SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2001 Commission file number 1-13905

COMPX INTERNATIONAL INC.

(Exact name of Registrant as specified in its charter)

Delaware	57-0981653
(State or other jurisdiction of organization)	(IRS Employer Identification No.)

5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697

(Address of principal executive offices) (Zip Code)

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

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

Number of shares of Class A common stock outstanding on July 27, 2001: 5,103,280.

COMPX INTERNATIONAL INC.

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COMPX INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 2000	June 30, 2001
Current assets:		
Cash and cash equivalents	$ 9,820	$ 13,811
Accounts receivable	30,833	28,894
Income taxes receivable from affiliates	305	243
Refundable income taxes	2,165	1,939
Inventories	36,246	35,910
Deferred income taxes	1,209	1,131
Prepaid expenses and other	2,408	1,839
Total current assets	82,986	83,767
Other assets:		
Goodwill	42,213	39,672
Other intangible assets	2,646	2,563
Deferred income taxes	1,813	1,930
Other	868	685
Total other assets	47,540	44,850
Property and equipment:		
Land	5,709	5,516
Buildings	34,500	33,173
Equipment	78,357	83,942
Construction in progress	9,787	10,648
	128,353	133,279
Less accumulated depreciation	33,394	39,176
Net property and equipment	94,959	94,103

	$225,485	$222,720

COMPX INTERNATIONAL INC.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2000	June 30, 2001
Current liabilities:		
Current maturities of long-term debt	$ 1,638	$ 100
Accounts payable and accrued liabilities	26,487	18,851
Deferred income taxes	103	31
Income taxes	648	236
Total current liabilities	28,876	19,218
Noncurrent liabilities:		
Long-term debt	39,000	49,000
Deferred income taxes	4,852	5,173
Accrued pension costs	1,168	1,068
Other	626	867
Total noncurrent liabilities	45,646	56,108
Stockholders' equity:		
Preferred stock	--	--
Class A common stock	62	62
Class B common stock	100	100
Additional paid-in capital	119,194	119,224
Retained earnings	51,395	54,002
Accumulated other comprehensive income - currency translation	(11,123)	(14,679)
Treasury stock	(8,665)	(11,315)
Total stockholders' equity	150,963	147,394
	$ 225,485	$ 222,720

Commitments and contingencies (Note 1)

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended June 30, 2000	Three months ended June 30, 2001	Six months ended June 30, 2000	Six months ended June 30, 2001
Net sales	$ 65,136	$ 53,371	$ 131,203	$ 112,954
Costs and expenses:				
Cost of sales	46,616	41,095	95,139	86,806
Selling, general and administrative	7,014	6,932	13,832	13,999
Other income, net	(62)	20	(289)	(219)
Interest expense	538	868	1,071	1,672
	54,106	48,915	109,753	102,258
Income before income taxes and minority interest	11,030	4,456	21,450	10,696
Provision for income taxes	3,972	1,796	7,827	4,311
Income before minority interest	7,058	2,660	13,623	6,385
Minority interest	--	--	(3)	--
Net income	$ 7,058	$ 2,660	$ 13,626	$ 6,385
Basic and diluted earnings per common share	$ .44	$ .18	$ .84	$ .42
Cash dividends per share	$ .125	$ .125	$ .25	$ .25
Shares used in the calculation of per share amounts:				
Basic common shares	16,151	15,114	16,149	15,185
Dilutive impact of outstanding Stock options	31	9	20	5
Diluted common shares	16,182	15,123	16,169	15,190

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

Three months ended June 30, 2000	Three months ended June 30, 2001	Six months ended June 30, 2000	Six months ended June 30, 2001

Net income	$ 7,058	$ 2,660	$ 13,626	$ 6,385
Other comprehensive income - Currency translation adjustment, net of tax	(1,395)	(53)	(3,397)	(3,556)
Comprehensive income	$ 5,663	$ 2,607	$ 10,229	$ 2,829

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30, 2000 and 2001

(In thousands)

