

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934 - For the fiscal year ended December 31, 2005

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 incorporation or 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

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

Title of each class	Name of each exchange on which registered
-----	-----
Class A common stock (\$.01 par value per share)	New York Stock Exchange

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

None.

Indicate by check mark:

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

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

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

If disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes No X

Whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act). Large accelerated filer Accelerated filer Non-accelerated filer X .

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

The aggregate market value of the 2.0 million shares of voting stock held by nonaffiliates of CompX International Inc. as of June 30, 2005 (the last business day of the Registrant's most recently completed second fiscal quarter) approximated \$34 million.

As of January 31, 2006, 5,234,280 shares of Class A common stock were outstanding.

Documents incorporated by reference

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

PART I

ITEM 1. BUSINESS

General

CompX International Inc. (NYSE: CIX) is a leading manufacturer of precision ball bearing slides, security products and ergonomic computer support systems used in office furniture, computer-related applications and a variety of other industries. The Company's products are principally designed for use in medium to high-end product applications, where design, quality and durability are critical to the Company's customers. The Company believes that it is among the world's largest producers of precision ball bearing slides, security products consisting of cabinet locks and other locking mechanisms and ergonomic computer support systems. In 2005, precision ball bearing slides, security products and ergonomic computer support systems accounted for approximately 42%, 43% and 15% of net sales related to continuing operations, respectively.

On January 24, 2005 the registrant completed the disposition of all of the net assets of its Thomas Regout precision slide and window furnishing operations, conducted at its facility in the Netherlands, to members of Thomas Regout management for proceeds of approximately \$22.6 million. At December 31, 2004, the assets and liabilities of Thomas Regout are classified as "held for sale" and accordingly the results of operations have been classified as "discontinued operations" for all periods presented. See Note 10 to the Consolidated Financial Statements. In August 2005, the Company completed the acquisition of a component product business for aggregate cash consideration of \$7.3 million, net of cash acquired. See Note 2 to the Consolidated Financial Statements.

At December 31, 2005, CompX is 83% owned by CompX Group, Inc., a majority owned subsidiary of NL Industries, Inc. (NYSE: NL). NL owns 82% of CompX Group, and Titanium Metals Corporation (NYSE: TIE) ("TIMET") owns the remaining 18% of CompX Group. At December 31, 2005, (i) NL and TIMET own an additional 2% and 3%, respectively, of CompX directly, (ii) Valhi, Inc. (NYSE: VHI) holds, directly or through a subsidiary, approximately 83% of NL's outstanding common stock and approximately 39% of TIMET's outstanding common stock and (iii) Contran Corporation holds, directly or through subsidiaries, approximately 92% 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, or is held by Mr. Simmons or persons or other entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control each of such companies and the Company.

The Company maintains a website on the internet with the address of www.compX.com. Copies of this Annual Report on Form 10-K for the year ended December 31, 2005 and copies of the Company's Quarterly Reports on Form 10-Q for 2005 and 2006 and any Current Reports on Form 8-K for 2005 and 2006, and any amendments thereto, are or will be available free of charge as soon as reasonably practical after they are filed with the Securities and Exchange Commission ("SEC") at such website. Additional information regarding the Company, including the Company's Audit Committee Charter, the Company's Code of Business Conduct and Ethics and the Company's Corporate Governance Guidelines, may also be found at this website. The Company will also provide to anyone without charge copies of such documents upon written request to the Company. Such requests should be directed to the attention of the Corporate Secretary at the Company's address on the cover page of this Form 10-K.

The general public may also read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW,

Washington, DC 20549, and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer, and the SEC maintains an internet website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

As provided by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions that the statements in this Annual Report on Form 10-K relating to matters that are not historical facts, including, but not limited to, statements found in this Item 1 - "Business," Item 1A - "Risk Factors," Item 3 - "Legal Proceedings," Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A - "Quantitative and Qualitative Disclosures About Market Risk," 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," "expects" 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 Annual Report and those described from time to time in materials filed with the Company's other filings with the SEC. While it is not possible to identify all factors, the Company continues to face many risks and uncertainties including, but not limited to, the following:

- o Future supply and demand for the Company's products,
- o Changes in costs of raw materials and other operating costs (such as energy costs),
- o General global economic and political conditions,
- o Demand for office furniture,
- o Service industry employment levels,
- o The possibility of labor disruptions,
- o Competitive products and prices, including increased competition from low-cost manufacturing sources (such as China),
- o Substitute products,
- o Customer and competitor strategies,
- o Costs and expenses associated with compliance with certain requirements of the Sarbanes-Oxley Act of 2002 relating to the evaluation of the Company's internal control over financial reporting,
- o The introduction of trade barriers,
- o The impact of pricing and production decisions,
- o Fluctuations in the value of the U.S. dollar relative to other currencies (such as the Canadian dollar and New Taiwan dollar),
- o Potential difficulties in integrating completed or future acquisitions,
- o Decisions to sell operating assets other than in the ordinary course of business,
- o Uncertainties associated with new product development,
- o Environmental matters (such as those requiring emission and discharge standards for existing and new facilities),
- o The ability of the Company to comply with covenants contained in its revolving bank credit facility,
- o The ultimate outcome of income tax audits,
- o The impact of current or future government regulations,
- o Possible future litigation and
- o 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.

Industry Overview

Currently, approximately 43% of the Company's products are sold to the office furniture manufacturing industry while the remainder are sold for use in other products, such as vending equipment, electromechanical enclosures, recreational transportation, computers and related equipment, banking equipment, refrigerators, tool boxes and other non-office furniture applications. In 2004, the office furniture industry began to recover from a multi-year contraction

marked by consistently negative growth rates. Consequently, CompX's historical sales growth has been negatively affected. See Item 6 - "Selected Financial Data" and Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations." However, CompX's management believes that its emphasis on new product development and sales of its products to non-office furniture markets result in the potential for higher rates of growth and diversification of risk than the office furniture industry as a whole.

Products

CompX manufactures and sells components in three major product lines: precision ball bearing slides, security products and ergonomic computer support systems.

Sales for the respective product lines in 2003, 2004 and 2005 are as follows:

	2003 ----	Years ended December 31, 2004 ----	2005 ----
		(\$ in thousands)	
Precision ball bearing slides	\$ 69,709	\$ 78,522	\$ 77,854
Security products	76,155	75,872	80,825
Ergonomic computer support systems	28,102	28,237	27,670
	-----	-----	-----
	\$173,966	\$182,631	\$186,349
	=====	=====	=====

The Company's precision ball bearing slides are sold under the CompX Precision Slides, CompX Waterloo, Waterloo Furniture Components, CompX DurISlide and CompX Dynaslide brand names; the Company's security products are sold under the CompX Security Products, National Cabinet Lock, Fort Lock, Timberline Lock, Chicago Lock, STOCK LOCKS, KeSet and TuBar brand names; and the ergonomic computer support systems are sold under the CompX ErgonomX brand name. The Company believes that its brand names are well recognized in the industry.

Precision ball bearing slides. CompX manufactures a complete line of precision ball bearing slides for use in office furniture, computer-related equipment, tool storage cabinets, imaging equipment, file cabinets, desk drawers, automated teller machines, refrigerators and other applications. These products include CompX's patented Integrated Slide Lock in which a file cabinet manufacturer can reduce the possibility of multiple drawers being opened at the same time, the adjustable patented Ball Lock which reduces the risk of heavily-filled drawers, such as auto mechanic tool boxes, from opening while in movement, and the Self-Closing Slide, which is designed to assist in closing a drawer and is used in applications such as bottom mount freezers. Precision ball bearing slides are manufactured to stringent industry standards and are designed in conjunction with original equipment manufacturers ("OEMs") to meet the needs of end users with respect to weight support capabilities, ease of movement and durability.

Security products. The Company believes that it is a North American market leader in the manufacture and sale of cabinet locks and other locking mechanisms. CompX provides security products to various industries including institutional furniture, banking, industrial equipment, recreational vehicles, vending and computer. The Company's products can also be found in various applications including ignition systems, office furniture, vending and gaming machines, parking meters, electrical circuit panels, storage compartments, security devices for laptop and desktop computers as well as mechanical and electronic locks for the toolbox, medical and other industries. Some of these products may include CompX's KeSet high security system, which has the ability to change the keying on a single lock 64 times without removing the lock from its enclosure and its patented high security TuBar locking system.

The Company manufactures disc tumbler locking mechanisms at all of its security products facilities, which mechanisms provide moderate security and generally represent the lowest cost lock to produce. CompX also manufactures pin tumbler locking mechanisms, including its KeSet, ACE II and TuBar brand locks, which mechanisms are more costly to produce and are used in applications

requiring higher levels of security. CompX Security Products' innovative eLock electronic lock provides stand alone security and audit trail capability for drug storage and other valuables through the use of a proximity card, magnetic stripe, or keypad credentials. A substantial portion of the Company's sales consist of products with specialized adaptations to individual manufacturers' specifications. CompX, however, also has a standardized product line suitable for many customers. This standardized product line is offered through a North American distribution network through the Company's STOCK LOCKS distribution program as well as to factory centers and to large OEMs.

Ergonomic computer support systems. CompX is a leading manufacturer and innovator in ergonomic computer support systems and accessories. Unlike similar products targeting the residential market, which are more price sensitive with less emphasis on the overall value of products and service, the CompX line consists of more highly engineered products designed to provide ergonomic benefits for business and other sophisticated users.

Ergonomic computer support systems include articulating computer keyboard support arms (designed to attach to desks in the workplace and home office environments to alleviate possible strains and stress and maximize usable workspace), CPU storage devices (which minimize adverse effects of dust and moisture) and a number of complementary accessories, including ergonomic wrist rest aids, mouse pad supports and flat screen computer monitor support arms. These products include CompX's Leverlock, which is designed to make the adjustment of an ergonomic keyboard arm easier. In addition, the Company offers its engineering and design capabilities for the design and manufacture of products on a proprietary basis for key customers.

Sales, Marketing and Distribution

CompX sells components to OEMs and to distributors through a dedicated sales force. The majority of the Company's sales are 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 field salespeople and independent manufacturers' representatives. Manufacturers' representatives are selected based on special skills in certain markets or relationships with current or potential customers.

A significant portion of the Company's sales are made through distributors. The Company has a significant market share of cabinet lock sales to the locksmith distribution channel. CompX 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 users. Based on the Company's successful STOCK LOCKS inventory program, similar programs have been implemented for distributor sales of ergonomic computer support systems and, to some extent, precision ball bearing slides. The Company also operates a small tractor/trailer fleet associated with its Canadian facilities to provide an industry-unique service response to major customers for those Canadian manufactured products.

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 operations. Sales to the Company's ten largest customers accounted for approximately 44% in 2003 and 43% in each of 2004 and 2005. In 2003, sales to the Company's largest customer was less than 10% of the Company's total sales. In 2004 and 2005, one customer accounted for 11% and 10% of sales, respectively. In each of 2003, 2004 and 2005, eight of the Company's top ten customers were located in the United States.

Manufacturing and Operations

At December 31, 2005, CompX operated eight manufacturing facilities related to its continuing operations: six in North America (two in Illinois and one in each of Canada, South Carolina, Wisconsin and Michigan) and two in Taiwan. Precision ball bearing slides are manufactured in the facilities located in Canada, Michigan and Taiwan. Security products are manufactured in the facilities located in South Carolina and Illinois. Ergonomic products are manufactured in the facility located in Canada. Other component products are manufactured at the Wisconsin facility acquired in 2005. The Company owns all of these facilities except for one of the Taiwan facilities, which is leased. See also Item 2 - "Properties." CompX also leases a distribution center in California. CompX believes that all of its facilities are well maintained and satisfactory for their intended purposes.

Raw Materials

Coiled steel is the major raw material used in the manufacture of precision ball bearing slides and ergonomic computer support systems. Plastic resins for injection molded plastics are also an integral material for ergonomic computer support systems. Purchased components and zinc are the principal raw materials used in the manufacture of security products. These raw materials are purchased from several suppliers and are 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 that the specified minimum monthly purchase quantities are met. Materials purchased outside of these arrangements 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 or raw material surcharges. Consequently, overall operating margins can be affected by such raw material cost pressures.

Competition

The markets in which CompX participates are highly competitive. The Company competes primarily on the basis of product design, including ergonomic and aesthetic factors, product quality and durability, price, on-time delivery, service and technical support. The Company focuses its efforts on the middle and high-end segments of the market, where product design, quality, durability and service are placed at a premium.

The Company competes in the precision ball bearing slide market primarily on the basis of product quality and price with two large manufacturers and a number of smaller domestic and foreign manufacturers. The Company's security products compete with a variety of relatively small domestic and foreign competitors. The Company competes in the ergonomic computer support systems market primarily on the basis of product quality, features and price with one major producer and a number of smaller domestic manufacturers, and primarily on the basis of price with a number of foreign manufacturers. Although the Company believes that it has been able to compete successfully in its markets to date, price competition from foreign-sourced product continues to intensify and there can be no assurance that the Company will be able to continue to successfully compete in all existing markets in the future.

Patents and Trademarks

The Company holds a number of patents relating to its component products, certain of which are believed to be important to CompX and its continuing business activity. The Company's patents generally have a term of 20 years, and have remaining terms ranging from less than 3 years to 18 years at December 31, 2005. CompX's major trademarks and brand names, including CompX, CompX Precision Slides, CompX Security Products, CompX Waterloo, CompX ErgonomX, National Cabinet Lock, KeSet, Fort Lock, Timberline Lock, Chicago Lock, ACE II, TuBar, STOCK LOCKS, ShipFast, Waterloo Furniture Components Limited, CompX DurISlide and CompX Dynaslide, are protected by registration in the United States and elsewhere with respect to the products CompX manufactures and sells. The Company believes such trademarks are well recognized in the component products industry.

International Operations

The Company has substantial operations and assets located outside the United States, principally slide and ergonomic product operations in Canada and slide product operations in Taiwan. The majority of the Company's 2005 non-U.S. sales are to customers located in Canada. Foreign operations are subject to, among other things, currency exchange rate fluctuations. The Company's results of operations have in the past been both favorably and unfavorably affected by fluctuations in currency exchange rates. Political and economic uncertainties in certain of the countries in which the Company operates may expose the Company to risk of loss. The Company does not believe that there is currently any likelihood of material loss through political or economic instability, seizure, nationalization or similar event. The Company cannot predict, however, whether events of this type in the future could have a material effect on its operations. See Item 7 - "Management's Discussion and Analysis of Financial

Condition and Results of Operations," Item 7A - "Quantitative and Qualitative Disclosures About Market Risk" and Note 1 to the Consolidated Financial Statements.

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 have 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 laws and regulations 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, consolidated financial condition, results of operations or liquidity.

Employees

As of December 31, 2005, the Company employed approximately 1,230 employees, including 750 in the United States, 330 in Canada and 150 in Taiwan. Approximately 70% of the Company's employees in Canada are represented by a labor union covered by a collective bargaining agreement which provides for annual wage increases from 1% to 2.5% over the term of the contract. A new collective bargaining agreement was ratified in December 2005 that expires in January 2009. Wage increases for these Canadian employees historically have also been in line with overall inflation indices. The Company believes that its labor relations are satisfactory.

Item 1A. RISK FACTORS

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

We sell many of our products in mature and highly competitive industries and face price pressures in the markets in which we operate, which may result in reduced earnings or operating losses. Each of the markets we serve is highly competitive, with a number of competitors offering similar products. We focus our efforts on the middle- and high-end segment of the market, where product design, quality and durability are the primary competitive factors. Some of our competitors may be able to drive down prices for our products because their costs are lower than our costs, especially those located in Asia. In addition, some of our competitors' financial, technological and other resources may be greater than our resources, and such competitors may be better able to withstand changes in market conditions. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Further, consolidation of our competitors or customers in any of the industries in which we compete may result in reduced demand for our products. In addition, in some of our businesses new competitors could emerge by modifying their existing production facilities so they could manufacture products that compete with our products. The occurrence of any of these events could result in reduced earnings or operating losses.

Sales for certain of our products, principally precision slides and ergonomic products, are concentrated in the office furniture industry which has in the past experience significant changes in demand that could result in reduced earnings or operating losses for the Company. Sales of our products to the office furniture manufacturing industry accounted for approximately 57%, 51% and 43% for 2003, 2004 and 2005, respectively. 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 our business.

CompX's failure to enter into new markets would result in the continued significant impact of fluctuations in demand within the office furniture manufacturing industry on our operating results. In an effort to reduce our dependence on the office furniture market for certain products and to increase our participation in other markets, we have been devoting resources to identifying new customers and developing new applications for those products in markets outside of the office furniture industry, such as home appliances and tool boxes. Developing these new applications for its products involves substantial risk and uncertainties due to our limited experience with customers and applications in these markets as well as facing competitors who are already established in these markets. We may not be successful in developing new customers or applications for our products outside of the office furniture industry. Significant time may be required for such development and uncertainty exists as to the extent to which we will face competition in this regard.

Our development of new products as well as innovative features for current products is critical to sustaining and growing our sales. Historically, our ability to provide value-added custom engineered products that address requirements of technology and space utilization has been a key element of our success. The introduction of new products and features requires the coordination of the design, manufacturing and marketing of such products with potential customers. The ability to implement such coordination may be affected by factors beyond our control. While we will continue to emphasize the introduction of innovative new products that target customer-specific opportunities, there can be no assurance that any new products we introduce will achieve the same degree of success that we have achieved with our existing products. Introduction of new products typically requires us to increase production volume on a timely basis while maintaining product quality. Manufacturers often encounter difficulties in increasing production volumes, including delays, quality control problems and shortages of qualified personnel. As we attempt to introduce new products in the future, there can be no assurance that we will be able to increase production volume without encountering these or other problems, which might, on our financial condition or results of operations.

We have in the past and intend to in the future pursue a growth strategy through acquisitions which could negatively affect operating results if the acquired businesses are not successful. Our ability to successfully grow through acquisitions will depend on many factors, including, among others, our ability to identify suitable growth opportunities and to successfully integrate acquired businesses. There can be no assurance that we will anticipate all of the changing demands that expanding operations will impose on our management and management information systems. Any failure by us to adapt our systems and procedures to those changing demands could have a material adverse effect on our results of operations and financial condition.

Higher costs of our raw materials may decrease our liquidity. Certain of the raw materials used in our products are commodities that are subject to significant fluctuations in price in response to world wide supply and demand. Coiled steel is the major raw material used in the manufacture of precision ball bearing slides and ergonomic computer support systems. Plastic resins for injection molded plastics are also an integral material for ergonomic computer support systems. Zinc is a principal raw material used in the manufacture of security products. These raw materials are purchased from several suppliers and are generally readily available from numerous sources. We occasionally enter into raw material arrangements to mitigate the short-term impact of future increases in raw material costs. Materials purchased outside of these arrangements are sometimes subject to unanticipated and sudden price increases. Should our vendors not be able to meet their contractual obligations or should we be otherwise unable to obtain necessary raw materials, we may incur higher costs for raw materials or may be required to reduce production levels, either of which may decrease our liquidity as we may be unable to offset such higher costs with increased selling prices for our products.

As a global business, we are exposed to local business risks in different countries, which could result in operating losses. We conduct some of our businesses in several jurisdictions outside of the United States and are subject to risks normally associated with international operations, which include trade barriers, tariffs, exchange controls, national and regional labor strikes, social and political risks, general economic risks, seizures, nationalizations, compliance with a variety of foreign laws, including tax laws, and the difficulty in enforcing agreements and collecting receivables through foreign legal systems. We could also be adversely affected by any restriction that limits our ability to repatriate our foreign profits back to the United States.

We may incur losses from fluctuations in currency exchange rates. We

operate businesses in Taiwan and Canada. A significant portion of the products produced at these locations are shipped to the U.S. and have product prices denominated in U.S. dollars. Therefore, we are exposed to risks related to the need to convert U.S. dollars that we receive for these products into the currencies required to pay for the raw material and operating expenses of the manufacturing facility, all of which could result in future losses depending on fluctuations in foreign currency exchange rates.

If our patents are declared invalid or our trade secrets become known to competitors, our ability to compete may be adversely affected. Protection of our proprietary processes and other technology is important to our competitive position. Consequently, we rely on judicial enforcement for protection of our patents, and our patents may be challenged, invalidated, circumvented or rendered unenforceable. Furthermore, if any pending patent application filed by us does not result in an issued patent, or if patents are issued to us but such patents do not provide meaningful protection of our intellectual property, then the use of any such intellectual property by our competitors could result in decreasing our cash flows. Additionally, our competitors or other third parties may obtain patents that restrict or preclude our ability to lawfully produce or sell our products in a competitive manner, which could have the same effects.

We also rely on certain unpatented proprietary know-how and continuing technological innovation and other trade secrets to develop and maintain our competitive position. Although it is our practice to enter into confidentiality agreements to protect our intellectual property, because these confidentiality agreements may be breached, such agreements may not provide sufficient protection for our trade secrets or proprietary know-how, or adequate remedies may not be available in the event of an unauthorized use or disclosure of such trade secrets and know-how. In addition, others could obtain knowledge of such trade secrets through independent development or other access by legal means.

