidate, wind-up business or otherwise take or be subject to an action covered by this paragraph, while the other entity continues business, HAWORTH has no right, under this paragraph, to terminate this Agreement with respect to the entity continuing business.

VI-6. HAWORTH shall have the right to terminate this Agreement if WATERLOO voluntarily (i.e. absent a court order, a subpoena or other similar process) assists any third party in contesting the validity, patentability, enforceability or scope of coverage of the '798 patent.

VI-7. Expiration or termination of this Agreement shall not release WATERLOO from any of its obligations hereunder with regard to Licensed Units manufactured prior to expiration or termination, and shall not rescind or give rise to any right to rescind anything done or to claim return of, or cancellation of any payment, obligation occurring, or other consideration given to HAWORTH hereunder, prior to the time of expiration or termination.

VI-8. Failure or delay on the part of HAWORTH to exercise its right of termination hereunder for any one or more breaches or defaults shall not be deemed a waiver of its right of termination for such or for any other subsequent breach or default. Likewise, failure or delay on the part of WATERLOO to exercise its right of termination hereunder for any one or more breaches or defaults shall not be deemed a waiver of its right of termination for such or for any other subsequent breach or default.

SECTION VII
GENERAL PROVISIONS

VII-1. WATERLOO shall mark all Licensed Units with the number of the Licensed Patent, such as by using the phrase "Patent No. 4,616,798" or equivalent.

VII-2. If, during the term of this Agreement, HAWORTH grants a license to thereafter make, use or sell under the '798 patent to a direct competitor of WATERLOO at a more favorable royalty than that contained in Section IV-1 hereof, and if the royalty is a primary tangible consideration received or receivable by

HAWORTH for grant of the license, then such more favorable royalty will be automatically offered to WATERLOO and shall be effective as of the date said royalty comes into effect with respect to said competitor, provided that WATERLOO accepts said more favorable royalty together with any less favorable terms that may be in such other license. However, if such license granted by HAWORTH to a direct competitor of WATERLOO provides to HAWORTH non-monetary considerations, which are unique to such competitor, then WATERLOO may adopt the terms of such license, if WATERLOO offers to HAWORTH non-monetary considerations which are substantially equivalent to such unique non-monetary considerations. The intent of HAWORTH and WATERLOO is to provide that WATERLOO is treated no less favorably than direct competitors of WATERLOO in regard to licensing of the '798 patent. HAWORTH's competitors in the office furniture business arc acknowledged to not be direct competitors with WATERLOO within the meaning of this provision. In the event that HAWORTH enters into any license agreement under the '798 patent with any direct competitor of WATERLOO, then HAWORTH shall provide written notice of such agreement and the terms thereof to WATERLOO within thirty (30) days following the execution thereof.

VII-3. HAWORTH agrees to make no attempt to commercially use the fact that WATERLOO is licensed under the '798 patent, and more specifically, will not use this license relationship in promoting or attempting to sell HAWORTH's products to prospective customers. If WATERLOO has reason to believe that HAWORTH has failed to fully comply with this commitment, then WATERLOO shall notify HAWORTH so as to enable HAWORTH to take necessary action to resolve the matter and insure compliance with this provision. In those situations where HAWORTH is attempting to enforce and/or license the '798 patent, then HAWORTH shall have the right to disclose that WATERLOO is licensed under the '798 patent.

VII-4. HAWORTH agrees to make reasonable efforts consistent with its sound business judgment to enforce the '798 patent against infringers.

4.1 If WATERLOO becomes aware of an infringement by a direct competitor of WATERLOO (as defined in paragraph VII-2 above) then WATERLOO shall promptly notify HAWORTH, in writing, of the infringement and show the extent of infringement to enable HAWORTH to evaluate same. If such infringement is a Substantial Infringement (as set forth below), and in the event HAWORTH fails, within twelve (12) months from the date of such notification showing Substantial Infringement, to: (1) cause such infringement to cease or become reduced to less than Substantial Infringement; or (2) demonstrate by a reasonable showing, diligent prosecution toward termination of Substantial Infringement; or (3) bring suit and prosecute the same with reasonable diligence against said infringer in response to the notification served by WATERLOO, then WATERLOO shall be entitled to withhold royalties which would otherwise accrue thereafter under this agreement. However, upon a subsequent reasonable showing by HAWORTH to WATERLOO of diligent prosecution toward termination of Substantial Infringement, WATERLOO shall resume payment of royalties effective as of the date of said showing and shall also pay to HAWORTH royalties accrued during the period of time during which WATERLOO withheld royalties in accordance with the above. The term "Substantial Infringement" shall mean the unlicensed manufacture, use or sale over a period of at least two consecutive accounting quarters of products which infringe the Licensed Patent where there is reason to believe the sales volume of such infringement is equal to or exceeds an annual volume of Twenty Five Thousand (25,000) Units by a single infringer. The burden of initially showing Substantial Infringement shall be upon WATERLOO by a preponderance, and the burden of subsequently showing termination or lack of Substantial Infringement shall be upon HAWORTH by a preponderance. However, HAWORTH's ongoing litigation with Steelcase shall not be considered as activity against an infringer identified by WATERLOO hereunder. Further, if HAWORTH is at any time litigating the '798 patent against an infringer, other than the pending litigation with Steelcase, then HAWORTH shall have no obligation to simultaneously litigate the patent against other infringers.

4.2 With respect to HAWORTH's competitors in the office furniture business which are considered not to be direct competitors with WATERLOO,

HAWORTH agrees to make reasonable efforts consistent with its sound business judgment to enforce the '798 patent against such infringers, provided however, that HAWORTH's opinion and decision as to whether to initiate litigation against parties that are not direct competitors with WATERLOO shall be accepted as final by WATERLOO.

VII-5. HAWORTH agrees not to license the '798 patent or any corresponding foreign patent for manufacture outside of Canada or the United States of America for importation into the United States of America. If HAWORTH issues a license for such importation, then WATERLOO shall submit appropriate written notice to HAWORTH and, if HAWORTH fails to take steps to stop such importation within sixty (60) days following receipt of such notice, then WATERLOO shall continue to be licensed, but may cease payment of royalties and any outstanding Settlement Payments due hereunder, without any future obligation to HAWORTH for such ceased payments. Thereafter, at such time as HAWORTH stops such licensed importation, royalty on sales subsequent to the cessation of licensed importation shall be due and payable pursuant to section IV-1 above. It is understood that it is not a license under this paragraph to provide an importer a waiver of damages for past sales in settlement of an infringement dispute.

VII-6. WATERLOO and/or its customers shall be solely responsible for the design and manufacture of the Licensed Units. HAWORTH makes no warranty, either expressed or implied, relative to the Licensed Units or the applications thereof. WATERLOO agrees that it will be solely responsible for any and all liability or damage which may arise solely as a result of said Licensed Units which are manufactured by WATERLOO, and that it will indemnify, hold harmless and defend HAWORTH relative to any such liability or damage. Provided, however, to the extent HAWORTH purchases, uses or sells Licensed Units manufactured by WATERLOO, WATERLOO will not indemnify, hold harmless or defend HAWORTH against liability or damage relating to HAWORTH's actions with respect to such Licensed Units, except to the extent such indemnification is required by law.

VII-7. WATERLOO expressly covenants that neither this Agreement nor rights hereunder shall be, directly or indirectly, assigned, transferred, divided or shared by WATERLOO to or with any other individual, firm, corporation or association whatsoever, without the prior written consent of HAWORTH; provided, however, that this Agreement may be assigned to a successor to substantially all of the business of WATERLOO. No acquisition of the shares or assets of WATERLOO nor any assignment of this Agreement, with or without the consent of HAWORTH, shall operate to absolve any successor or assignee of liability to HAWORTH for infringement of the Licensed Patent arising from acts committed by the successor or assignee prior to the date of assignment.

VII-8. This Agreement shall be binding upon and shall, to the extent provided in Section VII-7 above, inure to the benefit of the respective successor and assigns of HAWORTH and WATERLOO.

VII-9. Nothing contained in this Agreement shall be construed as a warranty or representation by HAWORTH that anything made, used or sold by WATERLOO hereunder will be free from infringement of patents of any third party.

VII-10. Nothing contained in this agreement shall be construed as an admission by WATERLOO that the '798 patent is valid.

VII-II. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter of this Agreement and merges all prior discussions between them, and neither of the parties shall be bound by any conditions, definitions, warranties or representations other than as expressively provided in this Agreement or as duly set forth on or subsequent to the date hereof in writing and signed by a proper and duly authorized representative of the party to be bound thereby.

VII-12. The various provisions of this Agreement, including Sections and Subsections, shall be considered legally severable. In the event any term or provision of the Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not effect any other term or provision hereof; and, in such event, this Agreement shall be interpreted and construed as if such term or provision, to

the extent that same shall have been held to be invalid, illegal or unenforceable, have never been contained herein.

VII-13. This Agreement is deemed to be executed and delivered within the State of Michigan, and shall be construed, interpreted and applied in accordance with the laws of the State of Michigan.

VII-14. WATERLOO acknowledges that HAWORTH's models AKP-10, AKP-19 keyboard support devices, as presently sold, do not infringe any U.S. patents of WATERLOO. HAWORTH represents that the models AKPP-4, AKPT-3, AKP-2, AKPT- 1, NAK-3, NAK-2 and NAK- 1, as presently sold, do not infringe any U.S. patents of WATERLOO and WATERLOO acknowledges that representation.

IN WITNESS WHEREOF, this Agreement is executed in duplicate by duly authorized representatives of the parties hereto as indicated below.

HAWORTH, INC.

By: /s/ Alvin Elders_____

Title: VP Quality_____

Date12/23/92_____

WATERLOO FURNITURE COMPONENTS, LTD.

By: /s/David Bowers_____

Title: ____Chairman_____

Date: 12/28/92_____

WATERLOO FURNITURE COMPONENTS, INC.

By: /s/ David Bowers
Tite: Chairman

Date: 12/28/92

Attachment: Addendum A

Witness:
/s/ Virginia M. Conklin

Witness:
/s/ Kay Rice

ADDENDUM

Waterloo Furniture Components, Ltd. Products Within The License:

Model 4110
Model 4120
Model 4130
Model 4140
Model 4150
Model 4160
Model 4190
Model 6130
Model 6135
Model 6140
Model 6150
Model 6170
Model 6175
Model 6180
Model 6190
Model 5900
Model 4123
Model 4137
Model 4138
Model 4139
Model 4179

Model 6137

AMENDED SUMMARY
OF THE VOLUME OF WATERLOO UNITS
SOLD IN THE U.S.A.

Arm	1986	1987	1988	1989	1990	1991	Jan - Nov 1992
4100	1,015	5,143	11,716	3,039	1,800	0	0
4110	2	129	683	138	3	0	0
4120	1,784	13,464	14,823	13,490	2,438	19	0
4130	2,211	9,732	12,050	16,695	8,602	12	0
4140	3,199	7,122	10,426	11,341	3,281	0	0
4150	901	8,510	6,272	5,300	2,297	0	0
4160	1,719	18,063	27,879	400	102	145	0
4190	470	4,697	7,530	6,637	1,988	0	0
6130	0	0	0	3,954	29,218	50,379	81,421
6140	0	0	0	3,040	155,45 7	158,44 4	162,62 2
6150	0	0	0	0	1,850	6,569	15,091
6170	0	0	0	0	0	0	6,962
6180	0	0	0	0	1	801	0
6190		0	0		2,938	4,202	6,600
5900*	0	0	0	0	0	0	395
Total	11,301	66,860	91,379	64,034	209,97 5	220,57 1	273,09 1

Conversion Kit

4123	0	0	0	0	0	0	0
4137	0	0	0	0	102	0	0
4138	0	0	0	0	80	0	0
4139	0	50	100	100	100	0	0
4179	0	0	0	0	0	0	0
6137	0	0	0	0	0	161	5

In the above chart, the 1986 numbers are from October 14 (issue date of the patent-in-suit) to the end of year. The 1992 numbers are year to date as of December 1, 1992.

TAX SHARING AGREEMENT
AMONG VALCOR, INC.
COMPX INTERNATIONAL INC. AND
VALHI, INC.

This Tax Sharing Agreement (this "AGREEMENT") is made this 2nd day of January, 1998 among Valcor, Inc., a Delaware corporation ("VALCOR"), CompX International Inc., a Delaware corporation and a wholly owned subsidiary of Valcor ("COMPX") and Valhi, Inc., a Delaware corporation and the sole stockholder of Valcor ("VALHI"). Valhi is a party to this Agreement solely for the purposes set forth in SECTION 9. All capitalized terms not otherwise defined in this Agreement shall have the meanings given such terms in SECTION 1.