	2000	2001
Cash flows from operating activities:		
Net income	$ 13,626	$ 6,385
Depreciation and amortization	6,264	7,314
Deferred income taxes	209	581
Other, net	(282)	190
	19,817	14,470
Change in assets and liabilities:		
Accounts receivable	(2,393)	1,265
Inventories	(4,504)	(469)
Accounts payable and accrued liabilities	1,111	(6,480)
Accounts with affiliates	41	62
Income taxes	3	(449)
Other, net	(205)	532
Net cash provided by operating activities	13,870	8,931
Cash flows from investing activities:		
Capital expenditures	(10,189)	(6,966)
Purchase of business unit	(9,475)	--
Other, net	309	--
Net cash used by investing activities	(19,355)	(6,966)
Cash flows from financing activities:		
Indebtedness:		
Additions	12,081	14,919
Principal payments	(1,728)	(6,485)
Dividends	(4,038)	(3,778)
Common stock reacquired	--	(2,650)

	2000	2001
Issuance of common stock	36	--
Net cash provided by financing activities	6,351	2,006
Net increase in cash and cash equivalents	$ 866	$ 3,971

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Six months ended June 30, 2000 and 2001

(In thousands)

	2000	2001
Cash and cash equivalents:		
Net change from operating, investing		
and financing activities	$ 866	$ 3,971
Currency translation	(251)	20
	615	3,991
Balance at beginning of period	12,169	9,820
Balance at end of period	$ 12,784	$13,811
Supplemental disclosures:		
Cash paid for:		
Interest	$ 973	$ 1,949
Income taxes	7,386	3,983
Business unit acquired - net assets consolidated:		
Goodwill and other intangible assets	$ 2,539	$ --
Other non-cash assets	8,458	--
Liabilities	(1,522)	--
Cash paid	$ 9,475	$ --

COMPX INTERNATIONAL INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

Six months ended June 30, 2001

(In thousands)

Accumulated

	Common Stock Class A	Common Stock Class B	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income - currency translation	Treasury stock	Total stockholders' equity
Balance at December 31, 2000	$62	$100	$119,194	$51,395	$(11,123)	$ (8,665)	$150,963
Net income	-	-	-	6,385	-	-	6,385
Other comprehensive income, net	-	-	-	-	(3,556)	-	(3,556)
Issuance of common stock	-	-	30	-	-	-	30
Cash dividends	-	-	-	(3,778)	-	-	(3,778)
Common stock reacquired	-	-	-	-	-	(2,650)	(2,650)
Balance at June 30, 2001	$62	$100	$119,224	$54,002	$(14,679)	$(11,315)	$147,394

COMPX INTERNATIONAL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of presentation:

The consolidated balance sheet of CompX International Inc. and Subsidiaries (collectively, the "Company") at December 31, 2000 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 2001 and the consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the interim periods ended June 30, 2000 and 2001 have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows 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. Certain information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America has been condensed or omitted. The accompanying consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (the "2000 Annual Report").

Basic earnings per share of common stock is based upon the weighted average number of common shares actually outstanding during each period. Diluted earnings per share of common stock includes the impact of outstanding dilutive stock options.

Commitments and contingencies are discussed in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the 2000 Annual Report.

The Company is 69% owned by Valhi, Inc. (NYSE: VHI) and Valhi's wholly-owned subsidiary Valcor, Inc. Contran Corporation holds, directly or through subsidiaries, approximately 93% of Valhi's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee. Mr. Simmons, the Chairman of the Board and Chief Executive Officer of each of Contran, Valhi and Valcor, may be deemed to control such companies and the Company.

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, effective January 1, 2001. Under SFAS No. 133, all derivatives are recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives depends upon the intended use of the derivative, and such changes are recognized either in net income or other comprehensive income. As permitted by the transition requirements of SFAS No. 133, as amended, the Company has exempted from the scope of SFAS No. 133 all host contracts containing embedded derivatives which were issued or acquired prior to January 1, 1999. Other than certain currency forward contracts, the Company was not a party to any significant derivative or hedging instrument covered by SFAS No. 133 during the first six months of 2001. The accounting for such currency forward contracts under SFAS No. 133 is not materially different from the accounting for such contracts under prior accounting rules, and therefore the impact to the Company of adopting SFAS No. 133 was not material.

Note 2 - Business segment information:

The Company operates in one business segment - the manufacture and sale of hardware components for office furniture and other markets. The Company's products consist of ergonomic computer systems, precision ball bearing slides and security products.