Loss of key personnel or our ability to attract and retain new qualified personnel could hurt our businesses and inhibit our ability to operate and grow successfully. Our success in the highly competitive markets in which we operate will continue to depend to a significant extent on the leadership teams of our businesses and other key management personnel. We generally do not have binding employment agreements with any of these managers. This increases the risks that we may not be able to retain our current management personnel and we may not be able to recruit qualified individuals to join our management team, including recruiting qualified individuals to replace any of our current personnel that may leave in the future.

Our relationships with our union employees could deteriorate. At December 31, 2005, we employed approximately 1,230 persons worldwide in our various businesses, 230 of which are subject to a collective bargaining arrangement which expires in January 2009. We may not be able to negotiate labor agreements with respect to these employees on satisfactory terms or at all. If our employees were to engage in a strike, work stoppage or other slowdown, we could experience a significant disruption of our operations or higher ongoing labor costs.

We are subject to many environmental and safety regulations with respect to our operating facilities that may result in unanticipated costs or liabilities. Most of our facilities are subject to extensive laws, regulations, rules and ordinances relating to the protection of the environment, including those governing the discharge of pollutants in the air and water and the generation, management and disposal of hazardous substances and wastes or other materials. We may incur substantial costs, including fines, damages and criminal penalties or civil sanctions, or experience interruptions in our operations for actual or alleged violations or compliance requirements arising under environmental laws. Our operations could result in violations under environmental laws, including spills or other releases of hazardous substances to the environment. Some of our operating facilities are in densely populated urban areas or in industrial areas adjacent to other operating facilities. In the event of an accidental release, we could incur material costs as a result of addressing such an event and in implementing measures to prevent such incidents. Given the nature of our business, violations of environmental laws may result in restrictions imposed on our operating activities or substantial fines, penalties, damages or other costs, including as a result of private litigation.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. PROPERTIES

The Company's principal executive offices are located in approximately 1,000 square feet of leased space at 5430 LBJ Freeway, Dallas, Texas 75240. The following table sets forth the location, size, business operating segment and general product types produced for each of the Company's facilities. Size Business (square Facility Name Segment Location feet) Products Produced

Owned Facilities:

Waterloo	PS/ERG	Kitchener, Ontario	276,000	Slides/ergonomic Products
Byron Center	PS	Byron Center, MI	143,000	Slides
National	SP	Mauldin, SC	198,000	Security products
Fort	SP	River Grove, IL	100,000	Security products
Timberline	SP	Lake Bluff, IL	25,000	Security products
Dynaslide	PS	Taipei, Taiwan	48,000	Slides
Dynaslide	PS	Taipei, Taiwan	18,000	Warehouse
Neenah	SP	Neenah, WI	44,000	Other

Leased Facilities:

Thomas Regout	*	Maastricht, the Netherlands	270,000	Slides
Dynaslide	PS	Taipei, Taiwan	25,000	Slides
Distribution Center	SP/ERG	Rancho Cucamonga, CA	12,000	Product distribution

PS - Precision Slides business segment SP - Security Products business segment
 ERG - Ergonomics business segment * - Discontinued operation

The Waterloo, Byron Center, National and Fort facilities are ISO-9001 registered. The Dynaslide and Neenah facilities are ISO-9002 registered. The Company believes that all its facilities are well maintained and satisfactory for their intended purposes.

The business operated at the Thomas Regout facility was disposed of, including the leased facility, on January 24, 2005 and is classified as "discontinued operations" for all periods presented.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved, from time to time, in various environmental, contractual, product liability, patent (or intellectual property) and other claims and disputes incidental to its business. Currently no material 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 31, 2005.

PART II

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

The Company's Class A common stock is listed and traded on the New York Stock Exchange (symbol: CIX). As of January 31, 2006, there were approximately 20 holders of record of CompX Class A common stock. The following table sets forth the high and low closing sales prices per share for CompX Class A common stock for 2004 and 2005 and dividends paid per share during such periods. On

January 31, 2006, the closing price per share of CompX Class A common stock was \$17.60.

	High	Low	Dividends paid
	----	---	-----
Year ended December 31, 2004			
First Quarter	\$13.90	\$ 6.35	\$ -
Second Quarter	16.95	13.00	-
Third Quarter	17.60	13.97	-
Fourth Quarter	16.82	14.90	.125
Year ended December 31, 2005			
First Quarter	\$18.05	\$16.15	\$.125
Second Quarter	16.98	14.45	.125
Third Quarter	19.15	15.38	.125
Fourth Quarter	17.46	15.01	.125

The Company suspended its regular quarterly dividend during the second quarter of 2003 and reinstated its regular quarterly dividend during the fourth quarter of 2004. However, the declaration and payment of future dividends and the amount thereof, if any, is discretionary and is dependent upon the Company's results of operations, financial condition, cash requirements for its businesses, contractual requirements and restrictions and other factors deemed relevant by the Board of Directors. The amount and timing of past dividends is not necessarily indicative of the amount or timing of any future dividends which might be paid.

ITEM 6. SELECTED FINANCIAL DATA

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

The Company's operations are comprised of a 52 or 53-week fiscal year. Excluding 2004, each of the years 2001 through 2005 consisted of a 52-week year. 2004 was a 53-week year.

	Years ended December 31,				
	2001	2002	2003	2004	2005
	----	----	----	----	----
(\$ in millions, except per share data)					
Income Statement Data					
Net sales	\$179.7	\$166.7	\$174.0	\$182.6	\$186.3
Operating income	\$ 12.6	\$ 6.1	\$ 8.8	\$ 15.4	\$ 19.1
Provision for income taxes	\$ 6.4	\$ 3.0	\$ 3.4	\$ 7.8	\$ 18.6
Income from continuing operations	\$ 8.8	\$ 0.9	\$ 5.8	\$ 9.5	\$ 0.9
Discontinued operations	(1.7)	(0.3)	(4.5)	(12.5)	(0.5)
Net income (loss)	=====	=====	=====	=====	=====
Basic and diluted earnings (loss) per share					
Continuing operations	\$.58	\$.06	\$.38	\$.63	\$.06
Discontinued operations	(.11)	(.02)	(.30)	(.83)	(.03)
	=====	=====	=====	=====	=====
Cash dividends per share	\$.50	\$.50	\$.125	\$.125	\$.50
Weighted average common shares Outstanding	15.1	15.1	15.1	15.2	15.2
Balance Sheet Data (at year end):					
Cash and other current assets	\$ 94.9	\$ 71.3	\$ 80.2	\$ 78.3	\$ 80.8
Total assets	222.9	200.1	210.7	186.3	188.6

Current liabilities	24.5	22.2	24.5	26.0	20.3
Long-term debt, including current maturities	49.1	31.0	26.0	0.1	1.6
Stockholders' equity	143.0	142.0	154.4	155.3	150.1
Cash Flow Data					
Net cash provided by operating activities	\$ 27.7	\$ 16.9	\$ 24.4	\$ 30.2	\$ 20.0
Net cash used by investing activities	(2.7)	(12.7)	(8.2)	(3.2)	(3.7)
Net cash used by financing activities	(1.8)	(25.5)	(7.3)	(27.1)	(7.2)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

The Company reported operating income of \$19.1 million in 2005 compared to operating income of \$15.4 million in 2004 and \$8.8 million in 2003. As more fully described below, the Company's operating income increased from 2004 to 2005 as the favorable effect of higher sales in 2005 and the Company's ongoing focus on reducing costs more than offset the negative impact of relative changes in foreign currency exchange rates. The Company's operating income increased from 2003 to 2004 due primarily to the higher sales in 2004 and improved margins in 2004 through cost reduction efforts.

Fluctuations in foreign currency exchange rates positively impacted sales in 2005 as compared to 2004 by \$1.5 million, but negatively impacted operating income by \$2.3 million. Fluctuations in foreign currency exchange rates positively impacted sales in 2004 as compared to 2003 by \$2.5 million, but negatively impacted operating income by \$.9 million. The impact on net sales is primarily due to the strengthening Canadian dollar in relation to the U.S. dollar. The impact on operating income is primarily from the Company's Canadian operations, where the majority of net sales are denominated in U.S. dollars while the majority of expenses are denominated in Canadian dollars.

Cash provided by operating activities was \$20.0 million in 2005 compared to \$30.2 million in 2004 primarily due to changes in tax liabilities as a result of the improvement in taxable income in 2004 and 2005.

Critical Accounting Policies and Estimates

The accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations" are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires the Company to make estimates and judgments 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 reported period. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, inventory reserves, the recoverability of other long-lived assets (including goodwill and other intangible assets) and the realization of deferred income tax assets. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from previously-estimated amounts under different assumptions or conditions.

The Company believes the critical financial statement judgment risks of its business are attributable to four primary areas:

- o Will customer accounts receivable on the books be collected at full book value?
- o Will inventory on hand be sold with a sufficient mark up to cover the cost to produce and ship the product?
- o Will future cash flows of the Company be sufficient to recover the net book value of long-lived assets?
- o Will future taxable income be sufficient to utilize recorded deferred

income tax assets?

The Company believes the following critical accounting policies affect its more significant judgments and estimates, as noted above, used in the preparation of its consolidated financial statements and are applicable to all of the Company's operating segments:

- o Allowance for uncollectible accounts receivable. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company takes into consideration the current financial condition of the customers, the age of outstanding balances and the current economic environment when assessing the adequacy of the allowances. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, increased allowances may be required.
- o Inventory reserves. The Company provides reserves for estimated obsolescence or unmarketable inventories equal to the difference between the cost of inventory and the estimated net realizable value using assumptions about future demand for its products and market conditions. The Company also considers the age and the quantity of inventory on hand in estimating the reserve. If actual market conditions are less favorable than those projected by management, increased inventory reserves may be required.
- o Net book value of long-lived assets. The Company recognizes an impairment charge associated with its long-lived assets, including property and equipment, goodwill and other intangible assets, whenever it determines that recovery of the long-lived asset is not probable. The determination is made in accordance with applicable GAAP requirements associated with the long-lived asset, and is based upon, among other things, estimates of the amount of future net cash flows to be generated by the long-lived asset and estimates of the current fair value of the asset. Adverse changes in estimates of future net cash flows or estimates of fair value could result in an inability to recover the carrying value of the long-lived asset, thereby possibly requiring an impairment charge to be recognized in the future.

Under applicable GAAP (SFAS No. 142, Goodwill and other Intangible Assets), goodwill is required to be reviewed for impairment at least on an annual basis. Goodwill will also be reviewed for impairment at other times during each year when impairment indicators, as defined, are present. No goodwill impairments were deemed to exist as a result of the Company's annual impairment review completed during the third quarter of 2005, as the estimated fair value of each such reporting unit exceeded the net carrying value of the respective reporting unit. See Notes 1 and 4 to the Consolidated Financial Statements. The estimated fair values of these three reporting units are determined based on discounted cash flow projections. Significant judgment is required in estimating such cash flows. Such estimated cash flows are inherently uncertain, and there can be no assurance that such operations will achieve the future cash flows reflected in its projections. In December 2004, the Company's Thomas Regout operations met the criteria under GAAP to be classified as "held for sale" and thus was required to be measured at the lower of its carrying amount or estimated fair value less cost to sell. At such time, the Company recognized a \$14.4 million impairment of the goodwill related to such operations, as the carrying amount of the net assets exceeded the estimated fair value less cost to sell of the operations. The disposal of such operations was completed in January 2005, and therefore the Company no longer reports goodwill attributable to such operations at December 31, 2005. See Note 10 to the Consolidated Financial Statements.

Under applicable GAAP (SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets), property and equipment is not assessed for impairment unless certain impairment indicators, as defined, are present. During 2005, no impairment indicators were present with respect to the Company's property and equipment.

- o Deferred income tax assets. The Company records a valuation allowance to reduce its deferred income tax assets to the amount that is believed to be realizable under the "more-likely-than-not" recognition criteria. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. It is possible that in the future the Company

may change its estimate of the amount of the deferred income tax assets that would "more-likely-than-not" be realized. This would result in an adjustment to the deferred income tax asset valuation allowance that would either increase or decrease, as applicable, reported net income in the period the change in estimate is made.

In addition, the Company makes an evaluation at the end of each reporting period as to whether or not some or all of the undistributed earnings of its foreign subsidiaries are permanently reinvested (as that term is defined in GAAP). While the Company may have concluded in the past that some of such undistributed earnings are permanently reinvested, facts and circumstances can change in the future, and it is possible that a change in facts and circumstances, such as a change in the expectation regarding the capital needs of its foreign subsidiaries, could result in a conclusion that some or all of such undistributed earnings are no longer permanently reinvested. In such an event, the Company would be required to recognize a deferred income tax liability in an amount equal to the estimated incremental U.S. income tax and withholding tax liability that would be generated if all of such previously-considered permanently reinvested undistributed earnings were distributed to the U.S. In this regard, during 2005 CompX determined that certain of the undistributed earnings of its non-U.S. operations could no longer be considered permanently reinvested, and in accordance with GAAP CompX recognized an aggregate \$9.0 million provision for deferred income taxes on such undistributed earnings of its foreign subsidiaries. See Note 8 to the Consolidated Financial Statements.

Results of Operations

The Company's operating segments are defined as components of its operations about which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company currently has three operating segments - Security Products, Precision Slides and Ergonomics. The Security Products segment, with manufacturing facilities in South Carolina and Illinois, manufactures locking mechanisms and other security products for sale to the office furniture, banking, vending, computer and other various industries. In August 2005, CompX completed the acquisition of a component products business. The results of the component products business acquired, which are not material, are included with the Security Products segment in the tables that follow. The Precision Slides segment, with facilities in Canada, Michigan and Taiwan, manufactures and distributes a complete line of precision ball bearing slides for use in office furniture, computer-related equipment, tool storage cabinets and other applications. The Ergonomics segment manufactures and distributes ergonomic computer support systems for office furniture from a facility in Canada that it shares with the Precision Slides segment. Prior to 2004, the Company had aggregated the Precision Slides and Ergonomics operating segments into a single reportable segment, CompX Waterloo, because of the integrated facility used by the two businesses and the similar economic characteristics, customer types, production processes, and distribution methods. During the fourth quarter of 2004, the Company began to measure the ergonomics business as a separate operating unit and develop appropriate allocations relating to certain shared expenses in order to disaggregate the 2004 operating results. Disaggregated information is not available for the year ended December 31, 2003 due to the impracticality of allocating certain historical expenses that are shared between the two segments. Therefore, aggregated segment amounts are reported for Precision Slides/ Ergonomics for all periods presented as well as the disaggregated information for 2004 and 2005.

Net sales and operating income

Years ended December 31,		% Change
-----		-----
2004	2005	2004-2005
(In millions)		

Net sales:

Precision Slides	\$ 78.5	\$ 77.8	(1%)
Security Products	75.9	80.8	6%
Ergonomics	28.2	27.7	(2%)
	-----	-----	
Total net sales	\$182.6	\$186.3	2%
	=====	=====	

Operating income:

Precision Slides	\$ 1.9	\$ 4.0	111%
Security Products	9.5	11.2	18%
Ergonomics	4.0	3.9	(3)%
	-----	-----	
Total operating income	\$ 15.4	\$ 19.1	24%
	=====	=====	

Operating income

margin:

Precision Slides	2%	5%
Security Products	13%	14%
Ergonomics	14%	14%
Total operating income margin	8%	10%

	Years ended December 31,			% Change	
	2003	2004	2005	2003 - 2004	2004 - 2005

(In millions)

Net sales:

Precision Slides/ Ergonomics	\$ 97.8	\$106.7	\$105.5	9%	(1%)
Security Products	76.2	75.9	80.8	(<1%)	6%
	-----	-----	-----		
Total net sales	\$174.0	\$182.6	\$186.3	5%	2%
	=====	=====	=====		

Operating income (loss):

Precision Slides/ Ergonomics	\$ (0.7)	\$ 5.9	7.9	n.m.	34%
Security Products	9.5	9.5	11.2	-	18%
	-----	-----	-----		
Total operating Income	\$ 8.8	\$ 15.4	\$ 19.1	75%	24%
	=====	=====	=====		

Operating income (loss)

margin:

Precision Slides/ Ergonomics	(1%)	6%	7%
Security Products	12%	13%	14%
Total operating income Margin	5%	8%	10%

n.m. - not meaningful

Year ended December 31, 2005 compared to year ended December 31, 2004

Currency. CompX has substantial operations and assets located outside the United States (in Canada 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 and the New Taiwan dollar. In addition, a portion of CompX's sales generated from its non-U.S. 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 values 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. The effects of fluctuations in currency exchange rates affect the Precision Slides and Ergonomics segments, and do not materially affect the Security Products segment. During 2005, currency exchange rate fluctuations positively impacted the Company's sales comparisons with 2004, and negatively impacted the Company's operating income comparisons for the same periods. The positive impact on sales relates to sales denominated in non-U.S. dollar currencies translating into higher U.S. dollar sales due to a strengthening of the local currency in relation to the U.S. dollar. The negative impact on operating income results from the U.S. dollar

denominated sales of non-U.S. operations converting into lower local currency amounts due to the weakening of the U.S. dollar. This negatively impacts margin as it results in less local currency generated from sales to cover the costs of non-U.S. operations which are denominated in local currency.

Net sales were positively impacted while operating income was negatively impacted by currency exchange rates in the following amounts by segment as compared to the currency exchange rates in effect during 2004:

	Precision Slides -----	Security Products -----	Ergonomics -----	Total -----
Impact on net sales	\$ 1,115	\$ -	\$426	\$ 1,541
Impact on operating income	(1,295)	-	(956)	(2,251)

Net Sales. Net sales increased \$3.7 million, or 2%, in 2005 compared to 2004 principally due to increases in selling prices for certain products across all segments to recover volatile raw material prices, sales volume associated with the business acquired in 2005, and the net effect of fluctuations in currency exchange rates (as discussed above), partially offset by sales volume decreases for certain products resulting from Asian competition.

Net sales of slide products in 2005 decreased 1% as compared to 2004, while 2005 net sales of security products increased 6% and net sales of ergonomic products decreased 2% as compared to the same period. The percentage changes in slide and ergonomic products include the impact resulting from changes in foreign currency exchange rates. Sales of security products are generally denominated in U.S. dollars.

Costs of Goods Sold. The Company's cost of goods sold was flat in 2005 compared to 2004, although net sales increased during the same period. The resulting improvement in gross margin is primarily due to the ongoing favorable impact of a continuous focus on reducing costs partially offset by the negative impact of currency exchange rates.

Selling, General and Administrative Expense. Selling, general and administrative expenses consists primarily of salaries, commissions and advertising expenses directly related to product sales. As a percentage of net sales, selling, general and administrative expense was 13% in each of 2004 and 2005, respectively.

Operating Income. Operating income for 2005 increased \$3.7 million, or 24% compared to 2004 and operating margins increased to 10% in 2005 compared to 8% for 2004. Continued reductions in manufacturing, fixed overhead and other overhead costs were partially offset by the effects of the changes in currency exchange rates and higher raw material costs.

Year ended December 31, 2004 compared to year ended December 31, 2003

Currency. During 2004, currency exchange rate fluctuations of the Canadian dollar positively impacted the Company's sales comparisons with 2003 (principally with respect to slide products), and negatively impacted the Company's operating income comparisons for the same period.

Net sales were positively impacted while operating income was negatively impacted by currency exchange rates in the following amounts as compared to 2003:

	Precision Slides -----	Security Products -----	Ergonomics -----	Total -----
Impact on net sales	\$ 1,992	\$ -	\$ 479	\$ 2,471
Impact on operating income	173	-	(296)	(123)

Net Sales. Net sales increased \$8.6 million, or 5%, in 2004 compared to 2003 principally due to increases in product prices for precision slides and ergonomic products, which were primarily a pass through of steel cost increases to customers. Additionally, currency exchange rates favorably impacted sales within the precision slides and ergonomic product segments.

Net sales of slide products in 2004 increased 13% as compared to 2003, while 2004 net sales of security products decreased less than 1% and net sales of ergonomic products increased 1% as compared to the same period. The percentage changes in slide and ergonomic products include the impact resulting from changes in foreign currency exchange rates. Sales of security products are generally denominated in U.S. dollars.

Costs of Goods Sold. The Company's cost of goods sold was flat in 2004 compared to 2003, although net sales increased during the same period. The resulting improvement in gross margin was due to the full year impact of cost improvement initiatives completed during 2003 partially offset by the negative impact of the aforementioned changes in currency exchange rates and increases in the cost of steel, the primary raw material for the Company's products.

Selling, General and Administrative Expense. As a percentage of net sales, selling, general and administrative expense increased slightly from 12% of net sales in 2003 to 13% in 2004. A significant portion of the increase was due to costs relating to compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

Operating Income. Operating income for 2004 increased \$6.6 million, or 75% compared to 2003 and operating margins increased to 8% in 2004 compared to 5% for 2003. Continued reductions in manufacturing, fixed overhead and other overhead costs were partially offset by the effects of the changes in currency exchange rates and increases in certain raw material costs (primarily steel).