RECITALS

A. It is contemplated that CompX shall publicly offer shares of its Class A Common Stock, par value $0.01 per share (the "OFFERING").

B. After the Offering, CompX shall no longer be a Member of the Affiliated Group of which Contran is the Common Parent for federal Tax purposes, but will continue to file certain state Tax returns on a combined basis with Contran.

AGREEMENT

In consideration of the following mutual covenants and agreements and other, good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

SECTION 1. DEFINITIONS. As used herein, the following terms shall have the following meanings:

(a) "AFFILIATED GROUP" shall have the meaning attributed to that term in Section 1504 of the Code.

(b) "AGREEMENT" shall have the meaning given such term in the preface to this Agreement.

(c) "CONTRAN TAX GROUP" shall mean the group of corporations at any given time consisting of the Affiliated Group of which Contran is the Common Parent.

(d) "CODE" shall mean the Internal Revenue Code of 1986, as amended.

(e) "COMMON PARENT" shall have the meaning attributed to that term in the Consolidated Return Regulations (Treas. Reg. Section 1.1502-1, et seq.) promulgated pursuant to Section 1502 of the Code.

(f) "COMPX" shall have the meaning given such term in the preface to this Agreement.

(g) "CONTRAN" shall mean Contran Corporation, a Delaware corporation and the controlling stockholder of Valhi, and Contran Corporation's successors.

(h) "OFFERING" shall have the meaning given such term in RECITAL A.

(i) "OFFERING DATE" shall mean the date on which the Offering is consummated.

(j) "IRS" shall mean the Internal Revenue Service.

(k) "MEMBER" shall mean a corporation that qualifies to be an includible corporation of an Affiliated Group under Section 1504(b) of the Code.

(l) "TAX ATTRIBUTES" shall mean any losses, credits and other items of income or Tax that may be carried forward or back by any Member of the

Contran Tax Group or CompX on a separate return or consolidated basis to a taxable year other than the taxable year in which such attribute is recognized. Tax Attributes include, but are not limited to, net operating losses, capital losses, investment Tax credits, foreign Tax credits and research and development credits.

(m) "TAXES" shall mean (i) all federal income taxes and state, local and foreign income and franchise taxes, plus (ii) any penalties, fines or additions to Tax with respect thereto, plus (iii) any interest with respect to the items contained in (i) and (ii).

(n) "VALCOR" shall have the meaning given such term in the preface to this Agreement.

(o) "VALHI" shall have the meaning given such term in the preface to this Agreement.

SECTION 2. PAYMENT OF TAXES.

(a) Where allowed by applicable law and Contran deems it advantageous, Contran shall include the income of CompX (including any deferred income triggered into income by Reg. Section1.1502-13 and Reg. Section1.1502-14 and any excess loss accounts taken into income under Reg. Section1.1502-19) on Contran's consolidated or combined Tax returns and Contran shall pay on behalf of CompX any Taxes attributable to such income.

(b) Within five business days prior to a required quarterly estimated Tax payment filing date or final Tax payment filing date, as applicable, for any Tax return of Contran that is filed on a consolidated or combined basis that includes items that pertain to CompX, CompX shall pay to Valcor (or Valcor shall pay to CompX, as the case may be) an amount equal to the Tax liability that would be imposed if such return contained only those items actually shown on the return that pertain to CompX using the Tax elections made by Contran or any other common parent for state Tax purposes.

(c) Contran and all other Members of the Contran Tax Group shall be responsible for the payment of all Taxes due for the Contran Tax Group that arise as a result of filing consolidated or combined Tax returns.

(d) CompX shall be solely responsible for the payment of all Taxes due for CompX with respect to Tax returns that are filed by CompX on a separate company basis.

(e) The income of CompX for the period up to and including the Offering Date shall be determined by closing the books of CompX as of the end of the Offering Date.

SECTION 3. FILING OF TAX RETURNS.

(a) Contran shall be responsible for the preparation and filing of all Tax returns required to be filed by Contran or the Contran Tax Group.

(b) All Tax returns of CompX that are filed by CompX on a separate company basis shall be prepared and filed by CompX.

(c) Where applicable law allows Contran to include CompX in Contran's consolidated or combined Tax returns, Contran shall not file such return without affording CompX the opportunity to review and comment on the items that pertain to CompX in such return.

SECTION 4. TAX DEFICIENCIES, TAX REFUNDS AND SUCCESSOR LIABILITY ATTRIBUTABLE TO PERIODS PRIOR TO THE OFFERING DATE.

(a) CompX shall indemnify Valcor and hold it and its affiliates harmless from and against any deficiency in Taxes that is attributable to CompX that may be due to Contran.

(b) CompX shall be entitled to receive a payment from Valcor equal to the amount of any Tax refund received by Contran (or any amount credited against Contran's Taxes) that is attributable to CompX that may be due to CompX.

(c) Contran shall file claims for refund as requested by CompX; provided however, that Contran shall not be obligated to file a claim for refund that might result in additional Tax being assessed against Contran or any other Member of the Contran Tax Group; and

(d) Valcor shall indemnify CompX and hold it and its affiliates harmless from and against any liability for Taxes attributable to Contran or any other Member of the Contran Tax Group other than CompX.

SECTION 5. TAX CONTESTS.

(a) Except as provided below, Contran shall have sole and complete authority to conduct any and all Tax contests (including Tax audits, IRS examinations and Tax litigation) with respect to any Tax returns filed by Contran or the Contran Tax Group. CompX shall have sole and complete authority to conduct any and all Tax contests (including Tax audits, IRS examinations and Tax litigation) with respect to any separate company Tax return filed by CompX. The authority to conduct such Tax contests includes the power to negotiate and enter into settlements with any Taxing authority

(b) Notwithstanding the foregoing, with respect to any Tax contests that relate to Tax returns filed on a consolidated or combined basis by Contran and that include items pertaining to CompX, if such Tax contest could result in CompX being obligated to make a payment to Contran pursuant to SECTION 2(B) or 4(A) of this Agreement or being entitled to receive a refund pursuant to SECTION 2(B) or 4(B) of this Agreement, CompX shall be entitled to participate in such Tax contest at its own expense and Contran will not enter into any settlement of such Tax contest (insofar as it affects CompX's obligation to indemnify Contran under SECTION 2(B) or 4(A) or CompX's entitlement to receive a refund under SECTION 2(B) or 4(B)) without the approval of CompX, and such approval shall not be unreasonably withheld. Contran will provide CompX prompt notice of any Tax contest in which, pursuant to this Agreement, CompX has the right to participate.

(c) Contran (and the Members of the Contran Tax Group) and CompX shall each provide the assistance reasonably requested by the other with respect to any Tax contest that relate to Tax returns filed on a consolidated or combined basis by Contran and that include items pertaining to CompX. Such assistance shall include providing reasonable access to books, records, Tax returns and supporting workpapers and providing any powers of attorney required to conduct any Tax contest.

SECTION 6. ASSISTANCE IN THE PREPARATION OF TAX RETURNS. Contran (and Members of the Contran Tax Group) and CompX shall provide each other with such cooperation, assistance and information as either of them reasonably may request of the other with respect to the filing of any Tax return, amended return, claim for refund or other document with any Taxing authority. Where applicable law allows Contran to include the income of CompX on Contran's consolidated or combined Tax returns, CompX shall furnish all Tax information to Contran for inclusion in such Tax returns in such a format and timely manner as Contran may reasonably request in order for Contran to file such returns timely.

SECTION 7. RETENTION OF RECORDS. Contran shall retain all Tax returns, Tax reports, related workpapers and all schedules (along with all documents that pertain to any such Tax returns, reports or workpapers) that relate to a Tax period in which Contran included items pertaining to CompX in Contran's consolidated or combined Tax return. Contran shall make such documents available to CompX at CompX's request. Contran shall not dispose of such documents without the permission of CompX.

SECTION 8. CARRYBACKS OF TAX ATTRIBUTES.

(a) If, for any Taxable year, CompX recognizes a Tax Attribute that

CompX, under the applicable provisions of the Code and treasury regulations promulgated under Section 1502 thereof and using the elections made by Contran or any other common parent for state Tax purposes, is permitted or required to carry back to a prior Taxable year of the Contran Tax Group that relates to a Tax return that contains items pertaining to CompX, Contran shall file appropriate refund claims within a reasonable period after being requested to do so by CompX. Contran shall promptly remit to CompX any refunds it receives with respect to any Tax Attribute of CompX so carried back.

(b) If, for any Taxable year that relates to a Tax return that contains items pertaining to CompX, Contran or a Member of the Contran Tax Group (exclusive of CompX) recognizes a Tax Attribute that Contran or the Member of the Contran Tax Group, under the applicable provisions of the Code and Treasury Regulations promulgated under Section 1502 thereof and using the elections made by Contran or any other common parent for state Tax purposes, is permitted or required to carry back to one of its prior Taxable years, Contran or the Member of the Contran Tax Group may file appropriate refund claims and shall be entitled to any refund resulting from such claims (exclusive of CompX).

SECTION 9. INDEMNIFICATION AGAINST BREACHES OF THIS AGREEMENT. Valcor shall indemnify CompX and hold it and its affiliates harmless from and against a material breach by Contran of any of its obligations to CompX as set forth in this Agreement. Valhi shall indemnify CompX and hold it and its affiliates harmless from and against a material breach by Valcor of any of its obligations to CompX as set forth in this Agreement.

SECTION 10. MISCELLANEOUS.

(a) Notices. All notices and other communications under the Agreement shall be in writing and shall be deemed given if delivered personally, mailed by registered or certified mail (return receipt requested) or sent by telephone facsimile (the receipt of which is confirmed) to the parties at the following addresses (or at such other address for a party as shall be specified in like notice):

VALCOR, INC. Three Lincoln Centre 5430 LBJ Freeway, Suite 1700 Dallas, Texas 75240-2697 Attn: Tax Director Telephone Facsimile No.: (972) 450-4278	COMPX INTERNATIONAL INC. 200 Old Mill Road Mauldin, South Carolina 29662 Attn: President Telephone Facsimile No.: (864) 297-1202

(b) Entire Agreement. This Agreement constitutes the entire agreement of the parties and supersedes any prior understandings, agreements or representations between the parties, written or oral, to the extent they related in any way to the subject matter of this Agreement.

(c) Survival. All agreements and covenants made by Contran and CompX herein shall survive the consummation of the Distribution and shall continue in full force and effect.

(d) Successors, Assigns and Third Party Beneficiaries. The Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties. The Agreement is intended by the parties to benefit solely Contran and CompX, their subsidiaries and affiliates, and the successors and assigns of the foregoing. This Agreement is intended to establish the rights of CompX versus the Members of the Contran Tax Group, and vice versa.

(e) Amendment and Waiver. The Agreement may only be amended, and the observance of any term of this Agreement may only be waived, in a writing signed by Contran and CompX.

(f) Governing Law. This Agreement shall be governed by and construed

in accordance with the internal laws, and not the law of conflicts, of the state of Delaware.

(g) Counterparts. Two or more duplicate originals of the Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument.

SECTION 11. EFFECTIVENESS OF AGREEMENT. This Agreement shall become effective on the Offering Date.

The parties hereto have caused this Agreement to be duly executed by their respective corporate officers as of the day and year first above written.

COMPX INTERNATIONAL INC.

By: /s/ David A. Bowers

David A. Bowers
President and Chief Executive Officer

VALCOR, INC.

By: /s/ William J. Lindquist

William J. Lindquist
Vice President and Tax Director

VALHI, INC.

By:/s/ William J. Lindquist

William J. Lindquist
Vice President and Tax Director

STOCK PURCHASE AGREEMENT

BETWEEN

COMPX INTERNATIONAL INC.

AND THE

SHAREHOLDERS OF FORT LOCK CORPORATION

February 3, 1998
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STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (the "Agreement") is entered into as of February 3, 1998, by and between CompX International Inc., a Delaware corporation (the "Buyer"), and the undersigned shareholders (collectively, the "Seller") of Fort Lock Corporation. The Buyer and the Seller are referred to individually as a "Party" and collectively as the "Parties."

The Seller holds all of the outstanding capital stock of Fort Lock Corporation, an Illinois corporation (the "Acquired Corporation").