	Three months ended June 30, 2000	Three months ended June 30, 2001	Six months ended June 30, 2000	Six months ended June 30, 2001
	(In thousands)			
Net sales	$ 65,136	$ 53,371	$ 131,203	$ 112,954
Operating income	$ 11,506	$ 5,344	$ 22,232	$ 12,149
Interest expense	(538)	(868)	(1,071)	(1,672)
Other, net	62	(20)	289	219
Income before income taxes ...	$ 11,030	$ 4,456	$ 21,450	$ 10,696

Note 3 - Inventories:

	December 31, 2000	June 30, 2001
	(In thousands)	
Raw materials	$11,866	$13,209
Work in process	11,454	12,004
Finished products	12,811	10,582
Supplies	115	115
	$36,246	$35,910

Note 4 - Accounts payable and accrued liabilities:

	December 31, 2000	June 30, 2001
	(In thousands)	
Accounts payable	$12,560	$ 8,593

Accrued liabilities:		
Employee benefits	7,898	5,965
Insurance	311	140
Royalties	470	215
Other	5,248	3,938
	$26,487	$18,851

Note 5 - Indebtedness:

	December 31, 2000	June 30, 2001
	(In thousands)	
Revolving bank credit facility	$39,000	$49,000
Capital lease obligations and other	1,638	100
	40,638	49,100
Less current maturities	1,638	100
	$39,000	$49,000

Note 6 - Other income:

	Three months ended June 30,		Six months ended June 30,	
	2000	2001	2000	2001
	(In thousands)			
Interest income	$ 157	$ 134	$ 285	$ 287
Foreign currency transactions, net	(131)	(197)	(47)	(88)
Other, net	36	43	51	20
	$ 62	$ (20)	$ 289	$ 219

Note 7 - Provision for income taxes:

	Three months ended June 30,		Six months ended June 30,	
	2000	2001	2000	2001
	(In thousands)			
Expected tax expense	$ 3,861	$ 1,560	$ 7,508	$ 3,744
Non-U.S. tax rates	22	(77)	84	(174)
No tax benefit for amortization of goodwill	155	172	311	346
Other, net	(66)	141	(76)	395

$ 3,972	$ 1,796	$ 7,827	$ 4,311
=======	=======	=======	=======

Note 8 - Foreign currency forward contracts:

Certain of the Company's sales generated by its non-U.S. operations are denominated in U.S. dollars. The Company periodically uses currency forward contracts to manage a portion of foreign exchange rate risk associated with receivables denominated in a currency other than the holder's functional currency. At each balance sheet date, any such outstanding currency forward contracts are marked-to-market with any resulting gain or loss recognized in income currently. These contracts are not accounted for as hedging instruments under SFAS No. 133. At December 31, 2000, the Company held contracts to manage such exchange rate risk to exchange an aggregate of U.S. $9.1 million for an equivalent amount of Canadian dollars at an exchange rate of Cdn. $1.482 per U.S. dollar. Such contracts matured through March 2001. At June 30, 2001, the Company did not hold any such contracts.

Note 9 - Accounting principles not yet adopted:

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, for all business combinations initiated on or after July 1, 2001, and all purchase business combinations completed on or after July 1, 2001. Under SFAS No. 141, all business combinations initiated on or after July 1, 2001 will be accounted for by the purchase method, and the pooling-of-interests method will be prohibited.

The Company will adopt SFAS No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002. Under SFAS No. 142, goodwill will not be amortized on a periodic basis, but instead will be subject to an impairment test to be performed at least annually. Under the transition provisions of SFAS No. 142, goodwill existing as of June 30, 2001 will cease to be periodically amortized as of January 1, 2002, but any goodwill arising in a purchase business combination completed on or after July 1, 2001 would not be periodically amortized from the date of such combination. The Company would have reported net income of $7.4 million, or $.49 per diluted share, in the first six months of 2001 if the goodwill amortization included in the Company's net income, as reported, had not been recognized.

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

Overview

The Company reported net income of $2.7 million in the second quarter of 2001, a decrease of 62% from net income of $7.1 million for the second quarter of 2000. The Company reported net income of $6.4 million in the first six months of 2001, a 53% decrease from net income of $13.6 million in the first six months of 2000.