General

The Company's profitability primarily 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 labor costs and raw materials such as zinc, copper, coiled steel and plastic resins. Raw material costs represent approximately 51% of the Company's total cost of sales. During 2003, 2004 and 2005, worldwide steel prices increased significantly. The Company occasionally enters into raw material supply 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 to a certain extent, provided the specified minimum monthly purchase quantities are met. The Company enters into such arrangements for zinc, coiled steel and plastic resins. The Company anticipates further significant changes in the cost of these materials, primarily coiled steel, from their current levels for the next year. 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 or raw material surcharges. Consequently, overall operating margins may be affected by such raw material cost pressures.

Other general corporate income (expense), net

As summarized in Note 11 to the Consolidated Financial Statements, "other general corporate income (expense), net" primarily includes interest income.. Interest income for the years ended December 31, 2003 and 2004 includes interest income on long-term intercompany notes receivable from the European Thomas Regout operations of \$1.4 million and \$1.5 million, respectively. Upon the sale of the Thomas Regout European operations in January 2005, the intercompany notes receivable were extinguished and therefore no such interest income was recorded during 2005.

Interest expense

Interest expense declined \$.2 million in 2005 compared to 2004 and declined \$.8 million in 2004 compared to 2003 due primarily to lower average levels of borrowing on CompX's revolving bank credit facility, partially offset by higher interest rates. Interest expense in 2006 is expected to be comparable to 2005.

Provision for income taxes

The principal reasons for the difference between CompX's effective income tax rates and the U.S. federal statutory income tax rates are explained in Note 8 to the Consolidated Financial Statements.

CompX became a member of Contran's consolidated U.S. federal income tax group (the "Contran Tax Group") in October 2004. As a member of the Contran Tax Group, CompX computes its provision for income taxes on a separate company basis, using the tax elections made by Contran. One such election is whether to claim a deduction or a tax credit against U.S. taxable income with respect to foreign income taxes paid. During the first nine months of 2004, and prior to CompX becoming a member of the Contran Tax Group, CompX was able to claim a tax credit with respect to foreign income taxes paid. Consistent with elections of the Contran Tax Group, in 2005 CompX is not claiming a credit with respect to foreign income taxes paid but instead is claiming a tax deduction. This has resulted in an increase in the Company's effective income tax rate for 2005 compared to 2004.

Under GAAP, a company is required to recognize a deferred income tax liability with respect to the incremental U.S. income taxes (federal and state) and foreign withholding taxes that would be incurred when undistributed earnings of a foreign subsidiary are subsequently repatriated, unless management has determined that those undistributed earnings are permanently reinvested for the foreseeable future. Prior to the third quarter of 2005, CompX had not recognized a deferred tax liability related to such incremental income taxes on the undistributed earnings of certain of its foreign operations, as those earnings were deemed to be permanently reinvested. GAAP requires a company to reassess the permanent reinvestment conclusion on an ongoing basis to determine if management's intentions have changed. As of September 30, 2005, and based primarily upon changes in management's strategic plans for certain of CompX's non-U.S. operations, management determined that the undistributed earnings of such subsidiaries could no longer be considered to be permanently reinvested except for the pre-2005 earnings in Taiwan. Accordingly, and in accordance with GAAP, in 2005 the Company recognized an aggregate \$9.0 million provision for deferred income taxes on the aggregate undistributed earnings of these foreign subsidiaries.

The Company generated a \$4.2 million tax benefit in 2004 associated with the U.S. capital loss realized in the first quarter of 2005 upon the completion of the sale of the Thomas Regout operations. However, the Company has determined that realization of such benefit does not currently meet the more-likely-than-not recognition criteria and therefore, the deferred tax asset has been fully offset by a deferred income tax asset valuation allowance at December 31, 2004 and December 31, 2005. The deferred income tax benefit and the offsetting valuation allowance are both reflected as a component of discontinued operations. See Note 8 to the Consolidated Financial Statements.

Discontinued operations

See Note 10 to the Consolidated Financial Statements.

Related party transactions

CompX is a party to certain transactions with related parties. 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. See Note 12 to the Consolidated Financial Statements.

Accounting principles not yet adopted

See Note 14 to the Consolidated Financial Statements.

Outlook

While demand has stabilized across most product segments, certain customers continue to seek lower cost Asian sources as alternatives to the Company's products. CompX believes the impact of this will be mitigated through ongoing initiatives to expand both new products and new market opportunities. Asian sourced competitive pricing pressures are expected to continue to be a challenge as Asian manufacturers, particularly those located in China, gain market share. The Company's strategy in responding to the competitive pricing pressure has included reducing production cost through product reengineering, improvement in manufacturing processes or moving production to lower-cost facilities, including its own Asian based manufacturing facilities. The Company also has emphasized and focused on opportunities where it can provide value-added customer support services that Asian based manufacturers are generally unable to provide. The combination of the Company's cost control initiatives together with its value-added approach to development and marketing of products are believed to help mitigate the impact of competitive pricing pressures.

The Company will continue to focus on cost improvement initiatives, utilizing lean manufacturing techniques and prudent balance sheet management in order to minimize the impact of lower sales, particularly to the office furniture industry, and to develop value-added customer relationships with an additional focus on sales of the Company's higher-margin ergonomic computer support systems and security products to improve operating results. In addition, the Company continues to develop sources for lower cost components for certain product lines to strengthen its ability to meet competitive pricing when practical. These actions, along with other activities to eliminate excess capacity, are designed to position the Company to expand more effectively on both new product and new market opportunities to improve Company profitability.

Liquidity and Capital Resources

Summary.

The Company's primary source of liquidity on an ongoing basis is its cash flow from operating activities, which is generally used to (i) fund capital expenditures, (ii) repay short-term or long-term indebtedness incurred primarily for working capital or capital expenditure purposes and (iii) provide for the payment of dividends (if declared). From time-to-time, the Company will incur indebtedness, primarily for short-term working capital needs, or to fund capital expenditures or business combinations. In addition, from time-to-time, the Company may also sell assets outside the ordinary course of business, the proceeds of which are generally used to repay indebtedness (including indebtedness which may have been collateralized by the assets sold) or to fund capital expenditures or business combinations.

Consolidated cash flows

Operating activities. Trends in cash flows from operating activities, excluding changes in assets and liabilities, for 2003, 2004 and 2005 have generally been similar to the trends in the Company's earnings. Depreciation and amortization expense decreased in 2005 compared to 2004 due to timing that capital expenditures were placed into service during 2005 versus 2004 as well as the effect of the January 2005 disposal of the Thomas Regout operations in Europe. Depreciation and amortization expense also decreased in 2004 compared to 2003 due to lower capital expenditures during 2004 as the Company reduced its production capacity. See Notes 1, 4 and 10 to the Consolidated Financial Statements.

Changes in assets and liabilities result primarily from the timing of production, sales and purchases. Such changes in assets and liabilities generally tend to even out over time. However, year-to-year relative changes in assets and liabilities can significantly affect the comparability of cash flows from operating activities. The decrease in cash provided by operating activities in 2005 compared to 2004 is primarily the result of changes in tax liabilities due to the improvement in taxable income in 2004 and 2005. The Company's average days sales outstanding related to its continuing operations increased from 38 days at December 31, 2004 to 40 days at December 31, 2005 due to the timing of collection over the slightly higher accounts receivable balance at the end of 2005. The Company's average number of days in inventory related to its continuing operations was 52 days at December 31, 2004 and 59 days at December 31, 2005. The increase in days in inventory is primarily due to higher raw material prices, primarily steel.

Investing activities. Net cash used by investing activities totaled \$8.2 million, \$3.2 million, and \$3.7 million for the years ended December 31, 2003, 2004 and 2005, respectively. Capital expenditures in the past three years emphasized manufacturing equipment which utilize new technologies and increases automation of the manufacturing process to provide for increased productivity and efficiency.

In August 2005, CompX completed an acquisition of a company for \$7.3 million, net of cash acquired. See Note 2 to the Consolidated Financial Statements.

On January 24, 2005, CompX completed the disposition of all of the net assets of its Thomas Regout precision slide and window furnishing operations, conducted at its facility in the Netherlands, to members of Thomas Regout management for net proceeds of approximately \$22.3 million. The proceeds consisted of cash (net of costs to sell) of approximately \$18.1 million and a subordinated note for approximately \$4.2 million. The subordinated note requires

annual payments over a period of four years. Historically, the Thomas Regout European operations have not contributed significantly to net cash flows from operations. See Note 10 to the Consolidated Financial Statements.

In June 2004, the Company received approximately \$2.1 million from the sale of its surplus Trillium facility in Ontario, Canada, which approximated the net carrying value of such facility.

Capital expenditures for 2006 are estimated at approximately \$15.7 million, the majority of which relates to projects that emphasize improved production efficiency including replacement of equipment that is being retired. Firm purchase commitments for capital projects in process at December 31, 2005 approximated \$2.6 million.

Financing activities. Net cash used by financing activities totaled \$7.3 million, \$27.1 million, and \$7.2 million in 2003, 2004 and 2005, respectively. Total cash dividends paid in each of 2003 and 2004 were \$1.9 million (\$.125 per share) and \$7.6 million was paid in 2005 (\$.50 per share). The Company suspended its regular quarterly dividend in the second quarter of 2003 and reinstated the regular quarterly dividend in the fourth quarter of 2004. The Company repaid a net \$5.0 million, \$26.0 million and nil under its revolving bank credit facility during 2003, 2004 and 2005, respectively.

The Company closed on an extension of its credit facility in December 2005. The \$50 million secured revolving bank credit facility is collateralized by 65% of the ownership interests in the Company's first-tier non-United States subsidiaries. Provisions contained in the Revolving Bank Credit Agreement could result in the acceleration of outstanding indebtedness prior to its stated maturity for reasons other than defaults from failing to comply with typical financial covenants. For example, the Company's Credit Agreement allows the lender to accelerate the maturity of the indebtedness upon a change of control (as defined) of the borrower. The terms of the Credit Agreement could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside of the ordinary course of business. See Note 6 to the Consolidated Financial Statements.

Off balance sheet financing arrangements. Other than certain operating leases discussed in Note 13 to the Consolidated Financial Statements, neither CompX nor any of its subsidiaries or affiliates are parties to any off-balance sheet financing arrangements.

Other

Management believes that cash generated from operations and borrowing availability under the Credit Agreement, together with cash on hand, will be sufficient to meet the Company's liquidity needs for working capital, capital expenditures, debt service and dividends (if declared). To the extent that the Company's actual operating results or other developments differ from the Company's expectations, CompX's liquidity could be adversely affected.

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, dividend policy and estimated future operating cash flows. As a result of this process, the Company has in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, issue additional securities, repurchase shares of its common stock, modify its dividend policy 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, 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.

Contractual obligations. As more fully described in the notes to the Consolidated Financial Statements, the Company is a party to various debt, lease and other agreements which contractually and unconditionally commit the Company to pay certain amounts in the future. See Notes 6 and 13 to the Consolidated Financial Statements. The following table summarizes such contractual commitments as of December 31, 2005 by the type and date of payment.

	Payments due by period			
	Total	Less than 1 year	1 - 3 years	4 - 5 years
	(In thousands)			
Long-term debt	\$ 1,596	\$ 171	\$460	\$965
Operating leases	869	501	356	12
Purchase obligations	16,885	16,885	-	-
Income taxes	1,098	1,098	-	-
Fixed asset acquisitions	2,587	2,587	-	-
Total contractual cash obligations	\$23,035	\$21,242	\$816	\$977

The timing and amount shown for the Company's commitments related to long-term debt, operating leases and fixed asset acquisitions are based upon the contractual payment amount and the contractual payment date for such commitments. The timing and amount shown for purchase obligations, which consist of all open purchase orders and contractual obligations (primarily commitments to purchase raw materials) is also based on the contractual payment amount and the contractual payment date for such commitments. The amount shown for income taxes is the consolidated amount of income taxes payable at December 31, 2005, which is assumed to be paid during 2006. Fixed asset acquisitions include firm purchase commitments for capital projects.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General. The Company is exposed to market risk from changes in foreign currency exchange rates and interest rates. The Company periodically uses currency forward contracts to manage a portion of foreign exchange rate risk associated with receivables, or similar exchange rate risk associated with future sales, denominated in a currency other than the holder's functional currency. Otherwise, the Company does not generally enter into forward or option contracts to manage such market risks, nor does the Company enter into any such contract or other type of derivative instrument for trading or speculative purposes. Other than the contracts discussed below, the Company was not a party to any material forward or derivative option contract related to foreign exchange rates or interest rates at December 31, 2004 and 2005. See Note 1 to the Consolidated Financial Statements.

Interest rates. The Company is exposed to market risk from changes in interest rates, primarily related to indebtedness.

At December 31, 2004 and 2005, the Company had no amounts outstanding under its secured Revolving Bank Credit Agreement, and the Company's remaining indebtedness outstanding is not material.

Foreign currency exchange rates. The Company is exposed to market risk arising from changes in foreign currency exchange rates as a result of manufacturing and selling its products outside the United States (principally Canada 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 and the New Taiwan dollar. In addition, a portion of CompX's sales generated from its non-U.S. 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.

As already mentioned certain of CompX's sales generated by its Canadian operations are denominated in U.S. dollars. To manage a portion of the foreign exchange rate market risk associated with receivables, or similar exchange rate risk associated with future sales, at December 31, 2005 CompX held a series of short-term forward exchange contracts maturing through March 2006 to exchange an aggregate of \$6.5 million for an equivalent value of Canadian dollars at an exchange rate of Cdn. \$1.19 per U.S. dollar. At December 31, 2005, the actual exchange rate was Cdn. \$1.17 per U.S. dollar. At each balance sheet date, outstanding currency forward contracts are marked-to-market with any resulting gain or loss recognized in income currently unless the contract is designated as

a hedge upon which the mark-to-market adjustment is recorded in other comprehensive income. At December 31, 2004 CompX had entered into a series of short-term forward exchange contracts maturing through March 2005 to exchange an aggregate of \$7.2 million for an equivalent value of Canadian dollars at exchange rates of Cdn. \$1.19 to Cdn. 1.23 per U.S. dollar. At December 31, 2004, the actual exchange rate was Cdn. \$1.21 per U.S. dollar. The estimated fair value of such contracts is not material at December 31, 2004 and 2005.

Other. The above discussion includes forward-looking statements of market risk which assume hypothetical changes in market prices. Actual future market conditions will likely differ materially from such assumptions. Accordingly, such forward-looking statements should not be considered to be projections by the Company of future events or losses. Such forward-looking statements are subject to certain risks and uncertainties some of which are listed in "Business-General."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. The Company maintains a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by regulations of the Securities and Exchange Commission (the "SEC"), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits to the SEC under the Act is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of David A. Bowers, the Company's Vice Chairman of the Board, President and Chief Executive Officer, and Darryl R. Halbert, the Company's Vice President, Chief Financial Officer and Controller, have evaluated the Company's disclosure controls and procedures as of December 31, 2005. Based upon their evaluation, these executive officers have concluded that the Company's disclosure controls and procedures are effective as of the date of such evaluation.

Internal Control Over Financial Reporting. The Company also maintains a system of internal control over financial reporting. The term "internal control over financial reporting," as defined by regulations of the SEC, means a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and includes those policies and procedures that:

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

As permitted by regulations of the SEC, the Company's system of internal control

over financial reporting excludes internal control over financial reporting related to the Company's financial statement schedules required by Article 12 of Regulation S-X. See the index of financial statements and schedules on page F-1 of this Annual Report.

Section 404 of the Sarbanes-Oxley Act of 2002 will require the Company to annually include a management report on internal control over financial reporting starting with the Company's Annual Report on Form 10-K for the year ending December 31, 2007. The Company's independent registered public accounting firm will also be required to annually attest to the Company's internal control over financial reporting. In order to achieve compliance with Section 404, the Company has been documenting, testing and evaluating its internal control over financial reporting since 2004, using a combination of internal and external resources. The process of documenting, testing and evaluating the Company's internal control over financial reporting under the applicable guidelines is complex and time consuming, and available internal and external resources necessary to assist the Company in the documentation and testing required to comply with Section 404 are limited. While the Company currently believes it has dedicated the appropriate resources, that it will be able to fully comply with Section 404 in its Annual Report on Form 10-K for the year ended December 31, 2007 and be in a position to conclude that the Company's internal control over financial reporting is effective as of December 31, 2007, because the applicable requirements are complex and time consuming, and because currently unforeseen events or circumstances beyond the Company's control could arise, there can be no assurance that the Company will ultimately be able to fully comply with Section 404 in its Annual Report on Form 10-K for the year ending December 31, 2007 or whether it will be able to conclude that the Company's internal control over financial reporting is effective as of December 31, 2007.

Changes in Internal Control Over Financial Reporting. There has been no change to the Company's system of internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's system of internal control over financial reporting.

Certifications. The Company's chief executive officer is required to annually file a certification with the New York Stock Exchange ("NYSE"), certifying the Company's compliance with the corporate governance listing standards of the NYSE. During 2005, the Company's chief executive officer filed such annual certification with the NYSE. The 2005 certification was qualified in that, while the Company had publicly disclosed in its latest proxy statement that the audit committee chairman presided at meetings of its independent directors and how its stockholders might communicate directly with the audit committee chairman, it had not publicly disclosed how other interested parties could communicate with the presiding director of the non-management directors and had not established procedures as to who presided at meetings of the non-management directors. The Company remediated this qualification by amending its corporate governance guidelines on November 2, 2005 and filing a Current Report on Form 8-K with the SEC on November 30, 2005 disclosing that the audit committee chairman presided at meetings of the non-management directors and how stockholders and other interested parties might communicate with the presiding director. The Company's chief executive officer and chief financial officer are also required to, among other things, quarterly file a certification with the SEC regarding the quality of the Company's public disclosures, as required by Section 302 of the Sarbanes-Oxley Act of 2002. The certifications for the year ended December 31, 2005 have been filed as exhibits 31.1 and 31.2 to this Annual Report on Form 10-K.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the CompX Proxy Statement. See also Note 12 to the Consolidated Financial Statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) and (c) Financial Statements and Schedule

The Registrant

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

(b) Exhibits

Included as exhibits are the items listed in the Exhibit Index. CompX will furnish a copy of any of the exhibits listed below upon payment of \$4.00 per exhibit to cover the costs to CompX of furnishing the exhibits. Instruments defining the rights of holders of long-term debt issues which do not exceed 10% of consolidated total assets will be furnished to the Commission upon request. CompX will also furnish, without charge, a copy of its Code of Business Conduct and Ethics, as adopted by the Board of Directors on February 24, 2004, upon request. Such requests should be directed to the attention of CompX's Corporate Secretary at CompX's corporate offices located at 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240. Item No. Exhibit Item

- 3.1 Restated Certificate of Incorporation of Registrant - incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).
- 3.2 Amended and Restated Bylaws of Registrant, adopted by the Board of Directors August 31, 2002 - incorporated by reference to Exhibit 3.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.1 Share Purchase Agreement with Subordinated Loan schedule between the Registrant and Anchor Holding B.V. dated January 24, 2005. All related schedules and annexes will be provided to the SEC upon request. Incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.
- 10.2 Intercorporate Services Agreement between the Registrant and Contran Corporation effective as of January 1, 2004 - incorporated by reference to Exhibit 10.2 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
- 10.3* CompX International Inc. 1997 Long-Term Incentive Plan - incorporated

by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).

- 10.4* CompX International Inc. Variable Compensation Plan effective as of January 1, 1999 - incorporated by reference to Exhibit 10.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998.

Item No.

Exhibit Item

- 10.5 Agreement between Haworth, Inc. and Waterloo Furniture Components, Ltd. and Waterloo Furniture Components, Inc. effective October 1, 1992 - incorporated by reference to Exhibit 10.3 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).
- 10.6 Tax Sharing Agreement between the Registrant, NL Industries, Inc. and Contran Corporation dated as of October 5, 2004. Incorporated by reference to Exhibit 10.6 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.
- 10.7 \$47,500,000 Credit Agreement between the Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated January 22, 2003 - incorporated by reference to Exhibit 10.9 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002.
- 10.8 First Amendment to Credit Agreement between Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated October 20, 2003 - incorporated by reference to Exhibit 10.1 at the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.
- 10.9 Second Amendment to Credit Agreement between Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated January 7, 2005 - incorporated by reference to Exhibit 10.9 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004.
- 10.10 Third Amendment to Credit Agreement between Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated October 31, 2005 - incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated October 31, 2005.
- 10.11 Agreement Regarding Shared Insurance between the Registrant, Contran Corporation, Keystone Consolidated Industries, Inc., Kronos Worldwide, Inc., NL Industries, Inc., Titanium Metals Corp., and Valhi, Inc. dated October 30, 2003 - incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2003.
- 10.12 \$50,000,000 Credit Agreement between the Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated December 23, 2005. Certain exhibits, annexes and similar attachments to this Exhibit 10.11 have not been filed; upon request, the Registrant will furnish supplementally to the SEC a copy of any omitted exhibit, annex, or attachment.
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of PricewaterhouseCoopers LLP.
- 31.1 Certification
- 31.2 Certification
- 32.1 Certification
- 32.2 Certification

* Management contract, compensatory plan or agreement.

SIGNATURES

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

COMPX INTERNATIONAL INC.