This Agreement contemplates a transaction in which the Buyer will purchase from the Seller, and the Seller will sell to the Buyer, all of the outstanding capital stock of Acquired Corporation in return for cash.

Now, therefore, in consideration of the premises and the mutual promises, representations, warranties and covenants set forth below, the Parties agree as follows.

Error! Bookmark not defined.1. Definitions{tc \l 1 "1. Definitions"}.

"Acquired Assets
Agreement.

"Acquired Corporation" has the meaning set forth in the preface above.

"Acquired Corporation Share
value, of Acquired Corporation.

"Acquired Subsidiaries
S.A., corporations organized under the laws of the United Kingdom and France, respectively.

"Additional Taxes" has the meaning set forth in Section 8(e) below.

"Affiliate" has the meaning set forth in Rule 12b-2 of the regulations promulgated under the Securities Exchange Act.

"Affiliated Group
meaning of Code Section 1504(a).

"Applicable Rate
Journal Money Rates section from time to time as the base rate of interest for corporate loans.

"Calculation" has the meaning set forth in Section 9(b)(i) below.

"Calculation Notice" has the meaning set forth in Section 9(b)(i) below.

"Buyer" has the meaning set forth in the preface above.

"Cash" means cash and cash equivalents (including marketable securities, short term investments and any cash or checks held in lockbox accounts) calculated in accordance with GAAP applied on a basis consistent with the

preparation of the Financial Statements.

"Closing" has the meaning set forth in Section 2(d) below.

"Closing Balance Sheet
below.

"Closing Date" has the meaning set forth in Section 2(d) below.

"Closing Date Offset" has the meaning set forth in Section 2(c) below.

"Code" means the Internal Revenue Code of 1986, as amended.

"Confidential Information " has the meaning set forth in Section 6(c)(iii) hereof.

"Contract" has the meaning set forth in Section 4(m) below.

"Disclosure Schedule" has the meaning set forth in Section 3(a) below.

"Employee Benefit Plan" means any (a) nonqualified deferred compensation or retirement plan or arrangement that is an Employee Pension Benefit Plan, (b) qualified defined contribution retirement plan or arrangement that is an Employee Pension Benefit Plan, (c) qualified defined benefit retirement plan or arrangement that is an Employee Pension Benefit Plan (including any Multiemployer Plan), or (d) Employee Welfare Benefit Plan.

"Employee Pension Benefit Plan
3(2).

"Employee Welfare Benefit Plan
3(1).

"Environmental Laws
the environment, including laws relating to emissions, discharges, generation, storage, releases or threatened releases of Waste into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling or Waste including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. Section1321 et seq.), the Clean Air Act (42 U.S.C. Section7401 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. Section6962 et seq.), the Toxic Substances Control Act (15 U.S.C. Section2601 et seq.) and the Comprehensive Environmental Responsibility, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Section9601 et seq.) ("CERCLA") and their state and local counterparts. Environmental Laws shall also include any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter used, entered, promulgated, or approved under the Environmental Laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent
Escrow Agreement.

"Escrow Agreement" has the meaning set forth in Section 2(b)(i) below.

"Final Calculation" has the meaning set forth in Section 9(b)(i) below.

"Final Offset" has the meaning set forth in Section 2(c) below.

"Financial Statements" has the meaning set forth in Section 4(g) below.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Hart-Scott-Rodino Act
Act of 1976, as amended.

"Holdback" has the meaning set forth in Section 2(b)(i) below.

"Income Tax
including any interest, penalty, or addition thereto, whether disputed or not.

"Income Tax Return
refund, or information return or statement relating to Income Taxes, including any schedule or attachment thereto.

"Indemnified Party" has the meaning set forth in Section 8(d) below.

"Indemnifying Party" has the meaning set forth in Section 8(d) below.

"Initial Payment" has the meaning set forth in Section 2(b)(i) below.

"Knowledge" of a person means if such person, after making reasonable inquiry of the appropriate parties with respect to a particular fact or matter, actually knows of the existence of such fact or matter. "Knowledge" of the Acquired Corporation and Acquired Subsidiaries in Section 4 hereof shall refer only to the Knowledge of Jay Fine, Lloyd D. Falk, Michael Hoare, Gary Myers and Ted Skiba.

"Letter of Intent
between Buyer and Acquired Corporation.

"Losses" has the meaning set forth in Section 8(a) below.

"Most Recent Financial Statements
4(g) below.

"Most Recent Interim Statements
below.

"Multiemployer Plan" has the meaning set forth in ERISA Section 3(37).

"Net Worth Adjustment" has the meaning set forth in Section 2(b)(ii) below.

"Ordinary Course of Business
consistent with past custom and practice (including, without limitation, with respect to quantity and frequency).

"Party" has the meaning set forth in the preface above.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a limited liability company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Post-Closing Audit" has the meaning set forth in Section 2(b)(ii) below.

"Purchase Price" has the meaning set forth in Section 2(b)(i) below.

"Purchase Price Adjustment
below.

"Purchase Price Adjustment Closing" means the closing of the Purchase Price Adjustment which shall be held as soon as reasonably possible after the Parties have agreed upon the Closing Balance Sheet.

"Real Estate Purchase Agreement
below.

"Reportable Event" has the meaning set forth in ERISA Section 4043.

"Returns" means all returns, declarations, reports, statements and other documents required to be filed in respect of Taxes, and the term "Return" means any one of the foregoing Returns.

"Securities Act" means the Securities Act of 1933, as amended.

"Securities Exchange Act
amended.

"Security Interest
or other security interest, other than (a) mechanic's, materialmen's, and similar liens, (b) liens for taxes not yet due and payable or for taxes that the taxpayer is contesting in good faith through appropriate proceedings, (c) purchase money liens and liens securing rental payments under capital lease arrangements, and (d) other liens arising in the Ordinary Course of Business and not incurred in connection with the borrowing of money.

"Seller" has the meaning set forth in the preface above.

"Subsidiary" means any corporation or other entity with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the common stock or other equity interests, or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors or other persons performing similar functions with respect to such entity.

"Taxes" means all federal, state, local, foreign and other net income, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, lease, service, use, withholding, payroll, employment, excise,

severance, stamp, occupation, premium, property, customs, duties or other taxes, fees, assessments or charges of any kind whatever, together with any interest and any penalties, additions to tax or additional amounts with respect thereto, and the term "Tax" means any one of the foregoing Taxes.

"Third Party Claim" has the meaning set forth in Section 8(d) below.

"Trustee" means any person identified as a Trustee on the signature pages of this Agreement.

"Waste" means pollutant, contaminate, chemicals or industrial, toxic, hazardous, or petroleum-based substances or wastes.

{PRIVATE }2. Purchase and Sale of Acquired Corporation Shares
"2. Purchase and Sale of Acquired Corporation Shares"}.

{PRIVATE }(a) Basic Transaction{tc \l 2 "(a) Basic Transaction"
the terms and subject to the conditions of this Agreement, the Buyer agrees to purchase from the Seller, and the Seller agrees to sell to the Buyer, at Closing, all of the issued and outstanding Acquired Corporation Shares for the consideration specified below in this Section 2.

{PRIVATE }(b) Purchase Price{tc \l 2 "(b) Purchase Price"}.

{PRIVATE }(i) Purchase Price Amount{tc \l 3 "(i) Purchase Price Amount"
$29,500,000 (subject to adjustment pursuant to Section 5(f), the "Initial Payment") and to pay to the Escrow Agent under the Escrow Agreement at the Closing U.S. $500,000 (the "Holdback," together with the Initial Payment, the "Purchase Price") by, with respect to the Initial Payment, delivery of cash in the applicable amount payable by wire transfer or delivery of other immediately available funds at such bank account or accounts as Seller has designated in writing to Buyer, and with respect to the Holdback, by delivery of cash in the applicable amount by the wire transfer or delivery of other immediately available funds to the Escrow Agent pursuant to the Escrow Agreement by and between the Escrow Agent, Seller and Buyer, the form of which is attached as Exhibit C, which shall govern the distribution of the Holdback.

{PRIVATE }(ii) Purchase Price Adjustment{tc \l 3 "(ii) Purchase Price Adjustment"
cause Coopers & Lybrand LLP to prepare and deliver to the Parties an audited consolidated balance sheet of the Acquired Corporation and the Acquired Subsidiaries within 45 days after the Closing (the "Post-Closing Audit"), which shall be prepared in accordance with GAAP and generally consistent with the accounting principles and methodology utilized in prior audits of the Acquired Corporation and Acquired Subsidiaries. If within 20 days after the date such balance sheet is delivered to the Seller, Seller has not given written notice to Buyer setting forth any objection to such balance sheet, then such balance sheet shall constitute the "Closing Balance Sheet." In the event Seller, within such 20 day period, gives written notice to Buyer of any objection to such balance sheet, Seller and Buyer shall use their best efforts to reach agreement on all differences within the 20 day period following the giving of notice. If Seller and Buyer are unable to reach agreement within such 20 day period, the matter shall be submitted to a firm of independent public accountants (the "Independent Accountants") to be mutually selected by Buyer and Seller, the decision of which shall be final and binding upon the Parties. The balance sheet agreed upon by Buyer and Seller or determined by the Independent Accountants shall constitute the "Closing Balance Sheet." Seller and Buyer shall bear equally the expenses if the Independent Accountants, if necessary. The Parties agree that the Closing Balance Sheet shall not reflect the repayment of debt contemplated by Section 2(c). The Purchase Price shall be reduced on a dollar-for-dollar basis to the extent that the consolidated net worth as set forth on the Closing Balance Sheet, as adjusted to reflect reserves for inventory obsolescence based upon an aging of inventory on hand in a manner to be mutually agreed to by the Parties prior to Closing (or, if the Parties cannot agree on the manner or amount of such adjustment, such determination will be made in the Post-Closing Audit described above) (the "Net Worth") is less than U.S. $4.5 million (the "Net Worth Adjustment"). The Purchase Price shall also be subject to reduction pursuant to Sections 2(c) and 10(b). The sum of the Net Worth Adjustment and any reductions made pursuant to Sections 2(c) and 10(b) shall be the "Purchase Price Adjustment." If the Purchase Price Adjustment exceeds the amount of the Holdback, Escrow Agent shall pay to Buyer the Holdback and Seller shall promptly pay over to Buyer an amount equal to the excess of the Purchase Price Adjustment

over the Holdback. If the Purchase Price Adjustment is equal to or less than the amount of the Holdback, Escrow Agent shall pay to the Buyer out of the Holdback an amount equal to the Purchase Price Adjustment and Escrow Agent and shall remit to Seller the balance of the Holdback, if any.

{PRIVATE }(c) Repayment of Debt{tc \l 2 "(c) Repayment of Debt Except as provided below, simultaneously with the Closing, Seller shall, on behalf of the Acquired Corporation, pay in full and terminate all of the outstanding obligations (including the aggregate amount of checks issued in excess of funds on deposit exclusive of outstanding employee payroll checks (the "Bank Overdrafts"), if any) and commitments of the Acquired Corporation as set forth on Section 2(c) of the Disclosure Schedule; provided, however, that Seller will receive an offset on the Closing Date (the "Closing Date Offset"), against its obligation to pay in full such Bank Overdrafts equal to the amount, if any, that the consolidated net worth of the Acquired Corporation and the Acquired Subsidiaries as shown on the Most Recent Interim Statements exceeds $4.8 million. A final offset (the "Final Offset") equal to the amount, if any, that the Net Worth as determined in the Post-Closing Audit and set forth on the Closing Balance Sheet exceeds $4.8 million, will also be calculated. If the amount of the Final Offset exceeds the amount of the Closing Date Offset, Acquired Corporation shall pay to Seller an amount equal to such excess. If the amount of the Closing Date Offset exceeds the amount of the Final Offset, Seller shall pay to Acquired Corporation an amount equal to such excess. Seller acknowledges that, in addition to Seller's obligation to repay the outstanding obligations set forth in Section 2(c) of the Disclosure Schedule, Seller shall also be wholly responsible for the repayment of any obligation of Acquired Corporation for the repayment of money to any person where such obligation stems from the advance of money to Acquired Corporation without regard to the limitations of Section 8 below. Seller shall provide Buyer with reasonable proof of termination and release of liens or encumbrances under such outstanding obligations.