Results of Operations

Net sales. Net sales decreased $11.8 million, or 18%, to $53.4 million in the second quarter of 2001 from $65.1 million in the second quarter of 2000. For the first six months of 2001, net sales of $113.0 million decreased 14% when compared to net sales of $131.2 million for the first six months of 2000. The decrease is principally due to decreased demand for the Company's products resulting from continued weak economic conditions in the manufacturing sector in North America and Europe, and the negative effects of fluctuations in currency exchange rates. Net sales of slide products decreased 29% and 21% for the three and six month periods ended June 30, 2001 compared to the same periods in 2000, with sales of security products decreasing 15% and 12% for the same comparable periods. For the three and six month periods ending June 30, 2001, sales of ergonomic products increased 6% and 3% over the corresponding periods of the prior year due primarily to increased European sales.

Operating income. Operating income in the second quarter of 2001 was $5.3

million compared to $11.5 million for the second quarter of 2000, decreasing 54% from the second quarter of 2000. As a percentage of net sales, operating income was 10% for the second quarter of 2001 compared to 18% for the second quarter of 2000. For the first six months of 2001, operating income was 11% of net sales compared to 17% of net sales for the first six months of 2000. For the first six months of 2001, operating income decreased $10.1 million, or 45% to $12.1 million. Reductions in manufacturing fixed costs beginning in the first quarter of 2001, partially offset the effect of the decline in net sales. Despite these cost reductions, operating income margins for the second quarter and first six months of 2001 as compared to the second quarter and first six months of 2000 were adversely impacted by the decline in volume levels and the related impact on manufacturing efficiencies, the effects of changes in the sales mix and, to a lesser extent, pricing pressures from foreign-based manufacturers.

CompX has substantial operations and assets located outside the United States (principally in Canada, the Netherlands and Taiwan). A portion of CompX's sales generated from its non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the Canadian dollar, the Dutch guilder, the euro and the New Taiwan dollar. In addition, approximately 60% of CompX's net sales generated from its Canadian operations are denominated in the U.S. dollar. Most raw materials, labor and other production costs for such non-U.S. operations are denominated primarily in local currencies. Consequently, the translated U.S. dollar value of CompX's foreign sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect comparability of period-to-period operating results. During the second quarter and first six months of 2001, currency exchange rate fluctuations of the Canadian dollar, the New Taiwan dollar and the euro negatively impacted the Company's sales comparisons with the corresponding periods of the prior year (principally with respect to slide products), decreasing net sales by 2% in each of the second quarter and first six months of 2001. Currency exchange rate fluctuations with respect to the Canadian dollar, the euro and other currencies did not materially impact operating income comparisons in 2001 as compared to the corresponding periods of the prior year.

Outlook. The current weak economic cycle is expected to continue and will resultantly have a negative impact on the Company's sales. Therefore, the Company continues implementing various cost control initiatives, including ongoing company-wide headcount rationalization efforts and operational cost improvements. These cost reduction measures are designed to minimize the adverse effect of lower sales and more favorably position the Company when the economy recovers. Nevertheless, the Company remains concerned regarding the duration and severity of the weak economic cycle and its overall impact on the Company's business.

Liquidity and Capital Resources

Consolidated cash flows

Operating activities. Trends in cash flows from operating activities, excluding changes in assets and liabilities, are generally similar to the trends in the Company's earnings. Such cash flows totaled $19.8 million and $14.5 million in the first six months of 2000 and 2001, respectively, compared to net income of $13.6 million and $6.4 million, respectively.

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 $19.4 million and $7.0 million in the first six months of 2000 and 2001, respectively. Investing activities in the first six months of 2000 included $9.5 million used to acquire substantially all of the operating assets of Chicago Lock Company. No such business acquisitions occurred in the first six months of 2001.

The capital expenditures for 2001 relate primarily to capacity expansion and tooling costs at the Company's facilities and equipment additions designed to improve manufacturing efficiencies at the Company's security products and ergonomic and slide products facilities. Capital expenditures for 2001 are estimated at approximately $13 million the majority of which relate to projects that emphasize improved production efficiency. Firm purchase commitments for capital projects not commenced at June 30, 2001 were not material.