By: /s/ David A. Bowers

David A. Bowers
Vice Chairman of the Board,
President and Chief Executive Officer
(Principal Executive Officer)

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

Signature -----	Title -----	Date -----
/s/ Glenn R. Simmons ----- Glenn R. Simmons	Chairman of the Board	March 16, 2006
/s/ David A. Bowers ----- David A. Bowers	Vice Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	March 16, 2006
/s/ Darryl R. Halbert ----- Darryl R. Halbert	Vice President, Chief Financial Officer and Controller (Principal Financial and Accounting Officer)	March 16, 2006
/s/ Paul M. Bass, Jr. ----- Paul M. Bass, Jr.	Director	March 16, 2006
/s/ Keith R. Coogan ----- Keith R. Coogan	Director	March 16, 2006
/s/ Edward J. Hardin ----- Edward J. Hardin	Director	March 16, 2006
/s/ Ann Manix ----- Ann Manix	Director	March 16, 2006
/s/ Steven L. Watson ----- Steven L. Watson	Director	March 16, 2006

Index of Financial Statements and Schedule

Financial Statements	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets - December 31, 2004 and 2005	F-3
Consolidated Statements of Operations - Years ended December 31, 2003, 2004 and 2005	F-5
Consolidated Statements of Comprehensive Income - Years ended December 31, 2003, 2004 and 2005	F-6
Consolidated Statements of Cash Flows - Years ended December 31, 2003, 2004 and 2005	F-7
Consolidated Statements of Stockholders' Equity - Years ended December 31, 2003, 2004 and 2005	F-9
Notes to Consolidated Financial Statements	F-10
Financial Statement Schedule	
Schedule II - Valuation and Qualifying Accounts	S-2

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of CompX International Inc.:

In our opinion, the accompanying consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of CompX International Inc. and its Subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2005

(In thousands, except share data)

ASSETS	2004	2005
	----	----
Current assets:		
Cash and cash equivalents	\$ 16,803	\$ 30,592
Accounts receivable, less allowance for doubtful accounts of \$394 and \$312	19,212	20,609
Receivables from affiliates	635	620
Refundable income taxes	57	401
Inventories	20,782	22,538
Prepaid expenses and other current assets	1,390	1,496
Deferred income taxes	1,447	1,903
Current portion of note receivable	-	2,612
Assets held for sale	17,957	-
	-----	-----
Total current assets	78,283	80,771
	-----	-----
Other assets:		
Goodwill	29,012	35,678
Other intangible assets	1,703	2,317
Note receivable	-	1,567
Assets held for sale	10,964	-
Other	195	230
	-----	-----
Total other assets	41,874	39,792
	-----	-----
Property and equipment:		
Land	4,713	7,868
Buildings	29,995	31,165
Equipment	100,923	107,333
Construction in progress	2,299	2,015
	-----	-----
	137,930	148,381
Less accumulated depreciation	71,808	80,392
	-----	-----
Net property and equipment	66,122	67,989
	-----	-----
	\$186,279	\$188,552
	=====	=====

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 2004 and 2005

(In thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	2004	2005
	----	----

Current liabilities:

Accounts payable and accrued liabilities	\$ 18,304	\$ 19,238
Income taxes payable to affiliates	-	771
Income taxes	2,687	327
Liabilities related to assets held for sale	4,998	-
	-----	-----
Total current liabilities	25,989	20,336
	-----	-----

Noncurrent liabilities:

Deferred income taxes	4,949	16,692
Long-term debt	85	1,425
	-----	-----
Total noncurrent liabilities	5,034	18,117
	-----	-----

Stockholders' equity:

Preferred stock, \$.01 par value; 1,000 shares authorized, none issued	-	-
Class A common stock, \$.01 par value; 20,000,000 shares authorized; 5,178,880 and 5,234,280 shares issued and outstanding	52	52
Class B common stock, \$.01 par value; 10,000,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	108,828	109,556
Retained earnings	38,523	31,320
Accumulated other comprehensive income	7,753	9,071
	-----	-----
Total stockholders' equity	155,256	150,099
	-----	-----
	\$186,279	\$188,552
	=====	=====

Commitments and contingencies (Notes 1, 10 and 13)

See accompanying notes to consolidated financial statements.

COMPIX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2003, 2004 and 2005

(In thousands, except per share data)

	2003	2004	2005
	----	----	----
Net sales	\$173,966	\$182,631	\$186,349
Cost of goods sold	142,877	142,807	142,594
	-----	-----	-----
Gross margin	31,089	39,824	43,755
Selling, general and administrative expense	21,598	24,132	24,155
	-----	-----	-----
Other operating income (expense):			
Currency transaction gains (losses), net	(546)	185	(71)
Disposition of property and equipment	(166)	(479)	(467)
	-----	-----	-----
Operating income	8,779	15,398	19,062
Other general corporate income (expense), net	1,676	2,419	724
Interest expense	(1,301)	(494)	(336)
	-----	-----	-----
Income from continuing operations before income taxes	9,154	17,323	19,450
Provision for income taxes	3,376	7,840	18,568
	-----	-----	-----
Income from continuing operations	5,778	9,483	882
Discontinued operations, net of tax	(4,505)	(12,497)	(477)
	-----	-----	-----
Net income (loss)	1,273	(3,014)	405
	=====	=====	=====

Basic and diluted earnings (loss) per common share:			
Continuing operations	\$.38	\$.63	\$.06
Discontinued operations	\$ (.30)	\$ (.83)	\$ (.03)
	-----	-----	-----
	\$.08	\$ (.20)	\$.03
	=====	=====	=====
Cash dividends per share	\$.125	\$.125	\$.50
	=====	=====	=====
Shares used in the calculation of earnings per share amounts for:			
Basic earnings per share	15,121	15,148	15,212
Dilutive impact of stock options	-	18	19
	-----	-----	-----
Diluted earnings per share	15,121	15,166	15,231
	=====	=====	=====

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2003, 2004 and 2005

(In thousands)

	2003	2004	2005
	----	----	----
Net income (loss)	\$ 1,273	\$ (3,014)	\$ 405
	-----	-----	-----
Other comprehensive income, net of tax:			
Currency translation adjustment:			
Arising during the period	12,946	5,036	544
Disposal of business unit	-	-	739
	-----	-----	-----
	12,946	5,036	1,283
Unrealized gain on cash flow hedges	-	75	35
	-----	-----	-----
Total other comprehensive income	12,946	5,111	1,318
	-----	-----	-----
Comprehensive income	\$14,219	\$ 2,097	\$ 1,723
	=====	=====	=====

See accompanying notes to consolidated financial statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2003, 2004 and 2005

(In thousands)

	2003	2004	2005
	----	----	----
Cash flows from operating activities:			
Net income (loss)	\$ 1,273	\$ (3,014)	\$ 405
Depreciation and amortization	14,780	14,200	10,924
Goodwill impairment	-	14,400	864
Deferred income taxes:			
Continuing operations	(444)	(394)	10,120
Discontinued operations	-	-	(187)
Other, net	1,068	861	985
Change in assets and liabilities:			
Accounts receivable	(721)	2,953	(133)
Inventories	5,103	(1,300)	(936)
Accounts payable and accrued liabilities	874	(2,742)	(520)
Accounts with affiliates	46	(1,247)	1,562
Income taxes	668	5,383	(2,770)
Other, net	1,798	1,113	(276)
	-----	-----	-----
Net cash provided by operating activities	24,445	30,213	20,038
	-----	-----	-----
Cash flows from investing activities:			
Capital expenditures	(8,908)	(5,348)	(10,490)
Acquisition, net of cash acquired	-	-	(7,342)
Cash of disposed business unit	-	-	(4,006)
Proceeds from disposal of assets held for sale	-	-	18,094
Proceeds from sale of fixed assets	-	2,138	27
Other, net	671	-	-
	-----	-----	-----
Net cash used by investing activities	(8,237)	(3,210)	(3,717)
	-----	-----	-----
Cash flows from financing activities:			
Long-term debt:			
Borrowings	1,000	2,257	18
Principal payments	(6,006)	(28,097)	(93)
Issuance of common stock	-	617	639
Dividends paid	(1,889)	(1,896)	(7,608)
Other	(426)	(28)	(114)
	-----	-----	-----
Net cash used by financing activities	(7,321)	(27,147)	(7,158)
	-----	-----	-----
Net increase (decrease)	\$ 8,887	\$ (144)	\$ 9,163
	=====	=====	=====

COMPIX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 2003, 2004 and 2005

(In thousands)

	2003	2004	2005
	----	----	----
Cash and cash equivalents:			
Net increase (decrease) from:			
Operating, investing and financing			
Activities	\$ 8,887	\$ (144)	\$ 9,163
Currency translation	432	(545)	392
Balance at beginning of year	12,407	21,726	21,037
	-----	-----	-----
Balance at end of year	\$21,726	\$21,037	\$30,592
	=====	=====	=====
Cash and cash equivalents at end of period relate to:			
Continuing operations	\$ 19,632	\$ 16,803	\$ 30,592
Assets held for sale	2,094	4,234	-
	-----	-----	-----
	\$21,726	\$21,037	\$30,592

Supplemental disclosures:			
Cash paid for:			
Interest	\$ 1,722	\$ 516	\$ 259
Income taxes	2,675	4,281	9,390
Noncash investing activities:			
Note receivable received upon disposal of business unit	\$ -	\$ -	\$ 4,179

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2003, 2004 and 2005

(In thousands)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income		Treasury stock	Total stockholders' equity
	Class A	Class B			Currency translation	Hedging derivatives		
Balance at December 31, 2002	\$ 62	\$100	\$119,387	\$44,049	\$ (10,304)	\$ -	\$ (11,315)	\$141,979
Net income	-	-	-	1,273	-	-	-	1,273
Other comprehensive income	-	-	-	-	12,946	-	-	12,946
Cash dividends	-	-	-	(1,889)	-	-	-	(1,889)
Issuance of common stock	-	-	50	-	-	-	-	50
Balance at December 31, 2003	62	100	119,437	43,433	2,642	-	(11,315)	154,359
Net loss	-	-	-	(3,014)	-	-	-	(3,014)
Other comprehensive income	-	-	-	-	5,036	75	-	5,111
Cash dividends	-	-	-	(1,896)	-	-	-	(1,896)
Issuance of common stock	1	-	695	-	-	-	-	696
Retirement of treasury stock	(11)	-	(11,304)	-	-	-	11,315	-
Balance at December 31, 2004	52	100	108,828	38,523	7,678	75	-	155,256
Net income	-	-	-	405	-	-	-	405
Other comprehensive income	-	-	-	-	1,283	35	-	1,318
Cash dividends	-	-	-	(7,608)	-	-	-	(7,608)
Issuance of common stock	-	-	728	-	-	-	-	728
Balance at December 31, 2005	\$ 52	\$100	\$109,556	\$31,320	\$ 8,961	\$110	\$ -	\$150,099

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Summary of significant accounting policies:

Organization. CompX International Inc. (NYSE: CIX) is 83% owned by CompX Group, a majority owned subsidiary of NL Industries, Inc. (NYSE: NL) at December 31, 2005. The Company manufactures and sells component products (precision ball bearing slides, security products and ergonomic computer support systems). NL owns 82% of CompX Group, and Titanium Metals Corporation (NYSE: TIE) ("TIMET") owns the remaining 18% of CompX Group. At December 31, 2005, (i) NL and TIMET own an additional 2% and 3%, respectively, of CompX directly, (ii) Valhi, Inc. holds, directly or through a subsidiary, approximately 83% of NL's outstanding common stock and approximately 39% of TIMET's outstanding common stock and (iii) Contran Corporation holds, directly or through subsidiaries, approximately 92% 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, or is held by Mr. Simmons or persons or other entities related to Mr. Simmons.

Consequently, Mr. Simmons may be deemed to control each of such companies and the Company.

Management estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") 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. Actual results may differ significantly from previously-estimated amounts under different assumptions or conditions.

Principles of consolidation. The accompanying consolidated financial statements include the accounts of CompX International Inc. and its majority-owned subsidiaries. All material intercompany accounts and balances have been eliminated. Certain prior year amounts have been reclassified to conform to the current year presentation. The Company has no involvement with any variable interest entity covered by the scope of FASB Interpretation No. 46R, Consolidation of Variable Interest Entities.

Fiscal year. The Company's operations are reported on a 52 or 53-week fiscal year. Excluding 2004, each of the years ended December 31, 2003 through 2005 consisted of 52 weeks. The year ended December 31, 2004 consisted of 53 weeks.

Translation of foreign currencies. Assets and liabilities of subsidiaries whose functional currency is other than the U.S. dollar 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 are accumulated in stockholders' equity as part of accumulated other comprehensive income, net of related applicable deferred income taxes. Currency transaction gains and losses are recognized in income currently.

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 and title and other risks and rewards of ownership have passed to the customer. Shipping terms are generally F.O.B. shipping point, although in some instances, shipping terms are F.O.B. destination point (for which sales are recognized when the product is received by the customer). Amounts charged to customers for shipping and handling are not material. Sales are stated net of price, early payment and distributor discounts and volume rebates.

Accounts receivable. The Company provides an allowance for doubtful accounts for known and estimated potential losses rising from sales to customers based on a periodic review of these accounts.

Inventories and cost of sales. Inventories are stated at the lower of cost or market, net of allowance for obsolete and slow-moving inventories (\$1.2 million at December 31, 2004 and 2005). Inventories are based on average cost or the first-in, first-out method. Cost of sales includes costs for materials, packing and finishing, shipping and handling, utilities, salary and benefits, maintenance and depreciation.

Selling, general and administrative expenses. Selling, general and administrative expenses include costs related to marketing, sales, distribution, research and development and administrative functions such as accounting, treasury and finance, and includes costs for salaries and benefits, travel and entertainment, promotional materials and professional fees.

Goodwill and other intangible assets; amortization expense. Goodwill represents the excess of cost over fair value of individual net assets acquired in business combinations accounted for by the purchase method. Goodwill is not subject to periodic amortization. Other intangible assets are stated net of accumulated amortization. Goodwill and other intangible assets are assessed for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. See Note 4.

Other intangible assets, consisting principally of the estimated fair value of certain patents acquired, are amortized by the straight-line method over their estimated useful lives (approximately 10 years remaining at December 31, 2005), with no assumed residual value at the end of the life of the intangible assets. Other intangible assets are stated net of accumulated amortization of

\$1.7 million at December 31, 2004 and \$2.3 million at December 31, 2005. Amortization expense of intangible assets was \$234,000 in 2003, \$231,000 in 2004 and \$314,000 in 2005, and is expected to be approximately \$300,000 in each of 2005 through 2009.

Property and equipment; depreciation expense. Property and equipment, including purchased computer software for internal use, are stated at cost. Depreciation for financial reporting purposes is computed principally by the straight-line method over the estimated useful lives of 15 to 40 years for buildings and 3 to 10 years for equipment and software. Accelerated depreciation methods are used for income tax purposes, as permitted. Depreciation expense related to continuing operations was \$11.8 million in 2003, \$11.5 million in 2004, and \$10.6 million in 2005. Upon sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in income currently. Expenditures for maintenance, repairs and minor renewals are expensed; expenditures for major improvements are capitalized.

When events or changes in circumstances indicate that assets may be impaired, an evaluation is performed to determine if an impairment exists. Such events or changes in circumstances include, among other things, (i) significant current and prior periods or current and projected periods with operating losses, (ii) a significant decrease in the market value of an asset or (iii) a significant change in the extent or manner in which an asset is used. All relevant factors are considered. The test for impairment is performed by comparing the estimated future undiscounted cash flows (exclusive of interest expense) associated with the asset to the asset's net carrying value to determine if a write-down to market value or discounted cash flow value is required. The Company assesses impairment of property and equipment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.

Self-insurance. The Company is partially self-insured for workers' compensation and certain employee health benefits and is self-insured for most environmental issues. Stop-loss coverage is purchased by the Company in order to limit its exposure to any significant levels of workers' compensation or employee health benefit claims. Self-insured losses are accrued based upon estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry and the Company's own historical claims experience.

Derivatives and hedging activities. 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 very nominal portion of foreign exchange rate risk associated with receivables denominated in a currency other than the holder's functional currency or similar exchange rate risk associated with future sales. The Company has not entered into these contracts for trading or speculative purposes in the past, nor does the Company currently anticipate entering into such contracts for trading or speculative purposes in the future. Derivatives used to hedge forecasted transactions and specific cash flows associated with foreign currency denominated financial assets and liabilities which meet the criteria for hedge accounting are designated as cash flow hedges. Consequently, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive income and is recognized in earnings at the time the hedged item affects earnings. Contracts that do not meet the criteria for hedge accounting are marked-to-market at each balance sheet date with any resulting gain or loss recognized in income currently as part of net currency transactions. To manage such exchange rate risk, at December 31, 2005, the Company held a series of contracts to exchange an aggregate of U.S. \$6.5 million for an equivalent value of Canadian dollars at an exchange rate of Cdn. \$1.19 per U.S. dollar. Such contracts mature through March 2006. The exchange rate was \$1.17 per U.S. dollar at December 31, 2005. At December 31, 2004 the Company held contracts maturing through March 2005 to exchange an aggregate of U.S. \$7.2 million for an equivalent value of Canadian dollars at exchange rates of Cdn. \$1.19 to Cdn. \$1.23 per U.S. dollar. At December 31, 2004, the actual exchange rate was Cdn. \$1.21 per U.S. dollar. The estimated fair value of such contracts is not material at December 31, 2004 and 2005.

Income taxes. Prior to October 1, 2004, the Company was a separate United States federal income taxpayer and was not a member of Contran's consolidated United States federal income tax group (the "Contran Tax Group"). Effective October 1, 2004, CompX became a member of the Contran Tax Group. The Company is currently and has been a part of consolidated tax returns filed by Contran in certain United States state jurisdictions. As a member of the Contran Tax Group,

the Company is jointly and severally liable for the federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which the Company is included in the Contran Tax Group. See Note 13. For such consolidated federal and state tax returns, intercompany allocations of federal and state tax provisions are computed on a separate company basis. Payments are made to, or received from Contran in the amounts that would have generally been paid to or received from the respective federal or state tax authority had CompX not been a member of the Contran Tax Group. The separate company provisions and payments are computed using the tax elections made by Contran. Under certain circumstances, such tax regulations could require Contran to treat items differently than CompX would on a stand alone basis, and in such instances GAAP requires CompX to conform to Contran's tax election. The Company made net cash payments to NL Industries, Inc. for federal and state income taxes (or to Valhi, Inc. for periods prior to the fourth quarter of 2004, for state income taxes) of \$2.3 million in 2004 and \$3.5 million in 2005. The Company made no payments to affiliates for income taxes in 2003.

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 undistributed earnings of foreign subsidiaries which are not permanently reinvested. Earnings of foreign subsidiaries subject to permanent reinvestment plans aggregated \$31.3 million at December 31, 2004 and \$5.5 million at December 31, 2005. Determination of the amount of unrecognized deferred tax liability on such permanent reinvestment plans was not practicable. The Company periodically evaluates its deferred tax assets in the various taxing jurisdictions in which it operates and adjusts any related valuation allowance based on the estimate of the amount of such deferred tax assets which the Company believes does not meet the "more-likely-than-not" recognition criteria.

Earnings per share. 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. The weighted average number of outstanding stock options excluded from the calculation of diluted earnings per share because their impact would have been antidilutive aggregated approximately 713,000 in 2003, 570,000 in 2004 and 495,000 in 2005.

Stock options. At December 31, 2005, the Company has a stock-based employee compensation plan, which is described more fully in Note 9. The Company accounts for stock-based employee compensation related to stock options using the intrinsic value method in accordance with Accounting Principles Board Opinion ("APBO") 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 greater than or equal to the market price on the grant date. Compensation cost and the income tax benefit related to such compensation cost) recognized by the Company related to stock options in accordance with APBO No. 25 has not been significant in any of the past three years. No compensation cost was capitalized as part of assets (inventories or fixed assets) during 2003, 2004, and 2005. The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation to stock-based employee compensation related to stock options for all options granted on or after January 1, 1995.

	Years ended December 31,		
	2003	2004	2005
	----	----	----
	(In thousands, except per share data)		
Net income (loss), as reported	\$1,273	\$(3,014)	\$ 405
Deduct: Total stock-based employee compensation expense related to stock options determined under fair value based method for all awards, net of related tax effects	(875)	(543)	(109)
	-----	-----	-----
Pro forma net income (loss)	\$ 398	\$(3,557)	\$ 296
	=====	=====	=====
Earnings (loss) per share - basic and diluted:			
As reported	\$.08	\$ (.19)	\$.03
	=====	=====	=====
Pro forma	\$.03	\$ (.23)	\$.02
	=====	=====	=====

Fair value of financial instruments. The carrying amounts of accounts receivable and accounts payable approximates fair value due to their short-term nature. The carrying amount of indebtedness approximates fair value due to the stated interest rate approximating a market rate. These estimated fair value amounts have been determined using available market information or other appropriate valuation methodologies.