{PRIVATE }(d) The Closing{tc \l 2 "(d) The Closing"}. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Buyer in Dallas, Texas, commencing at 9:00 a.m. local time on the second business day following the satisfaction or waiver of all conditions to the obligations of the Parties to consummate the transactions contemplated by this Agreement (other than conditions with respect to actions the respective Parties will take at the Closing itself) or such other date as the Buyer and the Seller may mutually determine (the "Closing Date"); provided, however that the Closing Date shall be no later than February 28, 1998.

{PRIVATE }(e) Deliveries at the Closing{tc \l 2 "(e) Deliveries at the Closing"}. At the Closing, (i) the Seller will execute, acknowledge (if appropriate), and deliver to the Buyer the various certificates, instruments, and documents referred to in Section 7(a) below, (ii) the Buyer will execute, acknowledge (if appropriate), and deliver to the Seller the various certificates, instruments, and documents referred to in Section 7(b) below, (iii) the Seller will deliver to the Buyer stock certificates representing 100% of the outstanding shares of Acquired Corporation and all of the Acquired Subsidiary Shares held by Acquired Corporation or Sellers, and, as to Acquired Corporation's Shares, endorsed in blank or accompanied by duly executed assignment documents, and (iv) the Buyer will deliver to the Seller the consideration specified in Section 2(b)(i) above.

{PRIVATE }(f) Additional Transactions{tc \l 2 "(f) Additional Transactions"}. Subsequent to Closing (but on the date thereof) the closing of the transactions contemplated by (i) the Asset Purchase Agreement by and between the Acquired Corporation and Fortronics, Inc., an Illinois corporation (the "Asset Purchase Agreement") for the consideration U.S. $500,000 set forth therein, and (ii) the Real Estate Purchase Agreement by and between Buyer and Itasca Bank and Trust Company, as trustee under Trust Agreement dated April 21, 1992 and known as Trust No. 11014 (the "Real Estate Purchase Agreement"), the form of which is attached hereto as Exhibit B will occur and which agreements shall be deemed executed simultaneously with this Agreement.

{PRIVATE }3. Representations and Warranties Concerning the Transaction{tc \l 1 "3. Representations and Warranties Concerning the Transaction"}.

{PRIVATE }(a) Representations and Warranties of the Seller{tc \l 2 "(a) Representations and Warranties of the Seller"}. Each Seller represents and

warrants to the Buyer that the statements contained in this Section 3(a) are correct and complete as of the date of this Agreement as they relate to such Seller and will be correct and complete as of the Closing Date as they relate to such Seller (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3(a)), except as set forth in the disclosure schedule attached hereto as Schedule I and incorporated in this Agreement by this reference (the "Disclosure Schedule"). The Disclosure Schedule may be amended prior to the Closing Date in the manner set forth in Section 5(e) hereof. Further, unless otherwise indicated herein, all Section references in the Disclosure Schedule are to Sections of this Agreement, provided, however, that references herein to a particular Section or Sections of this Agreement are not intended to limit, and shall not be construed as limiting, disclosures contained herein which may be applicable to another Sections or Sections. The disclosures in the Disclosure Schedule are made in response to the representations and warranties of the Acquired Corporation, Acquired Subsidiaries and Seller and certain covenants of the Acquired Corporation, Acquired Subsidiaries and Seller contained in this Agreement without fully taking into consideration the standard of materiality set forth in certain of such representations, warranties or covenants, and no disclosure made herein shall (i) constitute an admission or determination that any fact or matter so disclosed is material to the Acquired Corporation or the Acquired Subsidiaries taken as a whole, or (ii) be deemed to modify in any respect the standard of materiality set forth in any representation, warranty, covenant or other provision contained in this Agreement.

{PRIVATE } (i) The Seller{tc \l 3 " (i) The Seller "}. The Seller is comprised of Persons who are either (i) residents of the state of
Illinois, or (ii) trust(s) organized under the laws of the state of Illinois.

{PRIVATE } (ii) Authorization of Transaction{tc \l 3 " (ii) Authorization of Transaction
authority where applicable to execute and deliver this Agreement and to perform its respective obligations under this Agreement and the execution and delivery of this Agreement has been approved where necessary by the appropriate trustees and/or guardians. This Agreement constitutes the valid and legally binding obligation of each Seller, enforceable in accordance with its terms and conditions except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditor's rights generally, and by general equitable principles.

{PRIVATE } (iii) Noncontravention{tc \l 3 " (iii) Noncontravention"}. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement, will (A) to the Knowledge of each Seller, violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which each Seller is subject or any provision of its governing instruments or agreements where applicable or (B) to the Knowledge of each Seller, conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which it is bound or to which any of its assets is subject, except where together with all other such violations, conflicts, breaches, defaults, accelerations, terminations, modifications, cancellations or failure to give notices would not reasonably be expected to have a material adverse effect on the financial condition or results of operation of the Acquired Corporation or its Acquired Subsidiaries. Other than in connection with the provisions of the Hart-Scott-Rodino Act, each Seller does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement.

{PRIVATE } (iv) Brokers' Fees{tc \l 3 " (iv) Brokers' Fees Seller has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement except Seller shall be fully responsible for all fees payable to Business Search Ltd. in connection with the transactions contemplated by this Agreement.

{PRIVATE } (v) Acquired Corporation Shares{tc \l 3 " (v) Acquired Corporation Shares

beneficially (except each Trustee has only legal title to the Acquired Corporation Shares) the number of Acquired Corporation Shares set forth in Section 3(a)(v) of the Disclosure Schedule, free and clear of any restrictions on transfer (other than restrictions on transfer imposed by the Securities Act and state securities laws), Taxes, Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. No Seller is a party to any option, warrant, purchase right, or other contract or commitment (other than this Agreement) that could require the Seller to sell, transfer, or otherwise dispose of any capital stock of Acquired Corporation that will exist after the Closing. No Seller is a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of Acquired Corporation that will exist after the Closing.

{PRIVATE }(b) Representations and Warranties of the Buyer{tc \l 2 "(b) Representations and Warranties of the Buyer

warrants to the Seller that the statements contained in this Section 3(b) are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 3(b)), except as set forth in the Disclosure Schedule.

{PRIVATE } (i) Organization of the Buyer{tc \l 3 " (i) Organization of the Buyer

and in good standing under the laws of the jurisdiction of its incorporation.

{PRIVATE } (ii) Authorization of Transaction{tc \l 3 " (ii) Authorization of Transaction

authority to execute and deliver this Agreement and to perform its obligations hereunder and the execution and delivery of this Agreement has been approved by the Buyer's Board of Directors. No other or further corporate act or proceeding on the part of the Buyer is necessary to authorize this Agreement or the other documents and instruments to be executed and delivered by the Buyer hereunder, or the consummation of the transaction contemplated hereby and thereto. This Agreement constitutes the valid and legally binding obligation of the Buyer, enforceable in accordance with its terms and conditions except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditor's rights generally, and by general equitable principles.

{PRIVATE } (iii) Noncontravention{tc \l 3 " (iii) Noncontravention"}. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement, will (A) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Buyer is subject or any provision of its charter or bylaws or (B) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets is subject, which has not been given or obtained. Other than in connection with the provisions of the Hart-Scott-Rodino Act, the Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement.

{PRIVATE } (iv) Brokers' Fees{tc \l 3 " (iv) Brokers' Fees

The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which any Seller could become liable or obligated.

{PRIVATE }(v) Investment{tc \l 3 "(v) Investment"}. The Buyer is acquiring Acquired Corporation Shares for investment and not with a view to or for sale in connection with any distribution thereof within the meaning of the Securities Act.

{PRIVATE }(vi) Liquidity{tc \l 3 "(vi) Liquidity"}. Buyer will, at Closing, have adequate financial resources to consummate the transactions contemplated by this Agreement and the closing of the transactions contemplated by this Agreement is not contingent upon consummation of the initial public offering of Buyer.

{PRIVATE }(vii) Compliance With Laws{tc \l 3 "(vii) Compliance With Laws"

state securities law which would have the effect of creating any liability for

Seller.

{PRIVATE }4. Representations and Warranties Concerning Acquired Corporation and Its Acquired Subsidiaries{tc \l 1 "4. Representations and Warranties Concerning Acquired Corporation and Its Acquired Subsidiaries"}.

Acquired Corporation and Acquired Subsidiaries represent and warrant to the Buyer that the statements contained in this Section 4 are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Section 4), except as set forth in Disclosure Schedule.

{PRIVATE }(a) Organization, Qualification, and Corporate Power "(a) Organization, Qualification, and Corporate Power

Corporation and its Acquired Subsidiaries is a corporation validly existing, and in good standing under the laws of the jurisdiction of its incorporation. Each of Acquired Corporation and its Acquired Subsidiaries is duly authorized to conduct business and is in good standing under the laws of each jurisdiction where such qualification is required. Each of Acquired Corporation and its Acquired Subsidiaries has the corporate power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. The Acquired Corporation holds of record and owns beneficially all of the outstanding shares of each Acquired Subsidiary of Acquired Corporation except as set forth in Section 4(a) and Section 4(f) of the Disclosure Schedule. Section 4(a) of the Disclosure Schedule lists all the directors and executive officers of each of Acquired Corporation and its Acquired Subsidiaries holding such office prior to Closing.

{PRIVATE }(b) Capitalization{tc \l 2 "(b) Capitalization"}. The authorized capital stock of Acquired Corporation consists of 10,000 Acquired Corporation Shares, all of which are common stock shares, no par value. There are 100 shares of Acquired Corporation common stock issued and outstanding. No Acquired Corporation Shares are held in treasury. All of the issued and outstanding Acquired Corporation Shares have been duly authorized, are validly issued, fully paid, and nonassessable, and are held of record by the Seller. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments that could require Acquired Corporation to issue, sell, or otherwise cause to become outstanding any of its capital stock that will exist at Closing. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to Acquired Corporation.

{PRIVATE }(c) Noncontravention{tc \l 2 "(c) Noncontravention"}. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated by this Agreement, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which any of Acquired Corporation and its Acquired Subsidiaries is subject, (ii) violate any provision of the charter or bylaws of any of Acquired Corporation and its Acquired Subsidiaries or (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any Contract to which any of Acquired Corporation and its Acquired Subsidiaries is a party or by which it is bound or to which any of its assets is subject which has not been given or obtained (or result in the imposition of any Security Interest upon any of its assets). Other than in connection with the provisions of the Hart-Scott-Rodino Act and regulations, none of Acquired Corporation and its Acquired Subsidiaries needs to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement.

{PRIVATE }(d) Brokers' Fees{tc \l 2 "(d) Brokers' Fees

Acquired Corporation and its Acquired Subsidiaries has any liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

{PRIVATE }(e) Title to Tangible Assets{tc \l 2 "(e) Title to Tangible Assets"}. Except as set forth in Section 4(e) to the Disclosure Schedule, Acquired Corporation and its Acquired Subsidiaries have good title to, or a valid leasehold interest in, the material tangible assets (including items of personal property) they purport to own or that are reflected in the Financial Statements free and clear of any Security Interest(s) and that such assets are

sufficient for the conduct and future operation of the businesses.

{PRIVATE }(f) Acquired Subsidiaries{tc \l 2 "(f) Acquired Subsidiaries"}. Section 4(f) of the Disclosure Schedule sets forth for each Acquired Subsidiary of Acquired Corporation (i) its name and jurisdiction of incorporation, (ii) the number of shares of authorized capital stock of each class of its capital stock, (iii) the number of issued and outstanding shares of each class of its capital stock, the names of the holders thereof, and the number of shares held by each such holder, and (iv) the number of shares of its capital stock held in treasury.

{PRIVATE }(g) Financial Statements{tc \l 2 "(g) Financial Statements"
Attached hereto as Schedule II
(collectively, the "Financial Statements"): (i) audited consolidated balance sheets and statements of income, changes in stockholders' equity, and cash flow as of and for the fiscal years ended June 24, 1995, June 29, 1996, and June 28, 1997 (the June 28, 1997 audited consolidated balance sheet and related statements of income and changes in stockholders' equity, and cash flow being referenced hereto as the "Most Recent Financial Statements
Corporation and its Acquired Subsidiaries; and (ii) unaudited consolidated balance sheets and statements of income, changes in stockholders' equity, and cash flow as of and for the six months ended December 27, 1997 (the "Most Recent Interim Statements
The Financial Statements (including the notes thereto) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby and present fairly the financial condition of Acquired Corporation and its Acquired Subsidiaries as of such dates and the results of operations of Acquired Corporation and its Acquired Subsidiaries for such periods; provided, however, that the Most Recent Interim Statements are subject to normally occurring year-end adjustments, lack footnotes and do not include a physical inventory.