Financing activities. Net cash provided by financing activities totaled

$6.4 million and $2.0 million in the first six months of 2000 and 2001, respectively. The Company paid its regular quarterly dividend of $1.9 million or $.125 per share, in each of the first and second quarters of 2001. The Company also used $2.7 million to reacquire approximately 260,000 shares of its Class A common stock. Borrowings under the Company's unsecured revolving bank credit facility were increased by a net amount of $10.0 million. The Company repaid its short-term bank borrowing denominated in New Taiwan dollars during the first quarter of 2001 and borrowed and repaid an additional $900,000 of New Taiwan dollar short-term bank borrowings in the second quarter of 2001.

In July 2001, the Company's board of directors authorized the repurchase of up to 500,000 shares of its common stock in open market or privately-negotiated transactions at unspecified prices and over an unspecified period of time.

Management believes that cash generated from operations and borrowing availability under the Company's unsecured revolving bank credit facility ($51 million available for borrowing at June 30, 2001), together with cash on hand, will be sufficient to meet the Company's liquidity needs for working capital, capital expenditures, debt service and dividends for the foreseeable future.

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

As provided by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions that the statements in this Quarterly Report on Form 10-Q relating to matters that are not historical facts are forward-looking statements that represent management's beliefs and assumptions based on currently available information. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "should," "anticipates," "expected" or comparable terminology, or by discussions of strategies or trends. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve substantial risks and uncertainties that could significantly impact expected results, and actual future results could differ materially from those described in such forward-looking statements. Among the factors that could cause actual future results to differ materially are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in the Company's other filings with the Securities and Exchange Commission. While it is not possible to identify all factors, the Company continues to face many risks and uncertainties including, but not limited to, future supply and demand for the Company's products, changes in costs of raw materials and other operating costs (such as energy costs), general global economic and political conditions, demand for office furniture, service industry employment levels, the possibility of labor disruptions, competitive products and prices, substitute products, customer and competitor strategies, the introduction of trade barriers, the impact of pricing and production decisions, fluctuations in the value of the U.S. dollar relative to other currencies (such as the euro and Canadian dollar), potential difficulties in integrating completed acquisitions, uncertainties associated with new product development, environmental matters (such as those requiring emission and discharge standards for existing and new facilities), government regulations and possible changes therein, possible future litigation and other risks and uncertainties. Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. The Company disclaims any intention or obligation to update publicly or revise such statements whether as a result of new information, future events or otherwise.

Part II. OTHER INFORMATION

ITEM 4. Submission of Matters to a Vote of Security Holders.

The Company held its Annual Meeting of Stockholders on May 10, 2001. Paul M. Bass, Jr., David A. Bowers, Edward J. Hardin, Ann Mannix, Glenn R. Simmons and Steven L. Watson were elected as directors, each receiving votes "For" their election from over 99% of the approximately 105.1 million votes eligible to be voted at the Annual Meeting.

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

10.1 Intercorporate Services Agreement between the Registrant and Contran Corporation effective as of January 1, 2001.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 2001.

None

SIGNATURES

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

COMPX INTERNATIONAL INC.

(Registrant)

Date July 31, 2001

By /s/ Stuart M. Bitting

Stuart M. Bitting
Vice President and
Chief Financial Officer

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement"), effective as of January 1, 2001, by and between CONTRAN CORPORATION, a Delaware corporation ("Contran"), and COMPX INTERNATIONAL INC., a Delaware corporation ("Recipient"), amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 2000 between VALHI, INC., a Delaware corporation, and the Recipient.

Recitals

A. Employees and agents of Contran and affiliates of Contran perform management, financial and administrative functions for Recipient without direct compensation from Recipient.

B. Recipient does not separately maintain the full internal capability to perform all necessary management, financial and administrative functions that Recipient requires.

C. The cost of maintaining the additional personnel by Recipient necessary to perform the functions provided for by this Agreement would exceed the fee set forth in Section 3 of this Agreement and that the terms of this Agreement are no less favorable to Recipient than could otherwise be obtained from a third party for comparable services.

D. Recipient desires to continue receiving the management, financial and administrative services presently provided by Contran and affiliates of Contran and Contran is willing to continue to provide such services under the terms of this Agreement.