Other. Advertising costs related to continuing operations, expensed as incurred, were \$588,000 in 2003, \$554,000 in 2004 and \$686,000 in 2005. Research and development costs related to continuing operations, expensed as incurred, were \$469,000 in 2003, \$317,000 in 2004, and \$225,000 in 2005.

Note 2 - Business and geographic segments:

The Company's operating segments are defined as components of its operations about which separate financial information is available that is regularly evaluated by the chief operating decision maker in determining how to allocate resources and in assessing performance. The Company's chief operating decision maker is Mr. David A. Bowers, president and chief executive officer of the Company. The Company currently has three operating segments - Security Products, Precision Slides and Ergonomics. The Security Products segment, with manufacturing facilities in South Carolina and Illinois, manufactures locking mechanisms and other security products for sale to the office furniture, banking, vending, computer and other industries. In August 2005, CompX completed the acquisition of a component products business for aggregate cash consideration of \$7.3 million, net of cash acquired. The purchase price has been allocated among tangible and intangible net assets acquired based upon an estimate of the fair value of such net assets. The pro forma effect to CompX assuming such acquisition had been completed as of January 1, 2005, is not material. 2005 results of the acquired component product business have been included with Security Products since the date of acquisition. The Precision Slides segment, with facilities in Canada, Michigan and Taiwan, manufacture and distribute a complete line of precision ball bearing slides for use in office furniture, computer-related equipment, tool storage cabinets and other applications. The Ergonomics segment with a facility in Canada that it shares with Precision Slides, manufactures and distributes ergonomic computer support systems for office furniture. Previously, the Company had aggregated the Precision Slides and Ergonomics operating segments into a single reportable segment (CompX Waterloo) because of the integrated facilities of the two business units and the similar economic characteristics, customer types, production processes, and distribution methods. During the fourth quarter of 2004, the Company began to measure the ergonomics business as a separate operating unit and develop appropriate allocations relating to certain shared expenses in order to disaggregate the 2004 operating results. Prior to 2004, disaggregated information is not available due to the impracticality of allocating certain historical expenses that are shared between the two segments. Therefore, aggregated segment amounts are reported for Precision Slides/Ergonomics in current and previous periods as well as the disaggregated information for 2004 and 2005.

The chief operating decision maker evaluates segment performance based on segment operating income, which is defined as income before income taxes, and interest expense, exclusive of certain general corporate income and expense items (primarily interest income) and certain non-recurring items (such as gains or losses on the disposition of business units and other long-lived assets outside the ordinary course of business). For the year ending December 31, 2005, operating income was redefined to include foreign exchange transaction gains and losses and gains and losses from the disposal of property and equipment. Prior period segment information has been restated to conform to the current period classification. All corporate office operating expenses are allocated to the three reportable segments based upon the segments' net sales. Corporate office operating expense was \$3.7 million in 2003, \$5.1 million in 2004, and \$5.5 million in 2005. Corporate operating expense was allocated to each of the reportable segments as follows: Precision Slides - \$2.2 million in 2004 and \$2.3 million in 2005; Ergonomics - \$0.8 million in 2004 and 2005; Security Products - \$1.6 million in 2003, \$2.1 million in 2004 and \$2.4 million in 2005; and CompX Waterloo - \$2.1 million in 2003. The accounting policies of the reportable operating segments are the same as those described in Note 1. Capital expenditures include additions to property and equipment, but exclude amounts attributable to business combinations accounted for by the purchase method.

Segment assets are comprised of all assets attributable to the reportable segments. Corporate assets are not attributable to the operating segments and consist primarily of cash, cash equivalents and notes receivable. For geographic

information, net sales are attributable to the place of manufacture (point of origin) and the location of the customer (point of destination); property and equipment are attributable to their physical location. At December 31, 2004 and 2005, the net assets of non-U.S. subsidiaries included in consolidated net assets approximated \$80 million (\$36 million of which relates to the discontinued European operations) and \$45 million, respectively.

The 2004 and 2005 segment information below is presented under the new basis of segmentation. Total assets have not been presented under the new segmentation as management has determined that such information is impractical to obtain and no measure of asset information is used by the chief operating decision maker.

	Years ended December 31,	
	2004	2005
	----	----
	(In thousands)	
Net sales:		
Precision Slides	\$ 78,522	\$ 77,854
Security Products	75,872	80,825
Ergonomics	28,237	27,670
	-----	-----
Total net sales	\$182,631	\$186,349
	=====	=====
Operating income:		
Precision Slides	\$ 1,867	\$ 3,992
Security Products	9,489	11,186
Ergonomics	4,042	3,884
	-----	-----
Total operating income	15,398	19,062
Interest expense	(494)	(336)
Other general corporate income (expense), net	2,419	724
	-----	-----
Income from continuing operations before income taxes	\$ 17,323	\$ 19,450
	=====	=====
Depreciation and amortization:		
Precision Slides	\$ 6,458	\$ 5,570
Security Products	4,237	4,102
Ergonomics	1,084	1,252
Thomas Regout**	2,421	-
	-----	-----
	\$ 14,200	\$ 10,924
	=====	=====
Capital expenditures:		
Precision Slides	\$ 2,109	\$ 4,520
Security Products	2,432	4,941
Ergonomics	412	1,029
Thomas Regout**	395	-
	-----	-----
	\$ 5,348	\$ 10,490
	=====	=====
Goodwill:		
Precision Slides	\$ 5,270	\$ 6,594
Security Products	23,742	29,084
	-----	-----
	\$ 29,012	\$ 35,678
	=====	=====

The segment information below is presented under the old basis of segmentation for comparison to 2003.

Years ended December 31,
2003 2004 2005

(In thousands)

Net sales:

CompX Waterloo	\$ 97,811	\$106,759	\$105,524
Security Products	76,155	75,872	80,825
	-----	-----	-----

Total net sales	\$173,966	\$182,631	\$186,349
	=====	=====	=====

Operating income (loss):

CompX Waterloo	\$ (698)	5,909	7,876
Security Products	9,477	9,489	11,186
	-----	-----	-----

Total operating income	8,779	15,398	19,062
------------------------	-------	--------	--------

Interest expense	(1,301)	(494)	(336)
Other general corporate income (expense), net	1,676	2,419	724
	-----	-----	-----

Income from continuing operations before income taxes	\$ 9,154	\$ 17,323	\$ 19,450
	=====	=====	=====

Depreciation and amortization:

CompX Waterloo	\$ 7,281	\$ 7,542	\$ 6,822
Security Products	4,843	4,237	4,102
Thomas Regout**	2,656	2,421	-
	-----	-----	-----

	\$ 14,780	\$ 14,200	\$ 10,924
	=====	=====	=====

Capital expenditures:

CompX Waterloo	\$ 6,446	\$ 2,521	\$ 5,549
Security Products	1,901	2,432	4,941
Thomas Regout**	561	395	-
	-----	-----	-----

	\$ 8,908	\$ 5,348	\$ 10,490
	=====	=====	=====

Years ended December 31,
2003 2004 2005

(In thousands)

Net sales:

Point of origin:

United States	\$ 94,298	\$ 99,807	\$113,510
Canada	76,443	74,157	63,918
Taiwan	13,562	16,034	14,213
Eliminations	(10,337)	(7,367)	(5,292)
	-----	-----	-----

	\$173,966	\$182,631	\$186,349
	=====	=====	=====

Point of destination:

United States	\$127,032	\$138,136	\$149,487
Canada	32,363	33,205	25,015
Other	14,571	11,290	11,847
	-----	-----	-----

	\$173,966	\$182,631	\$186,349
	=====	=====	=====

	2003	December 31, 2004	2005
	----	----	----
	(In thousands)		
Total assets:			
CompX Waterloo	\$ 91,131	\$ 78,932	\$ 80,879
Security Products	77,961	72,981	87,806
Thomas Regout**	38,595	28,921	-
Corporate and eliminations	3,056	5,445	19,867
	-----	-----	-----
	\$210,743	\$186,279	\$188,552
	=====	=====	=====
Goodwill:			
CompX Waterloo	\$ 4,986	\$ 5,270	\$ 6,594
Security Products	23,743	23,742	29,084
	-----	-----	-----
	\$ 28,729	\$ 29,012	\$ 35,678
	=====	=====	=====
Net property and equipment:			
United States	\$ 44,499	\$ 41,328	\$ 42,751
Canada	23,341	19,114	16,978
Taiwan	5,710	5,680	8,260
	-----	-----	-----
	\$ 73,550	\$ 66,122	\$ 67,989
	=====	=====	=====

** Denotes discontinued segment. See Note 10.

Note 3 - Inventories:

	December 31,	
	2004	2005
	----	----
	(In thousands)	
Raw materials	\$ 4,579	\$ 7,098
Work in process	9,019	9,899
Finished products	7,184	5,541
	-----	-----
	\$20,782	\$22,538
	=====	=====

Note 4 - Goodwill:

The Company has assigned its goodwill to each of its reporting units (as that term is defined in SFAS No. 142) which correspond to the operating segments. Under SFAS No. 142, such goodwill will be deemed to not be impaired if the estimated fair value of the applicable reporting unit exceeds the respective net carrying value of such reporting unit, including the allocated goodwill. If the fair value of the reporting unit is less than carrying value, then a goodwill impairment loss would be recognized equal to the excess, if any, of the net carrying value of the reporting unit goodwill over its implied fair value (up to a maximum impairment equal to the carrying value of the goodwill). The implied fair value of reporting unit goodwill would be the amount equal to the excess of the estimated fair value of the reporting unit over the amount that would be allocated to the tangible and intangible net assets of the reporting unit (including unrecognized intangible assets) as if such reporting unit had been acquired in a purchase business combination accounted for in accordance with GAAP as of the date of the impairment testing.

In determining the estimated fair value of the reporting units, the Company uses appropriate valuation techniques, such as discounted cash flows. In accordance with the requirements of SFAS No. 142, the Company reviews goodwill for impairment during the third quarter of each year. Goodwill will also be

reviewed for impairment at other times during each year when events or changes in circumstances indicate that an impairment might be present. No goodwill impairments relating to continuing operations were deemed to exist as a result of the Company's annual impairment review completed during 2003, 2004 or 2005. However, the Company did recognize an impairment of goodwill related to its disposed European Thomas Regout operations in December 2004. See Note 10.

Changes in the carrying amount of goodwill related to continuing operations during the past three years is presented in the table below. Goodwill was generated principally from acquisitions of certain business units during 1998, 1999, 2000, and the current acquisition in August of 2005. See Note 2.

	Precision Slides	Security Products	Total
	-----	-----	-----
	(In millions)		
Balance at December 31, 2002	\$ 4.9	\$23.7	\$28.6
Changes in currency exchange rates	.1	-	.1
	-----	-----	-----
Balance at December 31, 2003	5.0	23.7	28.7
Changes in currency exchange rates	.3	-	.3
	-----	-----	-----
Balance at December 31, 2004	5.3	23.7	29.0
Goodwill acquired during the year	1.5	5.4	6.9
Changes in currency exchange rates	(.2)	-	(.2)
	-----	-----	-----
Balance at December 31, 2005	\$ 6.6	\$29.1	\$35.7
	=====	=====	=====

Note 5 - Accounts payable and accrued liabilities:

	December 31,	
	2004	2005
	----	----
	(In thousands)	
Accounts payable	\$ 6,392	\$ 7,022
Accrued liabilities:		
Employee benefits	7,987	8,179
Customer tooling	600	1,319
Professional	730	720
Insurance	448	516
Taxes other than on income	399	299
Sales rebates	291	110
Other	1,457	1,073
	-----	-----
	\$18,304	\$19,238
	=====	=====

Note 6 - Indebtedness:

	December 31,	
	2004	2005
	----	----
	(In thousands)	
Other indebtedness	\$ 127	\$ 1,596
Less current portion	42	171
	-----	-----
	\$ 85	\$ 1,425
	=====	=====

At December 31, 2005, the Company has a \$50 million secured revolving bank credit facility that matures in January 2009 and bears interest, at the

Company's option, at rates based on either the prime rate or LIBOR. The credit facility is collateralized by 65% of the ownership interests in the Company's first-tier foreign subsidiaries. The facility contains certain covenants and restrictions customary in lending transactions of this type, which among other things, restricts the ability of CompX and its subsidiaries to incur debt, incur liens, pay dividends or merge or consolidate with, or transfer all or substantially all of their assets to, another entity. The facility also requires maintenance of specified levels of net worth (as defined). In the event of a change of control of CompX, as defined, the lenders would have the right to accelerate the maturity of the facility. At December 31, 2005, there were no outstanding draws against the credit facility and the full amount of the facility was available for borrowing. The current portion of long-term debt, relating to other indebtedness at December 31, 2004 and 2005, is included with "Accounts payable and accrued liabilities" per the Consolidated Balance Sheets.

The credit facility permits the Company to pay dividends and/or repurchase its common stock in an amount equal to the sum of (i) a dividend of \$.125 per share in any calendar quarter, not to exceed \$8.0 million in any calendar year, plus (ii) \$20.0 million plus 50% of aggregate net income over the term of the credit facility. In addition to the \$8.0 million available annually to repurchase common stock and or pay dividends, at December 31, 2005, \$21.2 million was available for dividends and/or repurchases of the Company's common stock under the terms of the facility.

Other indebtedness at December 31, 2005 includes certain industrial revenue bonds assumed in connection with the August 2005 business acquisition discussed in Note 2. Such indebtedness was prepaid in January 2006 for an amount equal to its carrying value.

Note 7 - Employee benefit plans:

Defined contribution plans. The Company maintains various defined contribution plans with Company contributions based on matching or other formulas. Defined contribution plan expense related to continuing operations approximated \$1,810,000 in 2003, \$1,838,000 in 2004 and \$2,309,000 in 2005.

Note 8 - Income taxes:

The components of pre-tax income and the provision for income taxes attributable to continuing operations, the difference between the provision for income taxes and the amount that would be expected using the U.S. federal statutory income tax rate of 35% and the comprehensive provision for income taxes are presented below.

	Years ended December 31,		
	2003	2004	2005
	----	----	----
	(In thousands)		
Components of pre-tax income (loss) from continuing operations:			
United States	\$ 6,258	\$ 8,148	\$10,564
Non-U.S.	2,896	9,175	8,886
	-----	-----	-----
	\$ 9,154	\$17,323	\$19,450
	=====	=====	=====
Provision for income taxes:			
Currently payable:			
U.S. federal and state	\$ 121	\$ 4,016	\$ 4,920
Foreign	1,326	4,732	3,528
	-----	-----	-----
	1,447	8,748	8,448
	-----	-----	-----
Deferred income taxes (benefit):			
U.S. federal and state	2,061	(273)	10,215
Foreign	(132)	(635)	(95)
	-----	-----	-----
	1,929	(908)	10,120
	-----	-----	-----
	\$ 3,376	\$ 7,840	\$18,568
	=====	=====	=====

Expected tax expense, at the U.S. federal statutory income tax rate of 35%	\$ 3,204	\$ 6,063	\$ 6,808
Non-U.S. tax rates	(157)	(297)	(253)
Incremental U.S. tax on earnings of foreign subsidiaries	562	3,206	12,006
State income taxes and other, net	(233)	(377)	224
Tax contingency reserve adjustment, net	-	(755)	(217)
	-----	-----	-----
	\$ 3,376	\$ 7,840	\$18,568
	=====	=====	=====
Comprehensive provision (benefit) for income tax benefit allocable to:			
Income from continuing operations	\$ 3,376	\$ 7,840	\$18,568
Discontinued operations	(2,373)	(410)	(387)
Other comprehensive income - currency translation	134	380	(223)
	-----	-----	-----
	\$ 1,137	\$ 7,810	\$17,958
	=====	=====	=====

The components of net deferred tax assets (liabilities) are summarized below.

	December 31,	
	2004	2005
	----	----
	(In thousands)	
Tax effect of temporary differences related to:		
Inventories	\$ 544	\$ 769
Tax on unremitted earnings of non-U.S. subsidiaries	(656)	(10,472)
Property and equipment	(6,613)	(5,924)
Accrued liabilities and other deductible differences	2,070	2,444
Tax loss and credit carryforwards	7,239	4,690
Other taxable differences	(1,851)	(2,061)
Valuation allowance	(4,235)	(4,235)
	-----	-----
	\$ (3,502)	\$ (14,789)
	=====	=====
Net current deferred tax assets	1,447	1,903
Net noncurrent deferred tax liabilities	(4,949)	(16,692)
	-----	-----
	\$ (3,502)	\$ (14,789)
	=====	=====

Under GAAP, a company is required to recognize a deferred income tax liability with respect to the incremental U.S. income taxes (federal and state) and foreign withholding taxes that would be incurred when undistributed earnings of a foreign subsidiary are subsequently repatriated, unless management has determined that those undistributed earnings are permanently reinvested for the foreseeable future. Prior to the third quarter of 2005, CompX had not recognized a deferred tax liability related to such incremental income taxes on the undistributed earnings of certain of its foreign operations, as those earnings were subject to specific permanent reinvestment plans. GAAP requires a company to reassess the permanent reinvestment conclusion on an ongoing basis to determine if management's intentions have changed. As of September 30, 2005, and based primarily upon changes in management's strategic plans for certain of CompX's non-U.S. operations, management has determined that the undistributed earnings of such subsidiaries can no longer be considered to be permanently reinvested except for the pre-2005 earnings in Taiwan. Accordingly, and in accordance with GAAP, in 2005 the Company recognized an aggregate \$9.0 million provision for deferred income taxes on the aggregate undistributed earnings of these foreign subsidiaries.

In October 2004, the American Jobs Creation Act of 2004 was enacted into law. The new law provided for a special 85% deduction for certain dividends received from controlled foreign corporations in 2005. In the third quarter of 2005, the Company completed its evaluation of this new provision and determined that it would not benefit from such special dividends received deduction.

In January 2005, the Company completed its disposition of the Thomas Regout operations in Europe. See Note 10. The Company generated a \$4.2 million income tax benefit associated with the U.S. capital loss realized in the first quarter of 2005 upon completion of the sale of the Thomas Regout operations. Recognition of the benefit of such capital loss by the Company is appropriate under GAAP in the fourth quarter of 2004 at the time such operations were classified as held for sale. However, the Company has also determined, based on the weight of

available evidence, that realization of such benefit does not currently meet the "more-likely-than-not" recognition criteria, and therefore the deferred tax asset related to the capital loss carryforward has been fully offset by a deferred income tax asset valuation allowance at December 31, 2004 and December 31, 2005. The \$4.2 million deferred income tax benefit related to the U.S. capital loss and the offsetting valuation allowance are both reflected as a component of discontinued operations in 2004.

At December 31, 2005, the Company had for U.S. federal income tax purposes net operating loss carryforwards of approximately \$1.6 million which expire in 2007 through 2017. Utilization of such net operating loss carryforwards is limited to approximately \$400,000 per tax year. The Company utilized approximately \$400,000 of such carryforwards in 2005, approximately \$800,000 in 2004, which included two tax years (See Note 1), and \$400,000 in 2003. The Company believes it is more-likely-than-not that such carryforwards will be utilized to reduce future income tax liabilities, and accordingly the Company has not provided a deferred income tax asset valuation allowance to offset the benefit of such carryforwards.

Note 9 - Stockholders' equity:

	Shares of common stock			
	Class A		Class B	
	Issued	Treasury	Outstanding	Issued and outstanding
Balance at December 31, 2002	6,219,680	(1,103,900)	5,115,780	10,000,000
Issued	9,000	-	9,000	-
Balance at December 31, 2003	6,228,680	(1,103,900)	5,124,780	10,000,000
Issued	54,100	-	54,100	-
Cancelled	(1,103,900)	1,103,900	-	-
Balance at December 31, 2004	5,178,880	-	5,178,880	10,000,000
Issued	55,400	-	55,400	-
Balance at December 31, 2005	5,234,280	-	5,234,280	10,000,000

Class A and Class B common stock. 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. CompX Group, which holds all of the outstanding shares of Class B Common Stock, is entitled to one vote per share in all matters except for election of directors, for which CompX Group is 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, 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 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.

During 2004, the Company cancelled approximately 1.1 million shares of its Class A common stock that previously was reported as treasury stock. The aggregate \$11.3 million cost of such treasury shares were allocated to common stock at par, additional paid-in capital and retained earnings in accordance with GAAP.

Incentive compensation plan. The CompX International Inc. 1997 Long-Term

Incentive Plan provides 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 plan. Generally, employee stock options are granted at prices not less than the market price of the Company's stock on the date of grant, vest over five years and expire ten years from the date of grant.

The following table sets forth changes in outstanding options during the past three years.