{PRIVATE }(h) Events Subsequent to Most Recent Interim Statements{tc \l 2 "(h) Events Subsequent to Most Recent Interim Statements
1997 there has not been any material adverse change in the financial condition or results of operations of Acquired Corporation and its Acquired Subsidiaries. Without limiting the generality of the foregoing, since that date, except as disclosed in Section 4(h) of the Disclosure Schedule, none of Acquired Corporation and its Acquired Subsidiaries has engaged in any practice, taken any action, or entered into any transaction outside the Ordinary Course of Business.

{PRIVATE }(i) Legal Compliance{tc \l 2 "(i) Legal Compliance
of Acquired Corporation and its Acquired Subsidiaries has complied with all applicable and valid laws (including rules, regulations, codes, plans, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign governments (and all agencies thereof), except where the failure to comply would not have an adverse effect upon the financial condition or results of operations of Acquired Corporation or its Acquired Subsidiaries except as set forth in Section 4(i) of the Disclosure.

{PRIVATE }(j) Tax Matters{tc \l 2 "(j) Tax Matters"}.

(i) Each of Acquired Corporation and its Acquired Subsidiaries has filed on a timely basis, all Returns that it was required to file, and has paid all Taxes shown thereon as owing, except where the failure to file Returns or to pay Taxes would not have an adverse effect on the financial condition of Acquired Corporation or its Acquired Subsidiaries.

(ii) Section 4(j) of the Disclosure Schedule lists all Income Tax Returns filed with respect to any of Acquired Corporation and its Acquired Subsidiaries for taxable periods ended on or after June 30, 1993, indicates those Income Tax Returns that have been audited, and indicates those Income Tax Returns that currently are the subject of audit. Except to the extent shown on Section 4(j) of the Disclosure Schedule, all deficiencies asserted or assessments made as a result of any examinations have been fully paid, or are fully reflected as a liability on the respective financial statements of each of the Acquired Corporation and its Acquired Subsidiaries. The Seller has delivered to the Buyer correct and complete copies of all Income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by any of Acquired Corporation and its Acquired Subsidiaries for taxable periods ended on or after June 30, 1993.

(iii) None of Acquired Corporation and its Acquired Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(iv) None of Acquired Corporation and its Acquired Subsidiaries is a party or subject to any Income Tax allocation or sharing agreement.

(v) None of Acquired Corporation and its Acquired Subsidiaries has been a member of an Affiliated Group filing a consolidated federal Income Tax Return.

(vi) The Acquired Corporation's tax basis in each Acquired Subsidiary is set forth in Section 4(j)(vi) of the Disclosure Schedule as of the date of Acquired Corporation's most recently filed Income Tax return. The earnings and profits for each Acquired Subsidiary is set forth in Section 4(j)(vi) of the Disclosure Schedule as of the date of Acquired Corporation's most recently filed Income Tax return.

(vii) The Acquired Corporation does not have a permanent establishment in any foreign country as defined in any applicable Tax Treaty between the United States and such foreign country.

{PRIVATE }(k) Real Property{tc \l 2 "(k) Real Property"}.

(i) Acquired Corporation and its Acquired Subsidiaries do not own any real property.

(ii) Section 4(k)(ii) of the Disclosure Schedule lists all real property leased or subleased to any of Acquired Corporation and its Acquired Subsidiaries. The Seller has delivered to the Buyer correct and complete copies of the leases and subleases listed in Section 4(k)(ii) of the Disclosure Schedule (as amended to date). Each lease and sublease listed in Section 4(k)(ii) of the Disclosure Schedule is legal, valid, binding, enforceable in accordance with its terms, and in full force and effect, except as such may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally, and by general equitable principals.

{PRIVATE }(l) Intellectual Property{tc \l 2 "(l) Intellectual Property"}. Section 4(l) of the Disclosure Schedule identifies each patent or trademark registration that has been issued to any of Acquired Corporation and its Acquired Subsidiaries with respect to any of its intellectual property, identifies each pending patent application or application for trademark registration that any of Acquired Corporation and its Acquired Subsidiaries has made with respect to any of its intellectual property, and identifies each license, agreement, or other permission that any of Acquired Corporation and its Acquired Subsidiaries has granted to any third party with respect to any of its intellectual property. Except as disclosed on Section 4(l) of the Disclosure Schedule, each of the patents and trademarks listed in Section 4(l) of the Disclosure Schedule is owned by the Acquired Corporation or its Acquired Subsidiaries, and the Acquired Corporation and its Acquired Subsidiaries have the exclusive right to use all such intellectual property in their respective business and operations. Except as set forth and so noted in Section 4(l) of the Disclosure Schedule, Acquired Corporation and its Acquired Subsidiaries own all intellectual property and other proprietary rights necessary to manufacture and sell their respective products and to conduct their respective operations and businesses and none of Acquired Corporation or its Acquired Subsidiaries has Knowledge of any claim, any potential claim or any valid basis of any claim, that any of Seller, Acquired Corporation or its Acquired Subsidiaries has infringed any patent, copyright, trademark, trade name, know-how, trade secret or other proprietary right of any other person.

{PRIVATE }(m) Contracts{tc \l 2 "(m) Contracts"}. Section 4(m) of the Disclosure Schedule lists all written contracts (including any customer/vendor supply/distribution agreements) and other written agreements including indentures, mortgages, notes, bonds, leases and licenses to which any of Acquired Corporation and its Acquired Subsidiaries is a party the performance of which will involve consideration in excess of $25,000 (the "Contracts"). The Seller has delivered to the Buyer a correct and complete copy of each contract or other agreement listed in Section 4(m) of the Disclosure Schedule (as amended to date). Neither Acquired Corporation nor any of its Acquired Subsidiaries is in default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a default or violation) of any term, condition or provision of any Contract.

{PRIVATE }(n) Litigation{tc \l 2 "(n) Litigation"}. Section 4(n) of the Disclosure Schedule sets forth each instance in which any of Acquired Corporation and its Acquired Subsidiaries (i) is subject to any outstanding injunction, judgment, order, decree, ruling, or charge or (ii) is a party to any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or

foreign jurisdiction or before any arbitrator, mediator or panel thereof.

{PRIVATE }(o) Employee Benefits{tc \l 2 "(o) Employee Benefits"}.

(i) Section 4(o) of the Disclosure Schedule lists each Employee Benefit Plan that any of Acquired Corporation and its Acquired Subsidiaries maintains or to which any of Acquired Corporation and its Acquired Subsidiaries contributes.

(ii) Each such Employee Benefit Plan (and each related trust, insurance contract, or fund) complies in form and in operation in all respects with the applicable requirements of ERISA and the Code, except where the failure to comply would not have an adverse effect on the financial condition of such Employee Benefit Plan.

(iii) All contributions (including all employer contributions and employee salary reduction contributions) that are due have been paid to each such Employee Benefit Plan.

(iv) Each such Employee Benefit Plan has received, if issuable, a determination letter from the Internal Revenue Service to the effect that it meets the requirements of Code Section 401(a).

(v) Except as set forth in Section 4(o)(v) of the Disclosure Schedule, each such Employee Benefit Plan will be fully funded and paid at and as of the Closing Date.

{PRIVATE }(p) Environmental Matters{tc \l 2 "(p) Environmental Matters"}. Except as disclosed in Section 4(p) of the Disclosure Schedule, the Acquired Corporation and its Acquired Subsidiaries are in compliance with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Laws. Except as set forth in Section 4(p) the Disclosure Schedule, there is no civil, criminal or administrative action, suit, demand, claim, hearing, notice of violation, investigation, proceeding, notice or demand letter pending or threatened against the Acquired Corporation and its Acquired Subsidiaries relating in any way to the Environmental Laws with respect to real property owned or leased by the Acquired Corporation and its Acquired Subsidiaries. Except as set forth in Section 4(p) of the Disclosure Schedule, there are no past or present events, conditions, circumstances, activities, practices, incidents, actions, omissions or plans which prevent compliance or continued compliance by the Acquired Corporation and its Acquired Subsidiaries with the Environmental Laws, or give rise to any liability on the part of the Acquired Corporation and its Acquired Subsidiaries under the Environmental Laws, including, without limitation, liability under CERCLA or similar state or local laws, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, notice of violation, study or investigation against the Acquired Corporation and its Acquired Subsidiaries, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling, or the emission, discharge, release or threatened release into the environment, of any Waste by the Acquired Corporation and its Acquired Subsidiaries.

{PRIVATE }(q) Product Liabilities and Warranty Claims{tc \l 2 "(q) Product Liabilities and Warranty Claims "}. Section 4(q) of the Disclosure Schedule sets forth each liability associated with the Acquired Corporation's and its Acquired Subsidiaries' products and sets forth each warranty claim regarding the Acquired Corporation's and its Acquired Subsidiaries' products where such liability or claim is in an amount greater than $5,000.

{PRIVATE }(r) Labor Matters{tc \l 2 "(r) Labor Matters"}. Except as set forth in Section 4(r) of the Disclosure Schedule, there are no activities or controversies, including, without limitation, any labor organizing activities, election petitions or proceedings, proceedings preparatory thereto, unfair labor practice complaints, labor strikes, disputes, slowdowns, or work stoppages, pending, or to the Knowledge of the Acquired Corporation, threatened, between the Acquired Corporation and its Acquired Subsidiaries and any of its or their employees.

{PRIVATE }(s) Former Operating Sites{tc \l 2 "(s) Former Operating Sites"}. Set forth in Section 4(s) of the Disclosure Schedule are any and all sites utilized by Acquired Corporation or its Acquired Subsidiaries or the predecessors of Acquired Corporation or its Acquired Subsidiaries for any their respective operations at any time.

{PRIVATE }5. Pre-Closing Covenants{tc \l 1 "5. Pre-Closing Covenants"}.

The Parties agree as follows with respect to the period between the execution of this Agreement and the Closing.

{PRIVATE }(a) General{tc \l 2 "(a) General"}. Each of the Parties will use its reasonable efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this Agreement (including satisfaction, but not waiver, of the closing conditions set forth in Section 7 below).

{PRIVATE }(b) Notices and Consents{tc \l 2 "(b) Notices and Consents Each Party will give any notices (and cause each of its Subsidiaries to give any notices) to third parties, and each Party will use its reasonable efforts to obtain (and will cause each of its Subsidiaries to use its reasonable efforts to obtain) any third party consents, that the other Party reasonably may request in connection with the matters referred to in Section 3(a)(iii), Section 3(b)(iii) and Section 4(c) above and the related Disclosure Schedule. Each of the Parties will (and the Seller will cause Acquired Corporation and each of its Acquired Subsidiaries to) give any notices to, make any filings with, and use its reasonable efforts to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the matters referred to in Section 3(a)(iii), Section 3(b)(iii) and Section 4(c) above and the related Disclosure Schedule. Without limiting the generality of the foregoing, each of the Parties will file (and will cause each of its Subsidiaries to file as applicable) any notification and report forms and related material that it may be required to file with the Internal Revenue Service, the Federal Trade Commission and the Antitrust Division of the United States Department of Justice under the Hart-Scott-Rodino Act or otherwise, will use its reasonable efforts to obtain (and will cause each of its Subsidiaries to use its reasonable efforts to obtain) early termination of the applicable waiting period, and will make (and will cause each of its Subsidiaries to use its reasonable efforts to obtain) any further filings pursuant thereto that may be necessary.

{PRIVATE }(c) Operation of Business{tc \l 2 "(c) Operation of Business"}. The Seller will not engage (and will not cause or permit any of Acquired Corporation and its Acquired Subsidiaries to engage) in any practice, take any action, or enter into any transaction outside the Ordinary Course of Business without the prior written consent of Buyer.

{PRIVATE }(d) Access{tc \l 2 "(d) Access"}. The Seller will permit (and will cause each of Acquired Corporation and its Acquired Subsidiaries to permit) representatives of the Buyer to have access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Acquired Corporation and its Acquired Subsidiaries, to all premises, properties, personnel, books, records (including tax records), contracts, and documents of or pertaining to each of Acquired Corporation and its Acquired Subsidiaries as Buyer may reasonably request from time to time solely for the purpose of confirming Seller's compliance with Section 5(c) above. The Buyer will treat and hold as such any information it receives from the Seller, Acquired Corporation, and its Acquired Subsidiaries in the course of the reviews contemplated by this Section 5(d) as confidential pursuant to that certain Confidentiality Agreement dated September 25, 1997 between Buyer and Business Search, Ltd. which is hereby incorporated herein by reference, will not use any of such information except in connection with this Agreement, and, if this Agreement is terminated for any reason whatsoever, will return to the Seller, Acquired Corporation, and its Acquired Subsidiaries all tangible embodiments (and all copies) of such information that are in its possession.