Agreement

For and in consideration of the mutual premises, representations and covenants herein contained, the parties hereto mutually agree as follows:

Section 1. Services to be Provided. Contran agrees to make available to Recipient the following services (the "Services") to be rendered by the internal staff of Contran and affiliates of Contran:

(a) Consultation in the development and implementation of Recipient's corporate business strategies, plans and objectives;

(b) Consultation in management and conduct of corporate affairs and corporate governance consistent with the charter and bylaws of Recipient;

(c) Consultation in maintenance of financial records and controls, including preparation and review of periodic financial statements and reports to be filed with public and regulatory entities and those required to be prepared for financial institutions or pursuant to indentures and credit agreements;

(d) Consultation in cash management and in arranging financing necessary to implement the business plans of Recipient;

(e) Consultation in tax management and administration, including, without limitation, preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning;

(f) Consultation with respect to employee benefit plans and incentive compensation arrangements;

(g) Certain administration and management services with respect to Recipient's insurance and risk management needs, including:

(i) management of claims (including insured and self-insured workers compensation and liability claims);

(ii) budgeting and related activities;

(iii) coordination of property loss control program; and

(iv) administration of Recipient's insurance program, excluding all employee benefit and welfare related programs; and

(h) Such other services as may be requested by Recipient or deemed necessary and proper from time to time.

This Agreement does not apply to, and the Services provided for herein do not include, any services that Glenn R. Simmons or Steven L. Watson may provide to Recipient in their roles as members of Recipient's board of directors or any other activity related to such board of directors.

Section 2. Miscellaneous Services. It is the intent of the parties hereto that Contran provide only the Services requested by Recipient in connection with routine management, financial and administrative functions related to the ongoing operations of Recipient and not with respect to special projects, including corporate investments, acquisitions and divestitures. The parties hereto contemplate that the Services rendered in connection with the conduct of Recipient's business will be on a scale compared to that existing on the effective date of this Agreement, adjusted for internal corporate growth or contraction, but not for major corporate acquisitions or divestitures, and that adjustments may be required to the terms of this Agreement in the event of such major corporate acquisitions, divestitures or special projects. Recipient will continue to bear all other costs required for outside services including, but not limited to, the outside services of attorneys, auditors, trustees, consultants, transfer agents and registrars, and it is expressly understood that Contran assumes no liability for any expenses or services other than those stated in Section 1. In addition to the fee paid to Contran by Recipient for the Services provided pursuant to this Agreement, Recipient will pay to Contran the amount of out-of-pocket costs incurred by Contran in rendering such Services.

Section 3. Fee for Services. Recipient agrees to pay to Contran $302,000 quarterly, commencing as of January 1, 2001, pursuant to this Agreement.

Section 4. Original Term. Subject to the provisions of Section 5 hereof, the original term of this Agreement shall be from January 1, 2001 to December 31, 2001.

Section 5. Extensions. This Agreement shall be extended on a quarter-to-quarter basis after the expiration of its original term unless written notification is given by Contran or Recipient thirty (30) days in advance of the first day of each successive quarter or unless it is superseded by a subsequent written agreement of the parties hereto.

Section 6. Limitation of Liability. In providing its Services hereunder, Contran shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but neither Contran nor any officer, director, employee or agent of Contran or its affiliates shall be liable to Recipient for any error of judgment or mistake of law or for any loss incurred by Recipient in connection with the matter to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of Contran.

Section 7. Indemnification of Contran by Recipient. Recipient shall indemnify and hold harmless Contran, its affiliates and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including attorneys' fees and other expenses of litigation) to which Contran or any such person may become subject arising out of the Services provided by Contran to Recipient hereunder, provided that such indemnity shall not protect any person against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on the part of such person.

Section 8. Further Assurances. Each of the parties will make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as the other party may reasonably request and as may reasonably be required in order to effectuate the purposes of this Agreement and to carry out the terms hereof.

Section 9. Notices. All communications hereunder shall be in writing and shall be addressed, if intended for Contran, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention: President, or such other address as it shall have furnished to Recipient in writing, and if intended for Recipient, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention: President, or such other address as it shall have furnished to Contran in writing.

Section 10. Amendment and Modification. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

Section 11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Contran and Recipient and their respective successors and assigns, except that neither party may assign its rights under this Agreement without the prior written consent of the other party.

Section 12. Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the state of Texas.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

CONTRAN CORPORATION

By:

Steven L. Watson, President

COMPX INTERNATIONAL INC.

By:

Brent A. Hagenbuch, President