	Shares	Exercise price per share	Amount payable upon exercise	Weighted average exercise price
	-----	-----	-----	-----
Outstanding at December 31, 2002	764	\$10.00 - \$20.00	12,995	\$17.01
Canceled	(145)	11.00 - 20.00	(2,311)	15.94
	-----	-----	-----	-----
Outstanding at December 31, 2003	619	\$10.00 - \$20.00	\$10,684	\$17.26
Exercised	(48)	10.00 - 13.00	(616)	12.83
Canceled	(9)	12.50 - 13.00	(116)	12.89
	-----	-----	-----	-----
Outstanding at December 31, 2004	562	\$10.00 - \$20.00	\$ 9,952	17.71
Exercised	(50)	11.59 - 14.30	(638)	12.76
Canceled	(42)	13.00 - 20.00	(677)	16.12
	-----	-----	-----	-----
Outstanding at December 31, 2005	470	\$10.00 - \$20.00	\$ 8,637	\$18.38
	=====	=====	=====	=====

Outstanding options at December 31, 2005 represent approximately 3% of the Company's total outstanding shares of common stock at that date and expire at various dates through 2012 with a weighted-average remaining term of 3 years. At December 31, 2005, options to purchase 436,000 of the Company's shares were exercisable at prices ranging from \$10.00 to \$20.00 per share, with an aggregate amount payable upon exercise of \$8.2 million, with a weighted-average exercise price of \$18.80 per share. The Company's market price per share at December 31, 2005 was \$16.02. Of the total exercisable options at December 31, 2005, 36,500 options were exercisable at prices lower than the December 31, 2005 market price per share with an aggregate intrinsic value (defined as the excess of the market price of the Company's common stock over the exercise price) of \$90,210. At December 31, 2005, options to purchase 32,000 shares are scheduled to become exercisable in 2006 and an aggregate of 672,000 shares were available for future grants. Shares issued under the incentive stock plan are generally newly-issued shares. The intrinsic value of the Company's options exercised aggregate approximately \$175,500 in 2004 and \$238,500 in 2005, and the related income tax benefit from such exercises was \$61,500 in 2004 and \$83,500 in 2005. No options were exercised in 2003.

Other. The pro forma information included in Note 1, required by SFAS No. 123, Accounting for Stock-Based Compensation, as amended, is based on an estimation of the fair value of CompX options issued subsequent to January 1, 1998 (the first time the Company granted stock options). No options were granted during 2003, 2004 or 2005. The fair values of options granted prior to 2003 were calculated using the Black-Scholes stock option valuation model. The Black-Scholes model was not developed for use in valuing employee stock options, but was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, it requires the use of subjective assumptions including expectations of future dividends and stock price volatility. Such assumptions are only used for making the required fair value estimate and should not be considered as indicators of future dividend policy or stock price appreciation. Because changes in the subjective assumptions can materially affect the fair value estimate and because employee stock options have characteristics significantly different from those of traded options, the use of the Black-Scholes stock option valuation model may not provide a reliable estimate of the fair value of employee stock options.

For purposes of this pro forma disclosure, the estimated fair value of options is amortized straight-line to expense over the options' vesting period. Such pro forma impact on net income and basic and dilutive earnings per share is not necessarily indicative of future effects on net income or earnings per share. See also Note 14.

Note 10 - Discontinued operations and assets held for sale:

In December 2004, the Company's board of directors committed to a formal plan to dispose of its Thomas Regout operations in Europe. Such operations met all of the criteria under GAAP to be classified as an asset held for sale at December 31, 2004, and accordingly the result of operations of Thomas Regout have been classified as discontinued operations for all periods presented. In classifying the net assets of the Thomas Regout operations as an asset held for sale, the Company concluded that the carrying amount of the net assets of such operations exceeded the estimated fair value less costs to sell such operations, and accordingly in the fourth quarter of 2004 the Company recognized a \$14.4 million impairment charge to write-down its investment in the Thomas Regout operations to estimated realizable value. Such impairment charge represented an impairment of goodwill.

In January 2005, the Company completed the sale of such operations for net proceeds (net of expenses) of approximately \$22.3 million. The net proceeds consisted of approximately \$18.1 million in cash at the date of sale and a \$4.2 million principal amount note receivable from the purchaser bearing interest at a fixed rate of 7% and is payable over four years. The note receivable is collateralized by a secondary lien on the assets sold and is subordinated to certain third-party indebtedness of the purchaser. Accordingly, the Company no longer reports the results of operations of Thomas Regout subsequent to December 31, 2004 in its consolidated financial statements. The net proceeds from the January 2005 sale of the European Thomas Regout operations was \$864,000 less than the net realizable value estimated at the time of the goodwill impairment charge (primarily due to higher expenses associated with the disposal of the Thomas Regout operations), and discontinued operations in 2005 includes a charge related to such differential (\$477,000, net of income tax benefit). Such charge represents an additional impairment of goodwill.

Condensed income statement data for Thomas Regout is presented below. The \$14.4 million and \$864,000 impairment charges are included in Thomas Regout's operating loss for 2004 and 2005, respectively. Interest expense included in discontinued operations represents interest on certain intercompany indebtedness with CompX, which indebtedness arose at the time of the Company's acquisition of Thomas Regout prior to 2003 and corresponded to certain third-party indebtedness of the Company incurred at the time such operations were acquired.

	Years ended December 31,		
	2003	2004	2005
	----	----	----
	(In thousands)		
Net sales	\$35,331	\$ 41,694	\$ -
	=====	=====	=====
Operating loss	\$(5,383)	\$(10,609)	\$ (864)
Other expense, net	(105)	(797)	-
Interest expense	(1,390)	(1,501)	-
Income tax benefit	2,373	410	387
	-----	-----	-----
Net loss	\$(4,505)	\$(12,497)	\$ (477)
	=====	=====	=====

In accordance with generally accepted accounting principles, the assets and liabilities relating to Thomas Regout were eliminated from the Consolidated Balance Sheet subsequent to the completion of the sale transaction. Therefore, the assets and liabilities relating to Thomas Regout have been aggregated and presented on the Consolidated Balance Sheet at December 31, 2004 as current and noncurrent "Assets held for sale" and current "Liabilities related to assets held for sale". The Consolidated Statement of Cash Flows has not been restated to reflect discontinued operations or assets held for sale.

A summary of the assets and liabilities held for sale is as follows:

December 31, 2004

(In thousands)

Current assets	
Cash	\$ 4,234
Receivables, net	5,456
Inventories	7,999
Other current assets	268

Total current assets	\$17,957
	=====
Noncurrent assets	
Goodwill	\$ 1,411
Deferred income taxes	1,238
Property and equipment, net	8,315

	\$10,964
Current liabilities:	
Accounts payable and accrued liabilities	\$ 4,419
Deferred income taxes	579

	\$ 4,998
	=====

Note 11 - Other general corporate income (expense), net:

	Years ended December 31,		
	2003	2004	2005
	----	----	----
	(In thousands)		
Interest income	\$1,570	\$1,612	\$ 613
Other income, net	106	807	111
	-----	-----	-----
	\$ 1,676	\$2,419	\$ 724
	=====	=====	=====

Interest income includes accrued interest income of \$1.4 million and \$1.5 million in 2003 and 2004, respectively, on long-term notes receivable from Thomas Regout. Upon the sale of the Thomas Regout European operations in January, 2005, the intercompany notes receivable were extinguished and, therefore, no such interest income was recorded in 2005.

Note 12 - 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.

Under the terms of various Intercorporate Service Agreements ("ISAs") with Contran, Valhi and NL Industries, Inc. (a majority-owned subsidiary of Valhi), Contran, Valhi and NL have performed certain management, tax planning, financial and administrative services for the Company on a fee basis over the past three years. Such fees are based upon estimates of time devoted to the affairs of the Company by individual Contran, Valhi or NL employees and the compensation of such persons. Because of the large number of companies affiliated with Contran, the Company believes it benefits from cost savings and economies of scale gained by not having certain management, financial and administrative staffs duplicated at each entity, thus allowing certain individuals to provide services to multiple companies but only be compensated by one entity. Fees pursuant to these agreements aggregated \$2,138,000 in 2003, \$2,295,000 in 2004 and \$2,625,000 in 2005.

Tall Pines Insurance Company (including a predecessor company, Valmont Insurance Company) and EWI RE, Inc. provide for or broker certain insurance policies for Contran and certain of its subsidiaries and affiliates, including the Company. Tall Pines is a wholly-owned subsidiary of Valhi, and EWI is a wholly-owned subsidiary of NL. Consistent with insurance industry practices, Tall Pines and EWI receive commissions from the insurance and reinsurance underwriters and/or assess fees for the policies that they provide or broker. The aggregate premiums paid to Tall Pines (including Valmont) and EWI were \$1,029,000 in 2003, \$809,000 in 2004 and \$926,000 in 2005. These amounts principally included payments for insurance, but also included commissions paid to Tall Pines, and EWI. Tall Pines purchases reinsurance for substantially all of the risks it underwrites. The Company expects that these relationships with Tall Pines and EWI will continue in 2006.

Contran and certain of its subsidiaries and affiliates, including the Company, purchase certain of their insurance policies as a group, with the costs of the jointly-owned policies being apportioned among the participating companies. With respect to certain of such policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, Contran and certain of its subsidiaries and affiliates, including the Company, have entered into a loss sharing agreement under which any uninsured loss is shared by those entities who have submitted claims under the relevant policy. The Company believes the benefits in the form of reduced premiums and broader coverage associated with the group coverage for such policies justifies the risk associated with the potential for any uninsured loss.

Note 13 - Commitments and contingencies:

Legal proceedings. The Company is involved, from time to time, in various contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to its business. The Company currently believes that the disposition of all claims and disputes, individually or in the aggregate, if any, should not have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

Environmental matters and litigation. The Company's operations are governed by various federal, state, local and foreign environmental laws and regulations. The Company's policy is to comply with environmental laws and regulations at all of its plants and to continually strive to improve environmental performance in association with applicable industry initiatives. The Company believes that its operations are in substantial compliance with applicable requirements of environmental laws. From time to time, the Company may be subject to environmental regulatory enforcement under various statutes, resolution of which typically involves the establishment of compliance programs.

Income taxes. From time to time, the Company undergoes examinations 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.

Contran and the Company have agreed to a policy providing for the allocation of tax liabilities and tax payments as described in Note 1. Under applicable law, the Company, as well as every other member of the Contran Tax Group, are each jointly and severally liable for the aggregate federal income

tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which the Company is included in the Contran Tax Group. NL 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 previously computed and paid by the Company in accordance with the tax allocation policy.

Concentration of credit risk. The Company's products are sold primarily in North America to original equipment manufacturers. The ten largest customers accounted for approximately 44% in 2003 and 43% of sales in 2004 and 2005, respectively. The HON Company accounted for approximately \$20.5 million (11%) and \$19.4 million (10%) of sales from all three segments at December 31, 2004 and 2005, respectively.

Other. Royalty expense was \$450,000 in 2003, \$222,000 in 2004 and \$66,000 in 2005. Royalties relate principally to certain products manufactured in Canada and sold in the United States under the terms of third-party patent license agreements, one of which expired in 2003 and the remaining agreement expires in 2021.

Rent expense, principally for equipment, was \$603,000 in 2003, \$744,000 in 2004 and \$738,000 in 2005. At December 31, 2005, future minimum rentals under noncancellable operating leases are approximately \$501,000 in 2006, \$259,000 in 2007, \$66,000 in 2008, \$31,000 in 2009 and \$12,000 in 2010.

Note 14 - Accounting principles not yet adopted:

Inventory costs. The Company will adopt SFAS No. 151, Inventory Costs, an amendment of ARB No. 43, Chapter 4, for inventory costs incurred on or after January 1, 2006. SFAS No. 151 requires that the allocation of fixed production overhead costs to inventory shall be based on normal capacity. Normal capacity is not defined as a fixed amount; rather, normal capacity refers to a range of production levels expected to be achieved over a number of periods under normal circumstances, taking into account the loss of capacity resulting from planned maintenance shutdowns. The amount of fixed overhead allocated to each unit of production is not increased as a consequence of idle plant or production levels below the low end of normal capacity, but instead a portion of fixed overhead costs are charged to expense as incurred. Alternatively, in periods of production above the high end of normal capacity, the amount of fixed overhead costs allocated to each unit of production is decreased so that inventories are not measured above cost. SFAS No. 151 also clarifies existing GAAP to require that abnormal freight and wasted materials (spoilage) are to be expensed as incurred. The Company believes its production cost accounting already complies with the requirements of SFAS No. 151, and the Company does not expect adoption of SFAS No. 151 will have a material effect on its consolidated financial statements.

Stock options. As permitted by regulations of the SEC, the Company will adopt SFAS No. 123R, Share-Based Payment, as of January 1, 2006. SFAS No. 123R, among other things, eliminates the alternative in existing GAAP to use the intrinsic value method of accounting for stock-based employee compensation under APBO No. 25. Upon adoption of SFAS No. 123R, the Company will generally be required to recognize the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, with the cost recognized over the period during which an employee is required to provide services in exchange for the award (generally, the vesting period of the award). No compensation cost will be recognized in the aggregate for equity instruments for which the employee does not render the requisite service (generally, if the instrument is forfeited before it has vested). The grant-date fair value will be estimated using option-pricing models (e.g. Black-Sholes or a lattice model). Under the transition alternatives permitted under SFAS No. 123R, the Company will apply the new standard to all new awards granted on or after January 1, 2006, and to all awards existing as of December 31, 2005 which are subsequently modified, repurchased or cancelled. Additionally, as of January 1, 2006, the Company will be required to recognize compensation cost previously measured under SFAS No. 123 for the portion of any non-vested award existing as of December 31, 2005 over the remaining vesting period. Because the number of non-vested awards as of December 31, 2005 with respect to options granted by the Company is not material, the effect of adopting SFAS No. 123R is not expected to be significant in so far as it relates to the recognition of compensation cost in the Company's consolidated statements of income for existing stock options. Should the Company, however, either grant a significant number of options or modify, repurchase or cancel existing options in the future, the Company could in the future recognize material amounts of compensation cost related to such options in its consolidated financial statements.

Also upon adoption of SFAS No. 123R, the cash income tax benefit resulting from the exercise of stock options in excess of the cumulative income tax benefit related to such options previously recognized for GAAP financial reporting purposes in the Company's consolidated statements of income, if any, will be reflected as a cash inflow from financing activities in the Company's consolidated statements of cash flows, and the Company's cash flows from operating activities will reflect the effect of cash paid for income taxes exclusive of such cash income tax benefit.

SFAS No. 123R also requires certain expanded disclosures regarding the Company's stock options, and such expanded disclosures have been provided in Note 9.

Note 15 - Quarterly results of operations (unaudited):

	Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In millions, except per share amounts)			
2004:				
Net sales	\$ 43.6	\$46.2	\$ 46.2	\$ 46.6
Gross profit	8.4	10.9	10.3	10.2
Operating income	2.5	5.0	4.9	3.0
Income from continuing operations	\$ 1.6	\$ 3.0	\$ 3.5	\$ 1.4
Discontinued operations	-	0.3	0.3	(13.1)
Net income (loss)	\$ 1.6	\$ 3.3	\$ 3.8	\$ (11.7)
Basic and diluted earnings (loss) per share:				
Continuing operations	\$.10	\$.20	\$.24	\$.09
Discontinued operations	-	.02	.02	(.86)
	\$.10	\$.22	\$.26	\$ (.77)
2005:				
Net sales	\$ 46.8	\$ 45.7	\$ 47.1	\$ 46.7
Gross profit	10.3	10.5	11.0	12.0
Operating income	4.1	4.7	4.8	5.5
Income (loss) from continuing operations	\$ 2.2	\$ 2.4	\$ (6.1)	\$ 2.4
Discontinued operations	(.5)	-	-	-
Net income (loss)	\$ 1.7	\$ 2.4	\$ (6.1)	\$ 2.4
Basic and diluted earnings (loss) Per share:				
Continuing operations	\$.14	\$.16	\$ (.40)	\$.16
Discontinued operations	(.03)	-	-	-
	\$.11	\$.16	\$ (.40)	\$.16

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

During the fourth quarter of 2004, the Company incurred a charge of approximately \$13.5 million (net of tax benefit of \$0.9 million) to write-down its investment in the Thomas Regout European operations to its estimated realizable value. See Note 10.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	of year	Balance at beginning (recoveries)	Additions charged to costs and expenses deductions	Net Other*	Currency translation	Balance at end of year
Year ended December 31, 2003:						
Allowance for doubtful accounts	\$ 496	\$ 36	\$ (234)	\$ -	\$ 15	\$ 313
Reserve for slow moving or obsolete inventories	\$1,598	\$1,889	\$ (1,699)	\$ -	\$126	\$1,914
Year ended December 31, 2004:						
Allowance for doubtful accounts	\$ 313	\$ 115	\$ (46)	\$ -	\$ 12	\$ 394
Reserve for slow moving or obsolete inventories	\$1,914	\$1,242	\$ (1,969)	\$ -	\$ 29	\$1,216
Year ended December 31, 2005:						
Allowance for doubtful accounts	\$ 394	\$ (127)	\$ (18)	\$ 60	\$ 3	\$ 312
Reserve for slow moving or obsolete inventories	\$1,216	\$ 373	\$ (652)	\$254	\$ 2	\$1,193

* Acquisition of business unit.

Note 1: Above information is presented for continuing operations only.

Note 2: Certain information has been omitted from this schedule because it is disclosed in the notes to the Consolidated Financial Statements.

CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of the 23rd day of December, 2005 by and among COMPX INTERNATIONAL INC., a corporation organized under the laws of Delaware (the "Borrower"), the lenders who are or may become a party to this Agreement, as Lenders (the "Lenders"), and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, as Administrative Agent for the Lenders (the "Administrative Agent").

STATEMENT OF PURPOSE

The Lenders have extended certain credit facilities to the Borrower pursuant to the Credit Agreement dated as of January 22, 2003, by and among the Borrower, the Lenders and the Administrative Agent (as amended by (i) the First Amendment to Credit Agreement dated as of October 20, 2003, (ii) the Second Amendment to Credit Agreement, Waiver and Release of European Investment Collateral dated January 7, 2005, and (iii) the Third Amendment to Credit Agreement dated October 31, 2005, collectively the "Existing Credit Agreement").

The Borrower has requested, and the Lenders have agreed, to terminate and replace the existing credit facilities provided under the Existing Credit Agreement, with the credit facilities extended to the Borrower on the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1 Definitions. The following terms when used in this Agreement shall have the meanings assigned to them below:

"Administrative Agent" means Wachovia in its capacity as Administrative Agent hereunder, and any successor thereto appointed pursuant to Section 12.9.

"Administrative Agent's Correspondent" means Wachovia Bank, National Association, London Branch, or any other financial institution designated by the Administrative Agent to act as its correspondent hereunder with respect to the distribution and payment of Alternative Currency Loans.

"Administrative Agent's Office" means the office of the Administrative Agent specified in or determined in accordance with the provisions of Section 13.1(c).

"Affiliate" means, with respect to any Person, any other Person (other than a Subsidiary of the Borrower) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any of its Subsidiaries. The term "control" means (a) the power to vote ten percent (10%) or more of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of any other power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Aggregate Commitment" means the aggregate amount of the Lenders' Commitments hereunder, as such amount may be increased, reduced or otherwise modified at any time or from time to time pursuant to the terms hereof. On the Closing Date, the Aggregate Commitment shall be Fifty Million Dollars (\$50,000,000).

"Agreement" means this Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time.

"Alternative Currency" means (i) the euro, (ii) the Canadian Dollar and (iii) with the prior written consent of the Administrative Agent and the Lenders, any other lawful currency (other than Dollars) which is freely transferable and convertible into Dollars in the United States currency market and freely available to all of the Lenders in the London interbank deposit market.

"Alternative Currency Amount" means with respect to each Loan made or continued (or to be made or continued) in an Alternative Currency, the amount of such Alternative Currency which is equivalent to the principal amount in Dollars of such Loan at the most favorable spot exchange rate (to the Borrower) determined by the Administrative Agent to be available to it at approximately 11:00 a.m. (Charlotte time) two (2) Business Days before such Loan is made or continued (or to be made or continued). When used with respect to any other sum expressed in Dollars, "Alternative Currency Amount" shall mean the amount of such Alternative Currency which is equivalent to the amount so expressed in Dollars at the most favorable spot exchange rate (to the Borrower) determined by the Administrative Agent to be available to it at the relevant time.

"Alternative Currency Commitment" means the lesser of (i) Ten Million Dollars (\$10,000,000) and (ii) the Aggregate Commitment, as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof.

"Alternative Currency Facility" means the alternative currency facility established pursuant to Section 2.2.

"Alternative Currency Lender" means Wachovia, in its capacity as alternative currency lender hereunder.

"Alternative Currency Loan" means any revolving credit loan denominated in an Alternative Currency made by the Alternative Currency Lender to the Borrower pursuant to Section 2.2, and all such Alternative Currency Loans collectively as the context requires.

"Alternative Currency Note" means the Alternative Currency Note made by the Borrower payable to the order of the Alternative Currency Lender, substantially in the form of Exhibit A-3 hereto, evidencing the Alternative Currency Loans, and any amendments, supplements and modifications thereto, any substitutes therefor and any replacements, restatements, renewals or extensions thereof, in whole or in part.

"Applicable Law" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"Applicable Margin" shall have the meaning assigned thereto in Section 4.1(c); provided, that with respect to each LIBOR Rate Loan made in an Alternative Currency, the Applicable Margin shall include the Mandatory Cost Rate, as determined pursuant to the formula set forth on Schedule 1.1(b) hereto.

"Application" means an application, in the form specified by the Issuing Lender from time to time, requesting the Issuing Lender to issue a Letter of Credit.