{PRIVATE }(e) Notice of Developments{tc \l 2 "(e) Notice of Developments"}.

(i) The Seller, Acquired Corporation and its Acquired Subsidiaries will give prompt written notice to the Buyer of any development causing a breach of any of Seller's, Acquired Corporation's or its Acquired Subsidiaries' representations and warranties in Sections 3 or 4 above. Unless the Buyer has the right to terminate this Agreement pursuant to Section 9(a)(ii) or (iii) below by reason of the development and exercises that right within the period of ten (10) business days referred to in Section 9(a)(ii) or (iii) below, the written notice pursuant to this Section 5(e)(i) will be deemed to have amended the Disclosure Schedule, to have qualified the representations and warranties contained in Section 3 or 4 above, and to have cured any misrepresentation or breach of warranty that otherwise might have existed hereunder by reason of the development except for purposes of Section 9(a)(iii) including calculating aggregate Losses.

(ii) Buyer will give prompt written notice to the Seller of any material adverse development causing a breach of any of Buyer's representations and warranties. No disclosure by Buyer pursuant to this Section 5(e)(ii), however, shall be deemed to amend or supplement the Disclosure Schedule or to prevent or cure any misrepresentation or breach of warranty.

{PRIVATE }(f) Reduction in Purchase Price for Losses{tc \l 2 "(f) Reduction in Purchase Price for Losses"}. To the extent that the Buyer has received from the Seller, Acquired Corporation or its Acquired Subsidiaries, prior to the Closing Date, notice(s) pursuant to Section 5(e)(i) above of developments that in the aggregate would create Losses (as determined in accordance with and subject to the provisions of Section 9(b) below), the Initial Payment shall be reduced by the amount of such Losses.

{PRIVATE }(g) Completion of Phase I Studies{tc \l 2 "(g) Completion of Phase I Studies "}. Buyer shall complete (with Seller's full cooperation) a Phase I environmental engineering study of the Acquired Corporation's operations and plant site(s) (including certain adjoining property and former plant site(s)) and shall complete boring samples and other tests on the real property that is the subject of the Real Estate Purchase Agreement.

{PRIVATE }6. Post-Closing Covenants{tc \l 1 "6. Post-Closing Covenants"}.

The Parties agree as follows with respect to the period following the Closing.

{PRIVATE }(a) General{tc \l 2 "(a) General"}. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, each of the Parties will take such further action (including the execution and delivery of such further instruments and documents) as the other Party reasonably may request, all at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor under Section 8 below).

{PRIVATE }(b) Litigation Support{tc \l 2 "(b) Litigation Support"}. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving any of Acquired Corporation and its Acquired Subsidiaries, the other Party shall cooperate with such party and such party's counsel in the defense or contest, make available its personnel, and provide such testimony and access to its books and records as shall be necessary in connection with the defense or contest, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8 below).

{PRIVATE }(c) Non-Competition, Confidentiality and Non-Solicitation{tc \l 2 "(c) Non-Competition, Confidentiality and Non-Solicitation"}.

(i) Seller acknowledges that Seller's relationships with Acquired Corporation are of a special character and that Seller's position with Acquired Corporation places Seller in a position of trust and confidence with Acquired Corporation's customers and employees and allows Seller access to confidential information (as hereinafter defined). Furthermore, Seller acknowledges that the customers of Acquired Corporation and Acquired Subsidiaries have been developed over several decades, that Acquired Corporation has expended over the years hundreds of thousands of dollars in developing and maintaining customer relationships, that customer relationships have tended to be of long standing nature involving hundreds of hours of employee time nurturing such relationships to ensure a high level of attentiveness and customer satisfaction and employee knowledge of customer requirements; that these investments are important to the Acquired Corporation and Acquired Subsidiaries due to the expense and difficulty in development of new customers, that the relationships with many customers are such that the Acquired Corporation and Subsidiaries regularly produce and ship products monthly over the years of the relationship. In order to induce Buyer to enter into this Agreement, Seller hereby covenants and agrees that Seller will not, directly or indirectly, while Seller is in the employ of Acquired Corporation or any of its Acquired Subsidiaries and through the period ending four (4) years after the termination of Seller's employment for any reason whatsoever, or, if Seller is

not in the employ of Acquired Corporation or any of its Acquired Subsidiaries on the Closing Date, for a period ending four (4) years after the Closing Date:

(A) disclose or use or otherwise exploit for Seller's own benefit, or the benefit of any other person or entity, except as may be necessary in the performance of Seller's duties hereunder, any Confidential Information disclosed to Seller or of which Seller became aware by reason of Seller's employment with Acquired Corporation;

(B) solicit or divert or appropriate to any Competing Business, directly or indirectly, on Seller's own behalf or in the service of or on behalf of any Competing Business, or attempt to solicit or divert or appropriate to any such Competing Business any person or entity who was a customer of Acquired Corporation at any time during the last twenty four (24) months (i) prior to the Closing Date (if Seller is not in the employ of Acquired Corporation or any of its Acquired Subsidiaries or (ii) of Seller's employment hereunder and with whom Seller had contact prior to the Closing Date or during the term of Seller's employment, as applicable;

(C) solicit the employment, attempt to solicit the employment or assist anyone else in the solicitation of employment of, any Competing Business any managerial or executive employee of Acquired Corporation (whether or not such employment is full time or is pursuant to a written contract with Acquired Corporation); and

(D) engage in or render any services to or be employed by any Competing Business, within the Area, in the capacity of officer, managerial or executive employee, director, consultant or shareholder (other than as the owner of less than one (1%) percent of the shares of a publicly-owned corporation whose shares are traded on a national securities exchange or in the over-the-counter market).

(ii) Seller agrees that Seller will not take with Seller or retain without written authorization, and Seller will promptly deliver to Acquired Corporation, originals and all copies of all papers, files or other documents containing any Confidential Information and all other property belonging to Acquired Corporation and in Seller's possession or under Seller's control as of the later of (x) the Closing Date if Seller is not employed by Acquired Corporation or its Acquired Subsidiaries on such date or (y) if employed by Acquired Corporation or its Acquired Subsidiaries, upon the termination of Seller's employment (whether voluntarily or involuntarily).

(iii) For purposes of this Section 6(c), the term (x) "Area" means Arkansas, California, Illinois, Iowa, Missouri, Oklahoma, Pennsylvania, New York, Texas and Wisconsin; (y) "Competing Business" means any business engaged in the manufacture or distribution of mechanical or electronic locks, locking devices, or any product or device currently manufactured or sold by Acquired Corporation or its Acquired Subsidiaries; and (z) "Confidential Information" means any and all data and information dated within the last four (4) years relating to the business of Acquired Corporation that is, has been or will be disclosed to Seller or of which Seller became or becomes aware as a consequence of or through Seller's relationship with Acquired Corporation and that has value to Acquired Corporation and is not generally known by its competitors, including, without limitation, information relating to Acquired Corporation's or Seller's financial affairs, products, processes, services, customers, employees or employees' compensation, research, development, inventions, manufacture, purchasing, accounting, engineering or marketing. Confidential Information shall also include information that constitutes a trade secret, regardless of the age of such information. Notwithstanding the foregoing, no information will be deemed to be Confidential Information unless such information has been reduced to writing and marked clearly and conspicuously as confidential information, or it is otherwise treated by Acquired Corporation as confidential. Confidential Information shall not include any data or information that has been voluntarily disclosed to the public by Acquired Corporation (except where such public disclosure has been made without authorization by Acquired Corporation), or that has been independently developed and disclosed by others, or that otherwise enters the public domain through lawful means.

(iv) Seller acknowledges that irreparable loss and injury would result to Buyer and, following the Closing, Acquired Corporation upon the breach of any of the covenants contained in this Section 6(c) and that damages arising out of such breach would be difficult to ascertain. Seller hereby agrees that, in addition to all other remedies provided at law or in equity, Buyer or,

following the Closing, Acquired Corporation, may petition from a court of law or equity both temporary and permanent injunctive relief to prevent a breach by Seller of any covenant contained in this Section 6(c).

{PRIVATE }7. Conditions to Obligation to Close{tc \l 1 "7. Conditions to Obligation to Close"}.

{PRIVATE }(a) Conditions to Obligation of the Buyer{tc \l 2 "(a) Conditions to Obligation of the Buyer

consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in Section 3(a) and Section 4 above shall be true and correct in all material respects at and as of the Closing Date;

(ii) the Seller shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Seller shall have delivered to the Buyer a certificate to the effect that each of the conditions specified below in Section 7(b)(i)-(xi) is satisfied in all respects;

(v) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated;

(vi) Employment, Confidentiality and Non-Compete Agreements shall have been executed in form and substance reasonably satisfactory to Buyer with Lloyd D. Falk and Jay Fine;

(vii) Buyer shall be reasonably satisfied with the conclusions of the Phase I and other studies of Section 5(g);

(viii) all actions to be taken by the Seller in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Buyer;

(ix) the Asset Purchase Agreement (which shall be drafted to contain terms consistent with the Letter of Intent and, to the extent reasonably prudent, the same terms and conditions as this Agreement), the Escrow Agreement and the Real Estate Purchase Agreement shall have been executed and delivered by all parties thereto and the Asset Purchase Agreement and the Real Estate Purchase Agreement shall be consummated simultaneously with the Closing;

(x) Buyer shall have received from Much Shelist Freed Denenberg Ament Bell & Rubenstein, P.C., counsel to Acquired Corporation, an opinion or opinions dated as of the Closing Date covering the matters addressed in Sections 3(a)(ii), (iii), (v), 4(a), (b), (c) and (f) and such other matters as shall be reasonably requested by Buyer in a form substantially in the form of Exhibit D (in rendering such opinions such counsel may, as to factual matters rely upon certificates, of officers and public officials and limit factual statements by the use of "to our knowledge" or phrases of similar meaning) (it is expressly understood that such opinion will be based on Illinois law and assuming Delaware law would be interpreted the same as Illinois); and

(xi) Buyer and Acquired Corporation and its Acquired Subsidiaries shall have obtained all consents, approvals, permits or authorizations contemplated by Sections 3(a)(iii), 3(b)(iii) and 4(c) above and the related Disclosure Schedule except for such consents, approvals, permits or authorizations which, if not obtained, would not individually or in the aggregate, reasonably be anticipated to have a material adverse effect on the Acquired Corporation or its Acquired Subsidiaries. Buyer and Acquired Corporation and its Acquired Subsidiaries shall also have received from Michael Hoare a binding waiver of notice and waiver of Mr. Hoare's right to exercise the options granted to Mr. Hoare under that certain Option Agreement by and between Mr. Hoare and Acquired Corporation dated June 13, 1995 and that certain Sales Option Agreement by and between Mr. Hoare and Acquired Corporation dated June 13, 1995.

The Buyer may waive any condition specified in this Section 7(a) if it executes a writing so stating at or prior to the Closing.

{PRIVATE }(b) Conditions to Obligation of the Seller{tc \l 2 "(b) Conditions to Obligation of the Seller

consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the representations and warranties set forth in Section 3(b) above shall be true and correct in all material respects at and as of the Closing Date;

(ii) the Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing;

(iii) there shall not be any injunction, judgment, order, decree, ruling, or charge in effect preventing consummation of any of the transactions contemplated by this Agreement;

(iv) the Buyer shall have delivered to the Seller a certificate to the effect that each of the conditions specified above in Section 7(a)(i)-(ix) is satisfied in all respects;

(v) all applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Act shall have expired or otherwise been terminated and the Parties, Acquired Corporation, and its Subsidiaries shall have received all other authorizations, consents, and approvals of governments and governmental agencies referred to in Section 3(a)(ii), Section 3(b)(ii), and Section 4(c) above;

(vi) all actions to be taken by the Buyer in connection with consummation of the transactions contemplated hereby and all certificates, instruments, and other documents required to effect the transactions contemplated hereby will be reasonably satisfactory in form and substance to the Seller.