"Approved Fund" means any Person (other than a natural Person), including, without limitation, any special purpose entity, that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business; provided, that with respect to any assignment of any Commitment, such Approved Fund must be administered by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arbitration Rules" shall have the meaning assigned thereto in Section 13.6(a).

"Assignment and Acceptance" shall have the meaning assigned thereto in Section 13.10(b).

"Available Commitment" means, as to any Lender at any time, an amount equal to (a) such Lender's Commitment less (b) such Lender's Extensions of Credit.

"Base Rate" means, at any time, the higher of (a) the Prime Rate and (b) the Federal Funds Rate plus 1/2 of 1%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or the Federal Funds Rate.

"Base Rate Loan" means any Loan bearing interest at a rate based upon the Base Rate as provided in Section 4.1(a).

"Benefited Lender" shall have the meaning assigned thereto in Section 4.6.

"Borrower" means CompX International Inc., a corporation organized under the laws of Delaware, in its capacity as borrower hereunder.

"Business Day" means (a) for all purposes other than as set forth in clause (b) below, any day (other than a Saturday or Sunday) on which banks in Charlotte, North Carolina and New York, New York, are open for the conduct of their domestic or international commercial banking business, as applicable, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day (i) that is a Business Day described in clause (a) and that is also a day for trading by and between banks in deposits for the applicable Permitted Currency in the London interbank market and (ii) on which banks are open for the conduct of their domestic and international banking business in the place where the Administrative Agent or the Administrative Agent's Correspondent shall make available Loans in such Permitted Currency. Notwithstanding the foregoing, with respect to any amount denominated or to be denominated in the euro, any reference to a "Business Day" shall be construed as a reference to a day (other than a Saturday or Sunday) on which banks are generally open for business in New York, New York and prime banks in London generally provide quotations for deposits denominated in the euro.

"Calculation Date" shall have the meaning assigned thereto in Section 4.1(c).

"Canadian Dollar" means, at any time of determination, the then official currency of Canada.

"Capital Expenditures" means, with respect to the Borrower and its Subsidiaries for any period, the aggregate amount of all expenditures of the Borrower and its Subsidiaries during such period that, in conformity with GAAP, are included in "additions to property, plant and equipment" or comparable items reflected in the consolidated financial statements of the Borrower and its Subsidiaries.

"Capital Lease" means any lease of any property by the Borrower or any of its Subsidiaries, as lessee, that should, in accordance with GAAP, be classified and accounted for as a capital lease on a Consolidated balance sheet of the Borrower and its Subsidiaries.

"Change in Control" shall have the meaning assigned thereto in Section 11.1(h).

"Closing Date" means the date of this Agreement or such later Business Day upon which each condition described in Section 5.2 shall be satisfied or waived in all respects in a manner acceptable to the Administrative Agent, in its sole discretion.

"Code" means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended or modified from time to time.

"Collateral" means the collateral security for the Obligations pledged or granted pursuant to the Security Documents.

"Collateral Agreement" means the collateral agreement of even date executed by the Borrower and each of the Subsidiary Guarantors and Borrower's Wholly Owned Material Foreign Subsidiaries in favor of the Administrative Agent, for the benefit of itself and the Lenders, substantially in the form of Exhibit I, as amended, restated, supplemented or otherwise modified from time to time.

"Commitment" means, as to any Lender, the obligation of such Lender to make Loans (including, without limitation, to participate in Swingline Loans and Alternative Currency Loans) to the Borrower, and issue or participate in Letters of Credit issued for the account of the Borrower, in an aggregate principal or face amount at any time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule 1.1(a) hereto, as the same may be reduced or modified at any time or from time to time pursuant to the terms hereof.

"Commitment Fee Rate" shall have the meaning assigned thereto in Section 4.3(a).

"Commitment Percentage" means, as to any Lender at any time, the ratio of (a) the amount of the Commitment of such Lender to (b) the Aggregate Commitment of all of the Lenders.

"Consolidated" means, when used with reference to financial statements or financial statement items of the Borrower and its Subsidiaries, such statements or items on a consolidated basis in accordance with applicable principles of consolidation under GAAP.

"Consolidated Net Worth" means, with respect to the Borrower and its Subsidiaries, on any date of determination, the total stockholders' equity (including capital stock, additional paid-in capital and retained earnings after deducting the treasury stock) of the Borrower and its Subsidiaries appearing on a Consolidated balance sheet of the Borrower and its Subsidiaries prepared in accordance with GAAP (excluding on a cumulative basis any adjustments for foreign currency translation).

"Costs of Acquisition" means, with respect to any Permitted Acquisition, as at the date of entering into any agreement therefor, the sum of the following (without duplication): (i) the value of the capital stock, warrants or options to acquire capital stock of the Borrower or any Subsidiary of the Borrower to be transferred in connection therewith, (ii) the amount of any cash and fair market value of other property (excluding property described in clause (i) and the unpaid principal amount of any Debt instrument) given as consideration, (iii) the amount (determined by using the face amount or the amount payable at maturity, whichever is greater) of any Debt incurred, assumed or acquired by the Borrower or any Subsidiary of the Borrower in connection with such Permitted Acquisition, (iv) all additional purchase price amounts in the form of earnouts and other contingent obligations that should be recorded on the financial statements of the Borrower and its Subsidiaries in accordance with GAAP, (v) all amounts paid in respect of covenants not to compete, consulting agreements that should be recorded on the financial statements of the Borrower and its Subsidiaries in accordance with GAAP, and other affiliated contracts in connection with such Permitted Acquisition, (vi) the aggregate fair market value of all other consideration given by the Borrower or any Subsidiary of the Borrower in connection with such Permitted Acquisition recorded on the financial statements of the Borrower and its Subsidiaries in accordance with GAAP, and (vii) out-of-pocket transaction costs for the services and expenses of attorneys, accountants and other consultants incurred in effecting such transaction, and other similar transaction costs so incurred. For purposes of determining the Cost of Acquisition for any transaction, (A) the capital stock of the Borrower shall be valued (I) in the case of capital stock that is then designated as a national market system security by the National Association of Securities Dealers, Inc. ("NASDAQ") or is listed on a national securities exchange, the average of the last reported bid and ask quotations or the last prices reported on, or immediately prior to, the acquisition date and (II) with respect to any other shares of capital stock, as reasonably determined by the Board of Directors of the Borrower, (B) the capital stock of any Subsidiary shall be valued as reasonably determined by the Board of Directors of such Subsidiary and (C) with respect to any Permitted Acquisition accomplished pursuant to the exercise of options or warrants or the conversion of securities, the Cost of Acquisition shall include both the cost of acquiring such option, warrant or convertible security as well as the cost of exercise or conversion.

"Credit Facility" means, collectively, the Revolving Credit Facility, the Swingline Facility, the Alternative Currency Facility and the L/C Facility.

"Debt" means, with respect to the Borrower and its Subsidiaries at any date and without duplication, the sum of the following calculated in accordance with GAAP: (a) all liabilities, obligations and indebtedness of any such Person for borrowed money including but not limited to obligations evidenced by bonds, debentures, notes or other similar instruments, (b) all obligations of any such Person to pay a deferred purchase price for property or services (provided that "Debt" shall not include trade payables and other accrued liabilities arising in the ordinary course of business which are either (i) not more than ninety (90) days past due or (ii) if more than ninety (90) days past due, being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP), (c) all obligations of any such Person as lessee under Capital Leases, (d) all Debt of any other Person secured by a Lien on any asset of any such Person, (e) all Guaranty Obligations of any such Person, (f) all obligations, contingent or otherwise, of any such Person relative to the face amount of letters of credit, whether or not drawn, including without limitation any Reimbursement Obligation, and banker's acceptances issued for the account of any such Person, (g) all obligations of any such Person to redeem, repurchase, exchange, defease or otherwise make payments in respect of capital stock or other securities or partnership interests of such Person, (h) all net payment obligations incurred by any such Person pursuant to Hedging Agreements (solely to the extent that

such net payment obligations are in excess of \$2,000,000), (i) all outstanding payment obligations with respect to Synthetic Leases and (j) all obligations of any such Person under any asset securitization program. For the purpose of item (h) above, (1) the amount of any net payment obligation pursuant to any Hedging Agreement on any date shall be deemed to be the Termination Value thereof as of such date and (2) "Termination Value" means, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (A) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (B) for any date prior to the date referenced in clause (A), the amount(s) determined as the mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements (which may include any Person that is a Lender or an Affiliate thereof at the time such Hedging Agreement is executed).

"Default" means any of the events specified in Section 11.1, which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

"Disputes" shall have the meaning set forth in Section 13.6.

"Dollars" or "\$" means, unless otherwise qualified, dollars in lawful currency of the United States.

"Dollar Amount" means (a) with respect to each Loan made or continued (or to be made or continued), or Letter of Credit issued or extended (or to be issued or extended), in Dollars, the principal amount thereof and (b) with respect to each Loan made or continued (or to be made or continued) in an Alternative Currency, the amount of Dollars which is equivalent to the principal amount of such Loan, at the most favorable spot exchange rate (to the Borrower) determined by the Administrative Agent at approximately 11:00 a.m. (the time of the Administrative Agent's Correspondent's office) two (2) Business Days before such Loan is made or continued (or to be made or continued). When used with respect to any other sum expressed in an Alternative Currency, "Dollar Amount" shall mean the amount of Dollars which is equivalent to the amount so expressed in such Alternative Currency at the most favorable spot exchange rate (to the Borrower) determined by the Administrative Agent to be available to it at the relevant time.

"Domestic Subsidiary" means any Subsidiary of the Borrower organized under the laws of any state of the United States or the District of Columbia.

"EBIT" means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP: (a) Net Income for such period plus (b) the sum of the following to the extent deducted in determining Net Income: (i) income taxes, franchise taxes and similar taxes imposed in lieu of net income taxes, (ii) Interest Expense and (iii) all non cash charges associated with any asset impairment less (c) interest income; provided that for the purposes of determining EBIT for any period during which any Permitted Acquisition is consummated, EBIT shall be adjusted to give effect to the consummation of such Permitted Acquisition on a pro forma basis in accordance with GAAP, as if such Permitted Acquisition occurred on the first day of such period, such adjustments to be calculated in a manner reasonably satisfactory to the Administrative Agent.

"EBITDA" means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP: (a) Net Income for such period plus (b) the sum of the following to the extent deducted in determining Net Income: (i) income taxes, franchise taxes and similar taxes imposed in lieu of net income taxes, (ii) Interest Expense, (iii) amortization, depreciation and other non-cash charges and (iv) all non cash charges associated with any asset impairment less (c) interest income; provided that for the purposes of determining EBITDA for any period during which any Permitted Acquisition is consummated, EBITDA shall be adjusted to give effect to the consummation of such Permitted Acquisition on a pro forma basis in accordance with GAAP, as if such Permitted Acquisition occurred on the first day of such period, such adjustments to be calculated in a manner reasonably satisfactory to the Administrative Agent.

"Eligible Assignee" means, with respect to any assignment of the rights, interest and obligations of a Lender hereunder, a Person that is at the time of such assignment (a) a commercial bank organized under the laws of the United

States or any state thereof, having combined capital and surplus in excess of \$500,000,000, (b) a commercial bank organized under the laws of any other country that is a member of the Organization of Economic Cooperation and Development, or a political subdivision of any such country, having combined capital and surplus in excess of \$500,000,000, (c) a finance company, insurance company or other financial institution which in the ordinary course of business extends credit of the type extended hereunder and has total assets in excess of \$1,000,000,000, (d) already a Lender hereunder (whether as an original party to this Agreement or as the assignee of another Lender), (e) the successor (whether by transfer of assets, merger or otherwise) to all or substantially all of the commercial lending business of the assigning Lender, (f) any Affiliate of the assigning Lender, (g) any Approved Fund or (h) any other Person that has been approved in writing as an Eligible Assignee by (i) other than upon the occurrence and during the continuance of any Default or Event of Default, the Borrower, and (ii) the Administrative Agent.

"EMU" means the economic and monetary union as contemplated in the Treaty on European Union.

"EMU Legislation" means legislative measures of the Council of European Union for the introduction of, change over to or operation of the euro.

"Employee Benefit Plan" means any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained for employees of the Borrower or any ERISA Affiliate or (b) has at any time within the preceding six (6) years been maintained for the employees of the Borrower or any current or former ERISA Affiliate.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of noncompliance or violation, investigations (other than internal reports prepared by any Person in the ordinary course of business and not in response to any third party action or request of any kind) or proceedings relating in any way to any actual or alleged violation of or liability under any Environmental Law or relating to any permit issued, or any approval given, under any such Environmental Law, including, without limitation, any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, contribution, indemnification cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to human health or the environment.

"Environmental Laws" means any and all federal, foreign, state, provincial and local laws, statutes, ordinances, rules, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health or the environment.

"ERISA" means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder, each as amended or modified from time to time.

"ERISA Affiliate" means any Person who together with the Borrower is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"euro" means the single currency to which the Participating Member States of the European Union have converted.

"Eurodollar Reserve Percentage" means, for any day with respect to any LIBOR Rate Loan denominated in Dollars, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Federal Reserve Board (or any successor) for determining the maximum reserve requirement (including without limitation any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"Event of Default" means any of the events specified in Section 11.1, provided that any requirement for passage of time, giving of notice, or any other condition has been satisfied.

"Existing Credit Agreement" shall have the meaning assigned thereto in the Statement of Purpose.

"Existing Facility" means the credit facility established pursuant to the Existing Credit Agreement.

"Existing Bond Documentation" means the agreements and other documentation described on Schedule 1.1(c).

"Extensions of Credit" means, as to any Lender at any time, (a) an amount equal to the sum of (i) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding, (ii) such Lender's Commitment Percentage of the L/C Obligations then outstanding, (iii) such Lender's Commitment Percentage of the Swingline Loans then outstanding and (iv) such Lender's Commitment Percentage of the Alternative Currency Loans then outstanding or (b) the making of any Loan or participation in any Letter of Credit by such Lender, as the context requires.

"FDIC" means the Federal Deposit Insurance Corporation, or any successor thereto.

"Federal Funds Rate" means, the rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) representing the daily effective federal funds rate as quoted by the Administrative Agent and confirmed in Federal Reserve Board Statistical Release H.15 (519) or any successor or substitute publication selected by the Administrative Agent. If, for any reason, such rate is not available, then "Federal Funds Rate" shall mean a daily rate which is determined, in the opinion of the Administrative Agent, to be the rate at which federal funds are being offered for sale in the national federal funds market at 9:00 a.m. (Charlotte time). Rates for weekends or holidays shall be the same as the rate for the most immediately preceding Business Day.

"Fiscal Year" means the fiscal year of the Borrower and its Subsidiaries ending on the nearest Sunday to December 31 (for United States reporting purposes).

"Foreign Subsidiary" means any Subsidiary of the Borrower not organized under the laws of any State of the United States or the District of Columbia.

"GAAP" means accounting principles generally accepted in the United States of America, as recognized by the U.S. Securities and Exchange Commission, the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrower and its Subsidiaries throughout the period indicated and (subject to Section 13.9) consistent with the prior financial practice of the Borrower and its Subsidiaries. Any differences in the recognition of GAAP between such parties shall be resolved in favor of (i) the U.S. Securities and Exchange Commission over the American Institute of Certified Public Accountants and the Financial Accounting Standards Board and (ii) the Financial Accounting Standards Board over the American Institute of Certified Public Accountants.

"Governmental Approvals" means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

"Governmental Authority" means any nation, province, state or political subdivision thereof, and any government or any Person exercising executive, legislative, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Guaranty Obligation" means, with respect to the Borrower and its Subsidiaries, without duplication, any obligation, contingent or otherwise, of any such Person pursuant to which such Person has directly or indirectly guaranteed any Debt or other obligations of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of any such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, that the term Guaranty Obligation shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means any substances or materials that are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise harmful to human health or the environment and are or become regulated by any Governmental Authority, or that contain, without

limitation, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or waste, crude oil, nuclear fuel, natural gas or synthetic gas.

"Hedging Agreement" means any agreement with respect to any Interest Rate Contract, forward rate agreement, commodity swap, forward foreign exchange agreement, currency swap agreement, cross-currency rate swap agreement, currency option agreement or other agreement or arrangement designed to alter the risks of any Person arising from fluctuations in interest rates, currency values or commodity prices, all as amended, restated, supplemented or otherwise modified from time to time.

"Hedging Obligations" shall have the meaning assigned thereto in the definition of "Obligations."

"Interest Expense" means, with respect to the Borrower and its Subsidiaries for any period, the gross interest expense of the Borrower and its Subsidiaries, all determined for such period on a Consolidated basis, without duplication, in accordance with GAAP.

"Interest Period" shall have the meaning assigned thereto in Section 4.1(b).

"Interest Rate Contract" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate collar agreement, interest rate option or any other agreement regarding the hedging of interest rate risk exposure executed in connection with hedging the interest rate exposure of any Person and any confirming letter executed pursuant to such agreement, all as amended, restated, supplemented or otherwise modified from time to time.

"ISP 98" means the International Standby Practices (1998 Revision, effective January 1, 1999), International Chamber of Commerce Publication No. 590.

"Issuing Lender" means Wachovia, in its capacity as issuer of any Letter of Credit, or any successor thereto.

"Joinder Agreement" means, collectively, each joinder agreement executed in favor of the Administrative Agent for the ratable benefit of itself and the Lenders, substantially in the form of Exhibit J.

"L/C Commitment" means the lesser of (a) Ten Million Dollars (\$10,000,000) and (b) the aggregate Available Commitment.

"L/C Facility" means the letter of credit facility established pursuant to Article III.

"L/C Obligations" means at any time, an amount equal to the sum of (a) the aggregate undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit which have not then been reimbursed pursuant to Section 3.5.

"L/C Participants" means the collective reference to all the Lenders other than the Issuing Lender.

"Lender" means each Person executing this Agreement as a Lender (including, without limitation, the Issuing Lender, the Swingline Lender and the Alternative Currency Lender unless the context otherwise requires) set forth on the signature pages hereto and each Person that hereafter becomes a party to this Agreement as a Lender pursuant to Section 13.10.

"Lending Office" means, with respect to any Lender, the office of such Lender maintaining such Lender's Commitment Percentage of the Extensions of Credit.

"Letters of Credit" shall have the meaning assigned thereto in Section 3.1.

"Leverage Ratio" means the ratio calculated pursuant to Section 9.1.

"LIBOR" means the rate of interest per annum determined on the basis of the rate for deposits in Dollars in minimum amounts of at least \$3,000,000 (or the Alternative Currency Amount thereof with respect to a borrowing to be made in an Alternative Currency) for a period equal to the applicable Interest Period which appears on the Dow Jones Market Screen 3750, or the applicable Reuters Screen

Page, as determined by the Administrative Agent in its sole discretion, at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period (rounded upward, if necessary, to the nearest 1/100th of 1%). If, for any reason, such rate does not appear on Dow Jones Market Screen 3750, or the applicable Reuters Screen Page, then "LIBOR" shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in the Permitted Currency in which the applicable Loan is denominated would be offered by first class banks in the London interbank market to the Administrative Agent (or the Administrative Agent's Correspondent) at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Each calculation by the Administrative Agent of LIBOR shall be conclusive and binding for all purposes, absent manifest error.

"LIBOR Rate" means

(i) with respect to any LIBOR Rate Loan denominated in Dollars, a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{\text{1.00-Eurodollar Reserve Percentage}}$$

and

(ii) with respect to any LIBOR Rate Loan denominated in any Alternative Currency, a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) equal to LIBOR.

Each calculation by the Administrative Agent of the LIBOR Rate shall be conclusive and binding for all purposes, absent manifest error.

"LIBOR Rate Loan" means any Loan bearing interest at a rate based upon the LIBOR Rate as provided in Section 4.1(a).

"Lien" means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"Liquidity" means, with respect to the Borrower and its Subsidiaries as of any date of determination, (i) consolidated cash and cash equivalents as of such date plus (ii) the aggregate Available Commitments as of such date.

"Loan Documents" means, collectively, this Agreement, the Notes, the Applications, the Subsidiary Guaranty Agreement, the Security Documents, each Joinder Agreement and each other document, instrument, certificate and agreement executed and delivered by the Borrower or any Subsidiary thereof in connection with this Agreement (excluding any Hedging Agreement), all as may be amended, restated, supplemented or otherwise modified from time to time.

"Loans" means the collective reference to the Revolving Credit Loans, the Alternative Currency Loans and the Swingline Loans and "Loan" means any of such Loans.

"Mandatory Cost Rate" means an addition to the interest rate on any Revolving Credit Loan or Alternative Currency Loan made by any Lender to compensate such Lender for the cost imputed to the Lender resulting from the imposition from time to time under or pursuant to the Bank of England Act 1998 and/or by the Bank of England and/or the Financial Services Authority (or other Governmental Authorities of the United Kingdom) of a requirement to place non-interest bearing cash ratio deposits or special deposits (whether interest bearing or not) with the Bank of England and/or fees to the Financial Services Authority calculated by reference to liabilities used to fund the Revolving Credit Loans and the Alternative Currency Loans, expressed as a rate per annum and determined pursuant to the formula set forth on Schedule 1.1(b) hereto.