(vii) Employment, Confidentiality and Non-Compete Agreements shall have been executed in form and substance reasonably satisfactory to Buyer with Lloyd D. Falk and Jay Fine;

(viii) Buyer shall be reasonably satisfied with the conclusions of the Phase I studies of Section 5(g);

(ix) the Asset Purchase Agreement (which shall be drafted to contain terms consistent with the Letter of Intent and, to the extent reasonably prudent, the same terms and conditions as this Agreement), the Escrow Agreement and the Real Estate Purchase Agreement shall have been executed and delivered by all parties thereto and the Asset Purchase Agreement and the Real Estate Purchase Agreement shall be consummated simultaneously with the Closing;

(x) Seller shall have received from Rogers & Hardin, counsel to Buyer, an opinion or opinions dated as of the Closing Date covering the matters addressed in Sections 3(b)(i) - (iii) (in rendering such opinions such counsel may, as to factual matters rely upon certificates, of officers and public officials and limit factual statements by the use of "to our knowledge" or phrases of similar meaning) (it is expressly understood that such opinion will be based on Delaware law); and

(xi) Buyer and Acquired Corporation and its Acquired Subsidiaries shall have obtained all consents, approvals, permits or authorizations contemplated by Sections 3(a)(iii), 3(b)(iii) and 4(c) above and the related Disclosure Schedule except for such consents, approvals, permits or authorizations which, if not obtained, would not individually or in the aggregate, reasonably be anticipated to have a material adverse effect on the Acquired Corporation or its Acquired Subsidiaries.

The Seller may waive any condition specified in this Section 7(b) if it executes a writing so stating at or prior to the Closing.

{PRIVATE }8. Remedies for Breaches of this Agreement{tc \l 1 "8. Remedies for Breaches of this Agreement"}.

{PRIVATE }(a) Indemnification Provisions for Benefit of the Buyer{tc \l 2 "(a) Indemnification Provisions for Benefit of the Buyer
occurs, and subject to the other provisions of this Section 8, Buyer shall be entitled to indemnification from each Seller (jointly and severally) for and shall be held harmless from and against any loss, liability, claim, damage or expense (including costs of investigation and defense and reasonable attorneys' fees, and, with respect to claims relating to environmental matters, reasonable costs of clean-up, containment or other remediation), but excluding lost profits and unforeseeable consequential damages, whether or not involving a third party claim (collectively, "Losses"), caused by breaches of any of Seller's, Acquired Corporation's or its Acquired Subsidiaries' representations, warranties or covenants contained in this Agreement.

{PRIVATE }(b) Indemnification Provisions for Benefit of the Seller
2 "(b) Indemnification Provisions for Benefit of the Seller
Closing occurs, and subject to the other provisions of this Section 8, Seller

shall be entitled to indemnification for and shall be held harmless from and against any Losses caused by breaches of any of Buyer's representations, warranties or covenants contained in this Agreement.

{PRIVATE }(c) Survival of Representations and Warranties{tc \l 2 "(c) Survival of Representations and Warranties

and warranties of the Parties contained above (other than those in Sections 4(e) and 4(p) which shall have no limitation on the time in which a claim must be made) shall survive the Closing and continue in full force and effect until the expiration of the applicable statute of limitations.

{PRIVATE }(d) Matters Involving Third Parties{tc \l 2 "(d) Matters Involving Third Parties"}.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against the other Party (the "Indemnifying Party under this Section 8, then the Indemnified Party shall promptly (and in any event within ten (10) business days after receiving notice of the Third Party Claim) notify the Indemnifying Party thereof in writing.

(ii) The failure to give any notice required shall not relieve an Indemnifying Party of any obligation except to the extent that the failure to give timely notice actually and materially prejudices the rights of such Indemnifying Party or the notice occurs after the applicable survival period on which the claim is based.

(iii) The Indemnifying Party will have the right to assume and thereafter conduct the defense of the Third Party Claim with counsel of its choice.

(iv) Unless and until the Indemnifying Party assumes the defense of the Third Party Claim as provided in Section 8(d)(ii) above, however, the Indemnified Party may defend against the Third Party Claim in any manner it reasonably may deem appropriate.

(v) In no event will the Indemnified Party consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party.

{PRIVATE }(e) Other Indemnification Provisions{tc \l 2 "(e) Other Indemnification Provisions

are the sole remedy any Party may have for breach of representation, warranty, or covenant other than breaches by Seller of the representations, warranties or covenants contained in Section 6(c) (relating to non-competition, confidentiality and non-solicitation) or Section 2(c) (relating to Seller's repayment of certain outstanding liabilities of Acquired Corporation); provided, however, that each Party acknowledges and agrees that no claim for indemnification may be made until the aggregate of all claim(s) for indemnification against that Party reach a value of U.S. $100,000; whereupon, such claims will be recoverable from the first dollar of Loss claimed against such Party including the first $100,000 in claimed Losses. Seller agrees to indemnify the Buyer from and against (x) the imposition of Taxes, including interest and penalties thereon, arising out of or attributable to all taxable periods ending on or before the Closing Date to the extent such Taxes have not been fully paid or fully reserved by or on the Closing Balance Sheet; (y) including Taxes of any Person other than any of Acquired Corporation and its Subsidiaries under Reg. Section 1.1502-6 (or similar provision of state, local or foreign law); and (z) any foreign transfer taxes attributable to or arising out of the Purchase and Sale contemplated by this Agreement under Section 2 (collectively all of which being "Additional Taxes"). All claim(s) by Buyer against Seller shall be capped so that the aggregate value of all Losses recoverable by Buyer shall be limited to U.S. $2,000,000, including the first $300,000 in Additional Taxes (it being understood that if Buyer suffered Losses relating to Additional Taxes in an amount of $300,000 and other Losses in amounts greater than $1,700,000, under such circumstances Seller would only be liable to Buyer for up to $1,700,000 of such other Losses). To the extent Additional Taxes exceed $300,000 Buyer shall be entitled to recover such Additional Taxes from Seller without limitation. All claim(s) by Seller against Buyer shall be capped so that the aggregate value of all Losses recoverable by Seller shall be limited to U.S. $250,000.

{PRIVATE }(f) Determination of Losses in Section 8(e){tc \l 2 "(f) Determination of Losses in Section 8(e)"}.

(i) The Parties shall make appropriate adjustments for tax

benefits and insurance coverage and take into account the time cost of money (using the Applicable Rate as the discount rate) in determining Losses for purposes of this Section 8. All indemnification payments under this Section 8 shall be deemed adjustments to the Purchase Price.

(ii) Seller shall have twenty (20) days after receiving from Buyer a claim for indemnification for Losses made pursuant to Section 8(d) above to submit to Buyer written notice setting forth any objection to such claim. If, such written objection of Seller is not received by Buyer within such twenty (20) days, then such claim of Buyer shall be binding upon the Parties. In the event Seller, within such twenty (20) day period, gives written notice to Buyer of any objection to such claim, Seller and Buyer shall use their best efforts to reach agreement on all differences within the twenty (20) day period following the receipt by Seller of the claim for indemnification by Buyer.

(iii) If Seller and Buyer are unable to reach agreement within the twenty (20) day period described in Section 8(f)(ii) above, the Parties shall cause such matter to be submitted for determination by arbitration in accordance with the provisions of the Federal Arbitration Act and the commercial rules of the American Arbitration Association then in effect. Such proceeding shall take place in Chicago, Illinois. The arbitrator shall have the right to award or include in any award such relief which the arbitrator deems proper under the circumstances, in keeping with the spirit and intent of the terms of this Agreement, including, without limitation, money damages, specific performance, injunctive relief and legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding upon all of the Parties, and judgment upon the award may be entered in any court of competent jurisdiction.

{PRIVATE }9. Termination{tc \l 1 "9. Termination"}.

{PRIVATE }(a) Termination of Agreement{tc \l 2 "(a) Termination of Agreement"}. The Parties may terminate this Agreement as provided below:

(i) the Buyer and the Seller may terminate this Agreement by mutual written consent at any time prior to the Closing;

(ii) the Buyer may terminate this Agreement by giving written notice to the Seller at any time prior to the Closing in the event (A) the Seller, Acquired Corporation or its Acquired Subsidiaries have within the then previous ten (10) business days given the Buyer any notice pursuant to Section 5(e)(i) above and (B) the development that is the subject of such notice is in the nature of a product liability claim or an environmental claim that, in the reasonable opinion of Buyer will have, when considered together with all other such developments, a material adverse impact upon the long term financial condition, results of operations or prospects of Acquired Corporation and its Subsidiaries taken as a whole;

(iii) the Buyer may terminate this Agreement by giving written notice to the Seller at any time prior to the Closing in the event the Seller, Acquired Corporation or its Acquired Subsidiaries has given the Buyer notice(s) pursuant to Section 5(e)(i) above of developments that in the aggregate would create Losses in excess of $1,000,000 (as determined in accordance with and subject to the provisions of Section 9(b) below);

(iv) the Buyer may terminate this Agreement by giving written notice to the Seller at any time prior to the Closing in the event of fraud on the part of Seller in connection with any representation, warranty, or covenant contained in this Agreement or in the event that Seller does not provide timely notice of any material breach of any representation, warranty or covenant pursuant to Section 5(e)(i); and

(v) the Seller may terminate this Agreement by giving written notice to the Buyer at any time prior to the Closing (A) in the event the Buyer has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, the Seller has notified the Buyer of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach or (B) if the Closing shall not have occurred on or before March 16, 1998, by reason of the failure of any condition precedent under Section 7(b) hereof (unless the failure results primarily from the Seller itself breaching any representation, warranty, or covenant contained in this Agreement).

{PRIVATE }(b) Determination of Amount of Losses{tc \l 2 "(b) Determination of Amount of Losses"}.

(i) Buyer shall, (x) within ten (10) days after receipt from

Seller, Acquired Corporation or its Acquired Subsidiaries of any notices pursuant to Section 5(e)(i) above or (y) promptly after otherwise becoming aware of developments that, in the reasonable opinion of Buyer, individually or in the aggregate would create Losses that would allow Buyer to make a reduction in the Initial Payment by the amount of such Losses under Section 5(f) hereof, provide to Seller a written calculation of any such Losses (a "Calculation") and the basis for such Calculation (the "Calculation Notice"). If, within ten (10) days after the date such Calculation Notice is received by Seller, Seller has not given written notice to Buyer setting forth any objection to such Calculation, then such Calculation shall be binding upon the Parties (a "Final Calculation"). In the event Seller, within such ten (10) day period, gives written notice to Buyer of any objection to such Calculation, Seller and Buyer shall use their best efforts to reach agreement on all differences within the ten (10) day period following the giving of the Calculation Notice.

(ii) Buyer shall, (x) within ten (10) days after receipt from Seller, Acquired Corporation or its Acquired Subsidiaries of any notices pursuant to Section 5(e)(i) above or (y) promptly after otherwise becoming aware of developments that, in the reasonable opinion of Buyer, individually or in the aggregate would, at the option of the Buyer, either create Losses that would allow Buyer to make a reduction in the Initial Payment by an amount greater than $1,000,000 under Section 5(f) above, or allow Buyer to terminate this Agreement under Section 9(a)(iii) above (in each case because such Losses were in excess of $1,000,000), provide to Seller a Calculation Notice. If Buyer intends to terminate the Agreement as a result of such Losses, the Calculation Notice shall so state. If, within twenty (20) days after the date such Calculation Notice is received by Seller, Seller has not given written notice to Buyer setting forth any objection to such Calculation and/or setting forth its intent to cure the Losses described in such Calculation Notice within such twenty (20) day period, then the Calculation shall be a Final Calculation, and Buyer may terminate this Agreement at the end of such period. In the event Seller, within such twenty (20) day period, gives written notice to Buyer of any objection to such Calculation, Seller and Buyer shall use their best effort to reach agreement on all differences within the twenty (20) day period following the giving of the Calculation Notice.

(iii) If Seller and Buyer are unable to reach agreement within the ten (10) day period described in Section 9(b)(i) above or within the twenty (20) day period described in Section 9(b)(ii) above (as applicable), the Parties shall cause such matter to be submitted for determination by arbitration in accordance with the provisions of the Federal Arbitration Act and the commercial rules of the American Arbitration Association then in effect. Such proceeding shall take place in Chicago, Illinois. The arbitrator shall have the right to award or include in any award such relief which the arbitrator deems proper under the circumstances, in keeping with the spirit and intent of the terms of this Agreement, including, without limitation, money damages, specific performance, injunctive relief and legal fees and costs. The award and decision of the arbitrator shall be conclusive and binding upon all of the Parties, and judgment upon the award may be entered in any court of competent jurisdiction.

(iv) The Closing Date shall be extended as necessary to accommodate the notice and response procedures set forth above with respect to the calculation of any Losses.

{PRIVATE }(c) Effect of Termination{tc \l 2 "(c) Effect of Termination"}. If any Party terminates this Agreement pursuant to Section 9(a) above, all rights and obligations of the Parties hereunder shall terminate without any liability of any Party to any other Party (except for any liability of any Party then in breach); provided, however, that the confidentiality provisions contained in Section 5(d) above shall survive termination.

{PRIVATE }10. Tax Matters{tc \l 1 "10. Tax Matters"}.

{PRIVATE }(a) Income Tax Sharing Agreements{tc \l 2 "(a) Income Tax Sharing Agreements
Corporation and its Acquired Subsidiaries is terminated as of the Closing Date and will have no further effect for any future taxable year.

{PRIVATE }(b) Payment of Taxes{tc \l 2 "(b) Payment of Taxes
the amount of Income Taxes attributable to the Acquired Corporation and its Acquired Subsidiaries prior to the Closing Date which have been paid (but for which Income Tax Returns were not filed prior to the Closing Date) are determined to be deficient based on the Post-Closing Audit Seller shall be liable to Buyer and shall promptly pay to Buyer such deficiency. If it is

determined that Acquired Corporation or its Acquired Subsidiaries overpaid the amount of such Income Taxes based upon the Post-Closing Audit, Buyer shall promptly refund the amount of such overpayment to Seller. The amount due to or from the Seller pursuant to this Section shall be a Purchase Price Adjustment pursuant to Section 2(b)(ii).

{PRIVATE }(c) Tax Proceedings{tc \l 2 "(c) Tax Proceedings
shall exercise, at its expense, complete control over the handling, disposition and settlement of any governmental inquiry, examination or proceeding that could result in a determination with respect to Taxes due or payable by the Acquired Corporation or its Acquired Subsidiaries with respect to which it is estimated that a majority of such Taxes due or payable by the Acquired Corporation or its Acquired Subsidiaries would be paid by the Acquired Corporation or its Acquired Subsidiaries and would not be subject to indemnification by Seller pursuant to Section 10(b) above. Seller shall exercise, at its expense, complete control over the handling, disposition and settlement of any governmental inquiry, examination or proceeding that could result in a determination with respect to Taxes due or payable by the Acquired Corporation or its Acquired Subsidiaries with respect to which it is estimated that a majority of such Taxes due or payable by the Acquired Corporation or its Acquired Subsidiaries would be subject to indemnification by the Seller pursuant to Section 10(b) above. Buyer shall promptly notify Seller if, in connection with any such inquiry, examination or proceeding, any government authority proposes in writing to make an assessment or adjustment with respect to Tax items of the Acquired Corporation or its Acquired Subsidiaries, which assessments or adjustments are attributable or could affect the taxable periods ending on or before the Closing Date for which Seller may be liable, or against which Seller may be required to indemnify Buyer or Acquired Corporation pursuant hereto. Each Party, when it is not in control of any such inquiry, examination or proceeding following notification to the other Party, at its own expense, may participate in such inquiry, examination or proceeding. Each Party shall cooperate with the other Party, as each may reasonably request, in any such examination or proceeding. If such inquiry, examination or proceeding results in a Tax deficiency or Tax refund in excess of or less than, respectively, the amount estimated for such period in accordance with Section 10(b) which is attributable or partly attributable to taxable periods ended on or before the Closing Date, Seller agrees to promptly pay such amount to Buyer. If such inquiry, examination or proceeding results in a Tax refund or Tax deficiency in excess of or less than, respectively, the amount estimated for such period in accordance with Section 10(b) which is attributable or partly attributable to taxable periods ended on or before the Closing Date, Buyer agrees to promptly pay such amount to Seller.

{PRIVATE }(d) Cooperation and Record Retention{tc \l 2 "(d)
Cooperation and Record Retention
provide the other, with such assistance as may reasonably be requested by any of them in connection with the preparation of any Return, audit or other examination by any taxing authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other with any records of other information which may be relevant to such Return, audit or examination, proceeding or determination, and (iii) each provide the other with any final determination of any such audit or examination, proceeding or determination that affects any amount required to be shown on any Return of the other for any period. Without limiting the generality of the foregoing, Buyer shall retain, and shall cause the Acquired Corporation to retain, and Seller shall retain, until the applicable statutes of limitations (including any extensions) have expired, copies of all Returns, supporting work schedules and other records or information which may be relevant to such returns for all tax periods or portions thereof ending before or including the Closing Date and shall not destroy or otherwise dispose of any such records without first providing the other party with a reasonable opportunity to review and copy the same.

{PRIVATE }(e) Preparation of Returns{tc \l 2 "(e) Preparation of Returns"}. Seller agrees to prepare or cause to be prepared Returns for all taxable periods ending on or before the Closing Date, excluding the short taxable period beginning on June 29, 1997 and ending on the Closing Date. Buyer agrees to prepare or cause to be prepared Returns for all taxable periods ending after the Closing Date and to prepare Returns for the short taxable period beginning June 29, 1997 and ending on the Closing Date. In this regard, Buyer and Seller shall fully cooperate with each other in the timely preparation of such Returns (including the exchange of all necessary information, records, and

documents). Seller agrees to provide Buyer with copies of all Returns to be filed subsequent to Closing, relating to taxable periods ending on or before the Closing Date, 30 days prior to their filing. Buyer agrees to provide Seller copies of all Returns filed for the short taxable period ended on the Closing Date 30 days prior to their filing.

{PRIVATE }11. Miscellaneous{tc \l 1 "11. Miscellaneous"}.

{PRIVATE }(a) Press Releases and Public Announcements{tc \l 2 "(a) Press Releases and Public Announcements
"}. No Party shall issue any press release or
make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other Party; provided, however, that any Party or any affiliate of such Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly-traded securities (in which case the Party that intends, or that has an affiliate that intends, to issue such press release or make such public announcement will advise the other Party prior to making the disclosure and provide the other Party opportunity to comment upon the release or announcement).

{PRIVATE }(b) No Third Party Beneficiaries{tc \l 2 "(b) No Third Party Beneficiaries"}. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

{PRIVATE }(c) Entire Agreement{tc \l 2 "(c) Entire Agreement"}. This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

{PRIVATE }(d) Succession and Assignment{tc \l 2 "(d) Succession and Assignment"}. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Party.

{PRIVATE }(e) Counterparts{tc \l 2 "(e) Counterparts"}. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

{PRIVATE }(f) Headings{tc \l 2 "(f) Headings"}. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

{PRIVATE }(g) Notices{tc \l 2 "(g) Notices"}. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (on the next business day after) it is sent by reputable overnight courier, charges prepaid, and addressed to the intended recipient as set forth below:

If to the Seller:
3000 River Road
River Grove, Illinois 60171
Attention: Jay Fine
Telephone: (708) 456-1100
Facsimile: (708) 456-1197

Copy to:
Much Shelist Freed Denenberg
Ament Bell & Rubenstein, P.C.
200 N. LaSalle, Suite 2100
Chicago, Illinois 60601
Attention: Michael R. Shelist
Facsimile: (312) 621-1750

If to the Buyer:
CompX International Inc.
200 Old Mill Road
Mauldin, SC 29662
Attention: David A. Bowers
Facsimile: (864) 297-1202

Copies to:
Valcor, Inc.
Three Lincoln Centre, Suite 1700

5430 LBJ Freeway
Dallas, TX 75240-2697
Attention: J. Mark Hollingsworth
Facsimile: (972) 239-0142
Rogers & Hardin LLP
2700 International Tower
Suite 2700
229 Peachtree Street, NE
Atlanta, Georgia 30313
Attention: Edward J. Hardin
Facsimile: (404) 525-2224

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, registered or certified U.S. mail, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

{PRIVATE }(h) Governing Law{tc \l 2 "(h) Governing Law

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

{PRIVATE }(i) Amendments and Waivers{tc \l 2 "(i) Amendments and Waivers"}. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the Buyer and the Seller. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any such prior or subsequent occurrence.

{PRIVATE }(j) Severability{tc \l 2 "(j) Severability"}. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

{PRIVATE }(k) Expenses{tc \l 2 "(k) Expenses"}. Each of the Buyer and the Seller will bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Notwithstanding the foregoing sentence, Buyer shall bear the costs of any and all transfer taxes, including without limitation any use or sales taxes, associated with the sale of the Acquired Corporation.

{PRIVATE }(l) Construction{tc \l 2 "(l) Construction"}. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation.

{PRIVATE }(m) Incorporation of Exhibits{tc \l 2 "(m) Incorporation of Exhibits"}. The Exhibits and any annexes and schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

{PRIVATE }(n) Trustee Exculpatory Clause{tc \l 2 "(n) Trustee Exculpatory Clause

individually or personally, but as Trustees as aforesaid, in the exercise of the power and authority conferred upon and vested in it as such Trustee and under the express direction of the beneficiaries under such respective trusts. It is expressly understood and agreed that nothing in this Agreement contained shall be construed as creating any liability whatsoever against said Trustee personally, and in particular, without limiting the generality of the foregoing, there shall be no personal liability to pay any indebtedness accruing hereunder or to perform any covenant, either express or implied, herein contained, to keep, preserve or sequester any property of said Trusts, and that all personal liability of said Trustees, of every sort, if any, is hereby expressly waived by

Buyer, and by every person now or hereafter claiming any right or security hereunder; and that so far as the parties hereto are concerned, the owner of any indebtedness or liability accruing hereunder shall look solely to the trust estate under the respective trusts from time to time for the payment thereof. It is further understood and agreed that the said Trustees have no beneficial interest in the Acquired Corporation and merely hold naked title to the Acquired Corporation Shares hereby described and have no control over the management thereof or the income therefrom and have no knowledge respecting the Acquired Corporation, except as represented to it by the beneficiary or beneficiaries of said Trusts.

*****

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

BUYER:
COMPX INTERNATIONAL INC.
By: _/s/ David A. Bowers.__
Title: __President_____

SELLER:
LLOYD D. FALK
__/s/ Lloyd D. Falk_____
Lloyd D. Falk, as trustee of the Lloyd D. Falk Trust dated June 29, 1989

JUDY FALK
_/s/ Judy Falk
Signature

JAY FINE
__/s/ Jay Fine
Signature

KAREN L. FINE
__/s/ Kanen Fine_____
Signature

JULIE RASKE
__/s/ Julile Raske____
Signature

NICOLE FALK
__/s/ Nicole Falk_____
Signature

FINE FAMILY TRUST
By: _/s/Karen L. Fine____
Karen L. Fine, as trustee of the Fine Family Trust dated March 31, 1997

JULIE RASKE FAMILY GIFT TRUST
By: __/s/Julie Raske____
Julie Raske, as co-trustee of the Julie Raske Family Gift Trust dated February 4, 1997
By: __/s/ Arthur M. Cohen_____
Arthur M. Cohen, as co-trustee of the Julie Raske Family Gift Trust dated February 4, 1997

NICOLE FALK FAMILY GIFT TRUST
By: __/s/ Nicole Falk_____
Nicole Falk, as co-trustee of the Nicole Falk Family Gift Trust dated February 14, 1997.
By: /s/ Arthur M. Cohen_____
Arthur M. Cohen, as co-trustee of the Nicole Falk Family Gift Trust dated February 14, 1997.

CompX will provide the Commission with any of the following schedules upon request.

SCHEDULE II

FINANCIAL STATEMENTS

EXHIBIT A

ASSET PURCHASE AGREEMENT

EXHIBIT B

REAL ESTATE

PURCHASE AGREEMENT

EXHIBIT C

ESCROW AGREEMENT

EXHIBIT D

FORM OF LEGAL OPINION - ACQUIRED CORPORATION'S COUNSEL

EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the inclusion in this registration statement on this Form S-1 (File No. 333-42643) of our reports dated January 23, 1998 on our audits of the consolidated financial statements and financial statement schedules of CompX International Inc. We also consent to the reference to our firm under the caption "Experts."

COOPERS & LYBRAND L.L.P.

Dallas, Texas
February 4, 1998

EXHIBIT 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We consent to the inclusion in this registration statement on this Form S-1 (File No. 333-42643) of our report dated September 26, 1997 on our audits of the consolidated combined financial statements of Fort Lock Group. We also consent to the reference to our firm under the caption "Experts."

ALTSCHULER, MELVOIN AND GLASSER LLP

Chicago, Illinois
January 30, 1998

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM COMPX INTERNATIONAL INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
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