"Material Acquisition" means any Permitted Acquisition, the Costs of Acquisition of which exceed five percent (5%) of the total net assets of the Borrower and its Subsidiaries as reflected on the financial statements delivered

in accordance with Section 7.1.

"Material Adverse Effect" means a material adverse effect on (i) the properties, business, prospects, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower or any of its Subsidiaries to perform its material obligations under the Loan Documents to which it is a party, or (iii) the validity and enforceability of the Loan Documents.

"Material Domestic Subsidiary" means, at any time, (a) any Domestic Subsidiary of the Borrower with net assets in excess of five percent (5%) of the total net assets of the Borrower and its Subsidiaries as reflected on the financial statements delivered in accordance with Section 7.1, (b) any parent of any Domestic Subsidiary referred to in clause (a) of this definition, which parent is also a Domestic Subsidiary and which parent is not deemed a "Material Domestic Subsidiary" pursuant to clause (a) of this definition, (c) any Domestic Subsidiary of the Borrower voluntarily designated in writing to the Administrative Agent by the Borrower as a "Material Domestic Subsidiary" regardless of whether such Domestic Subsidiary is deemed a "Material Domestic Subsidiary" pursuant to clause (a) or (b) of this definition and (d) any Domestic Subsidiary of the Borrower that executes all the relevant joinder documents in compliance with Section 8.10 regardless of whether such Domestic Subsidiary is deemed a "Material Domestic Subsidiary" pursuant to clause (a), (b) or (c) of this definition.

"Material Foreign Subsidiary" means, at any time, (a) any Foreign Subsidiary of the Borrower directly owned by the Borrower or a Domestic Subsidiary of the Borrower with net assets in excess of five percent (5%) of the total net assets of the Borrower and its Subsidiaries as reflected on the financial statements delivered in accordance with Section 7.1 and (b) any Foreign Subsidiary of the Borrower voluntarily designated in writing to the Administrative Agent by the Borrower as a "Material Foreign Subsidiary" regardless of whether such Foreign Subsidiary is deemed a "Material Foreign Subsidiary" pursuant to clause (a) of this definition.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making, or is accruing an obligation to make, or has accrued an obligation to make, contributions within the preceding six (6) years.

"Net Cash Position" means on any day, with respect to the Operating Account, a sum equal to the opening available balance in the Operating Account, plus any maturing investment principal and interest credited to the Operating Account, minus the daily presentment of checks and Operating Account holds, minus any floor balance which has been established to cover bank charges, minus any maturing interest debited to the Operating Account, in each case for such day.

"Net Income" means, with respect to the Borrower and its Subsidiaries, for any period of determination, the net income (or loss) of the Borrower and its Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP; provided that there shall be excluded from Net Income (a) the net income (or loss) of any Person in which the Borrower or any of its Subsidiaries has a joint interest with a third party, except to the extent such net income is actually paid to the Borrower or any of its Subsidiaries by dividend or other distribution during such period, (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of such Person or is merged into or consolidated with such Person or any of its Subsidiaries or that Person's assets are acquired by such Person or any of its Subsidiaries, (c) the cumulative effect of a change in accounting principles required or permitted by a change in GAAP subsequent to the Closing Date, and (d) any net gain classified as an extraordinary item in accordance with GAAP.

"Notes" means the collective reference to the Revolving Credit Notes, the Alternative Currency Note and the Swingline Note and "Note" means any of such Notes.

"Notice of Account Designation" shall have the meaning assigned thereto in Section 2.4(b).

"Notice of Borrowing" shall have the meaning assigned thereto in Section 2.4(a).

"Notice of Conversion/Continuation" shall have the meaning assigned thereto in Section 4.2.

"Obligations" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) the L/C Obligations, (c) all existing or future payment and other obligations owing by the Borrower under any Hedging Agreement (which such Hedging Agreement is permitted hereunder) with any Person that is a Lender hereunder or an Affiliate of a Lender hereunder at the time such Hedging Agreement is executed (all such obligations with respect to any such Hedging Agreement, "Hedging Obligations") and (d) all other fees and commissions (including attorneys' fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower or any of its Subsidiaries to the Lenders or the Administrative Agent, in each case under or in respect of this Agreement, any Note, any Letter of Credit or any of the other Loan Documents of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note.

"Officer's Compliance Certificate" shall have the meaning assigned thereto in Section 7.2.

"Operating Account" means the principal operating account of the Borrower maintained with Wachovia.

"Operating Lease" shall mean, as to any Person as determined in accordance with GAAP, any lease of property (whether real, personal or mixed) by such Person as lessee which is not a Capital Lease.

"Other Taxes" shall have the meaning assigned thereto in Section 4.13(b).

"Participating Member State" means each state so described in any EMU Legislation.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor agency.

"Pension Plan" means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and which (a) is maintained for the employees of the Borrower or any ERISA Affiliate or (b) has at any time within the preceding six (6) years been maintained for the employees of the Borrower or any of its current or former ERISA Affiliates.

"Permitted Acquisition" has the meaning set forth in Section 10.3(c).

"Permitted Acquisition Documents" means with respect to any acquisition proposed by the Borrower or any Subsidiary thereof, the purchase agreement, sale agreement, merger agreement or other agreement evidencing such acquisition, including, without limitation, all legal opinions and each other document executed, delivered, contemplated by or prepared in connection therewith and any amendment, modification or supplement to any of the foregoing.

"Permitted Currency" means Dollars or any Alternative Currency, or each such currency, as the context requires.

"Permitted Holders" means (i) Harold C. Simmons, (ii) the trustees of the Harold C. Simmons Family Trust No. 1 dated January 1, 1964, the Harold C. Simmons Family Trust No. 2 dated January 1, 1964 and any trust or trusts established after the Closing Date for the benefit of Harold C. Simmons and/or his spouse or his or her descendants, whether natural or adopted (such trusts collectively, the "Trusts" and such individuals, collectively the "Beneficiaries"), (iii) each of the Trusts, (iv) each of the Beneficiaries, (v) any Person controlled, directly or indirectly, by one or more of the Persons described in clauses (i) through (iv) above, (vi) any employee benefit plan or pension fund of the Borrower or any Subsidiary and any Person holding any class of voting stock of the Borrower or Subsidiary for or pursuant to the terms of any such plan or fund, and (vii) any group made up of Persons described in clauses (i) through (vi) above.

"Person" means an individual, corporation, limited liability company, partnership, association, trust, business trust, joint venture, joint stock company, pool, syndicate, sole proprietorship, unincorporated organization, Governmental Authority or any other form of entity or group thereof.

"Pounds Sterling" means, at any time of determination, the then official

currency of the United Kingdom of Great Britain and Northern Ireland.

"Prime Rate" means, at any time, the rate of interest per annum publicly announced from time to time by Wachovia as its prime rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in such prime rate occurs. The parties hereto acknowledge that the rate announced publicly by Wachovia as its prime rate is an index or base rate and shall not necessarily be its lowest or best rate charged to its customers or other banks.

"Register" shall have the meaning assigned thereto in Section 13.10(d).

"Reimbursement Obligation" means the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

"Replaced Lender" shall have the meaning assigned thereto in Section 4.15(c). "Replacement Lender" shall have the meaning assigned thereto in Section 4.15(c).

"Required Lenders" means, at any date, any combination of Lenders whose Commitment Percentages aggregate at least sixty-six and two-thirds percent (66-2/3%) of the Aggregate Commitment or, if the Credit Facility has been terminated pursuant to Section 11.2, any combination of Lenders holding at least sixty-six and two-thirds percent (66-2/3%) of the aggregate Extensions of Credit (with the aggregate amount of each Lender's risk participation and funded participation in Alternative Currency Loans, Swingline Loans and L/C Obligations being deemed "held" by such Lender for the purposes of this definition).

"Responsible Officer" means any of the following: the chief executive officer, president, chief financial officer or controller of the Borrower or any other officer of the Borrower reasonably acceptable to the Administrative Agent.

"Revolving Credit Facility" means the revolving credit, alternative currency and swingline facilities established pursuant to Article II.

"Revolving Credit Loans" means any revolving credit loan denominated in Dollars made by the Lenders to the Borrower pursuant to Section 2.1, and all such revolving credit loans collectively as the context requires.

"Revolving Credit Notes" means the collective reference to the Revolving Credit Notes made by the Borrower payable to the order of each Lender, substantially in the form of Exhibit A-1 hereto, evidencing the Revolving Credit Facility, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extensions thereof, in whole or in part; "Revolving Credit Note" means any of such Revolving Credit Notes.

"Revolving Credit Termination Date" means the earliest of the dates referred to in Section 2.8.

"Security Documents" means the collective reference to the Subsidiary Guaranty Agreement, the Collateral Agreement and each other agreement or writing pursuant to which the Borrower or any Subsidiary thereof purports to guaranty the payment and/or performance of the Obligations, in each case, as amended, restated, supplemented or otherwise modified from time to time.

"Solvent" means, as to the Borrower and its Subsidiaries on a particular date, that any such Person (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) owns property having a value, at fair valuation, greater than the amount required to pay its probable liabilities (including contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature.

"Subordinated Debt" means the collective reference to any Debt of the Borrower or any Subsidiary subordinated in right and time of payment to the Obligations and containing such other terms and conditions, in each case as are satisfactory to the Required Lenders.

"Subsidiary" means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other managers of such

corporation, partnership, limited liability company or other entity is at the time owned by or the management is otherwise controlled by such Person (irrespective of whether, at the time, capital stock or other ownership interests of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified references to "Subsidiary" or "Subsidiaries" herein shall refer to those of the Borrower.

"Subsidiary Guarantors" means the Material Domestic Subsidiaries of the Borrower.

"Subsidiary Guaranty Agreement" means the unconditional guaranty agreement of even date executed by the Subsidiary Guarantors in favor of the Administrative Agent, for the ratable benefit of itself and the Lenders, substantially in the form of Exhibit H, as amended, restated, supplemented or otherwise modified from time to time.

"Sweep Plus Service Program" means the Sweep Plus Service Program of Wachovia and any other cash management arrangement which the Borrower and Wachovia agree should be included in the borrowing and repayment of Swingline Loans pursuant to Section 2.3.

"Swingline Commitment" means the lesser of (a) Five Million Dollars (\$5,000,000) and (b) the Aggregate Commitment.

"Swingline Facility" means the swingline facility established pursuant to Section 2.3.

"Swingline Lender" means Wachovia in its capacity as swingline lender hereunder.

"Swingline Loan" means any swingline loan denominated in Dollars made by the Swingline Lender to the Borrower pursuant to Section 2.3, and all such swingline loans collectively as the context requires.

"Swingline Note" means the Swingline Note made by the Borrower payable to the order of the Swingline Lender, substantially in the form of Exhibit A-2 hereto, evidencing the Swingline Loans, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extensions thereof, in whole or in part.

"Swingline Termination Date" means the first to occur of (a) the resignation of Wachovia as Administrative Agent in accordance with Section 12.9 and (b) the Revolving Credit Termination Date.

"Synthetic Lease" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

"Taxes" shall have the meaning assigned thereto in Section 4.13(a).

"Termination Event" means except for any such event or condition that could not reasonably be expected to have a Material Adverse Effect: (a) a "Reportable Event" described in Section 4043 of ERISA for which the notice requirement has not been waived by the PBGC, or (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination, under Section 4041 of ERISA, if the plan assets are not sufficient to pay all plan liabilities, or (d) the institution of proceedings to terminate, or the appointment of a trustee with respect to, any Pension Plan by the PBGC, or (e) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan, or (f) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA, or (g) the partial or complete withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan if withdrawal liability is asserted by such plan, or (h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Sections 4241 or 4245 of ERISA, or (i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by the PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

"Total Funded Debt" means, as of any date of determination with respect to the Borrower and its Subsidiaries on a Consolidated basis without duplication, the sum of all Debt of the Borrower and its Subsidiaries.

"Treaty on European Union" means the Treaty of Rome of March 25, 1957, as amended by the Single European Act of 1986 and the Maastricht Treaty (signed February 7, 1992), as amended from time to time.

"Uniform Customs" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), effective January 1994 International Chamber of Commerce Publication No. 500.

"United States" means the United States of America.

"Wachovia" means Wachovia Bank, National Association, a national banking association, and its successors.

"Wholly-Owned" means, with respect to a Subsidiary, any Subsidiary for which all of the shares of capital stock or other ownership interests are, directly or indirectly, owned or controlled by the Borrower and/or one or more of its Wholly-Owned Subsidiaries (except for directors' qualifying shares or other shares required by Applicable Law to be owned by a Person other than the Borrower).

SECTION 1.2 General. Unless otherwise specified, a reference in this Agreement to a particular article, section, subsection, Schedule or Exhibit is a reference to that article, section, subsection, Schedule or Exhibit of this Agreement. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. Any reference herein to "Charlotte time" shall refer to the applicable time of day in Charlotte, North Carolina.

SECTION 1.3 Effectiveness of Euro Provisions. With respect to any state (or the currency of such state) that is not a Participating Member State on the date of this Agreement, the provisions of Sections 4.1(g), 4.8(b), 4.8(c) and 4.14 shall become effective in relation to such state (and the currency of such state) at and from the date on which such state becomes a Participating Member State.

SECTION 1.4. Other Definitions and Provisions.

(a) Use of Capitalized Terms. Unless otherwise defined therein, all capitalized terms defined in this Agreement shall have the defined meanings when used in this Agreement, the Notes and the other Loan Documents or any certificate, report or other document made or delivered pursuant to this Agreement.

(b) Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

ARTICLE II

REVOLVING CREDIT FACILITY

SECTION 2.1 Revolving Credit Loans. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make Revolving Credit Loans in Dollars to the Borrower from time to time from the Closing Date through, but not including, the Revolving Credit Termination Date as requested by the Borrower, in accordance with the terms of Section 2.4; provided, that, based upon the Dollar Amount of all outstanding Loans and L/C Obligations, (a) the aggregate principal amount of all outstanding Revolving Credit Loans (after giving effect to any amount requested) shall not exceed the Aggregate Commitment less the sum of all outstanding Swingline Loans, Alternative Currency Loans and L/C Obligations and (b) the aggregate principal amount of all outstanding Revolving Credit Loans from any Lender to the Borrower shall not at any time exceed such Lender's Commitment less such Lender's Commitment Percentage of the sum of all outstanding Swingline Loans, Alternative Currency Loans and L/C Obligations. Each Revolving Credit Loan by a Lender shall be in a principal amount equal to such Lender's Commitment Percentage of the aggregate principal amount of Revolving Credit Loans requested on such occasion. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Revolving Credit Loans hereunder until the Revolving Credit Termination Date.

SECTION 2.2 Alternative Currency Loans.

(a) Availability. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, the Alternative Currency Lender agrees to make Alternative Currency Loans to the Borrower from time to time from the Closing Date through, but not including, the Revolving Credit Termination Date as requested by the Borrower in accordance with the terms of Section 2.4; provided, that, based upon the Dollar Amount of all outstanding Loans and L/C Obligations, the aggregate principal amount of all outstanding Alternative Currency Loans (after giving effect to any amount requested) shall not exceed the lesser of (i) the Aggregate Commitment less the sum of the aggregate principal amount of all outstanding Revolving Credit Loans less the sum of all outstanding Swingline Loans and L/C Obligations, and (ii) the Alternative Currency Commitment; provided further that the Alternative Currency Lender will not make an Alternative Currency Loan from and after the date which is one (1) day after it has received written notice from the Administrative Agent (upon the request of the Required Lenders) that one or more of the applicable conditions to Extensions of Credit specified in Section 5.3 is not then satisfied until such conditions are satisfied or waived in accordance with the provisions of this Agreement (and the Alternative Currency Lender shall be entitled to conclusively rely on any such notice and shall have no obligation to independently investigate the accuracy of such notice and shall have no liability to the Borrower in respect thereof if such notice proves to be inaccurate). Alternative Currency Loans shall be funded in an amount equal to the Alternative Currency Amount of such Alternative Currency Loan. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Alternative Currency Loans hereunder until the Revolving Credit Termination Date.

(b) Refunding of Alternative Currency Loans.

(i) Upon the occurrence and during the continuance of an Event of Default, each Alternative Currency Loan may, at the discretion of the Alternative Currency Lender, be converted immediately to a Base Rate Loan funded in Dollars by the Lenders in an amount equal to the Dollar Amount of such Alternative Currency Loan for the remainder of the Interest Period applicable to such Alternative Currency Loan. Such Base Rate Loan shall thereafter be reflected as a Revolving Credit Loan of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its respective Commitment Percentage of such Revolving Credit Loan as required to repay Alternative Currency Loans outstanding to the Alternative Currency Lender upon such demand by the Alternative Currency Lender in no event later than 2:00 p.m. (Charlotte time) on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its respective Commitment Percentage of any Revolving Credit Loan required to repay such Alternative Currency Loan shall be affected by any other Lender's failure to fund its Commitment Percentage of such Revolving Credit Loan, nor shall any Lender's Commitment Percentage be increased as a result of any such failure of any other Lender to fund its Commitment Percentage of such Revolving Credit Loan.

(ii) The Borrower shall pay to the Alternative Currency Lender, for the account of the Alternative Currency Lender, on demand the amount of such Alternative Currency Loans to the extent amounts received from the Lenders are not sufficient to refund in full the outstanding Alternative Currency Loans requested or required to be refunded upon the occurrence and during the continuance of an Event of Default. In addition, the Borrower hereby authorizes the Administrative Agent, upon the occurrence and during the continuance of an Event of Default, to charge any account maintained by the Borrower with the Alternative Currency Lender (up to the amount available therein) in order to immediately pay the Alternative Currency Lender the amount of such Alternative Currency Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Alternative Currency Loans requested or required to be refunded. If any portion of any such amount paid to the Alternative Currency Lender shall be recovered by or on behalf of the Borrower from the Alternative Currency Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Percentages (unless the amount so recovered by or on behalf of the Borrower pertains to an Alternative Currency Loan extended after the occurrence and during the continuance of an Event of Default of which the Alternative Currency Lender has received notice in the manner required pursuant to Section 12.5 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Lender acknowledges and agrees that its obligation to

refund Alternative Currency Loans in accordance with the terms of this Section 2.2 is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article V. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Alternative Currency Loans pursuant to this Section 2.2, one of the events described in Section 11.1(i) or (j) shall have occurred, each Lender will, on the date the applicable Revolving Credit Loans would have been made, purchase an undivided participating interest in such Alternative Currency Loans to be refunded in an amount equal to its Commitment Percentage of the aggregate amount of such Alternative Currency Loans. Each Lender will immediately transfer to the Administrative Agent, for the account of the Alternative Currency Lender, in immediately available funds in Dollars, the amount of its participation. Whenever, at any time after the Alternative Currency Lender has received from any Lender such Lender's participating interest in the refunded Alternative Currency Loans, the Alternative Currency Lender receives any payment on account thereof, the Alternative Currency Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded).

(iv) In the event that any Lender fails to make payment to the Alternative Currency Lender of any amount due under this Section 2.2, the Administrative Agent, on behalf of the Alternative Currency Lender, shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Alternative Currency Lender receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Alternative Currency Lender of any amount due under this Section 2.2, such Lender shall be deemed, at the option of the Administrative Agent, to have unconditionally and irrevocably purchased from the Alternative Currency Lender, without recourse or warranty, an undivided interest and participation in the applicable Alternative Currency Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received.

SECTION 2.3 Swingline Loans.

(a) Availability. Subject to the terms and conditions of this Agreement, the Swingline Lender agrees to make Swingline Loans to the Borrower from time to time from the Closing Date through, but not including, the Swingline Termination Date; provided, that (i) all Swingline Loans shall be denominated in Dollars and (ii) based upon the Dollar Amount of all outstanding Loans and L/C Obligations, the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of (A) the Aggregate Commitment less the sum of all outstanding Revolving Credit Loans, Alternative Currency Loans and L/C Obligations and (B) the Swingline Commitment; provided further that the Swingline Lender will not make a Swingline Loan from and after the date which is one (1) day after it has received written notice from the Administrative Agent (upon the request of the Required Lenders) that one or more of the applicable conditions to Extensions of Credit specified in Section 5.3 is not then satisfied until such conditions are satisfied or waived in accordance with the provisions of this Agreement (and the Swingline Lender shall be entitled to conclusively rely on any such notice and shall have no obligation to independently investigate the accuracy of such notice and shall have no liability to the Borrower in respect thereof if such notice proves to be inaccurate).

(b) Sweep Plus Service Program. On each Business Day, the Administrative Agent shall calculate the Net Cash Position. If the Net Cash Position is less than zero, then the Borrower shall be deemed to have irrevocably requested that the Swingline Lender make a Swingline Loan to the Borrower in an amount equal to the lesser of (i) an amount, which when rounded up to the nearest \$1,000, equals or exceeds the amount of the deficit Net Cash Position and (ii) an amount, which when added to the aggregate principal amount of all outstanding Swingline Loans (after giving effect to any amount requested), shall not exceed the lesser of, based upon the Dollar Amount of all outstanding Loans and L/C Obligations, (A) the Aggregate Commitment less the sum of all outstanding Revolving Credit Loans, all outstanding Alternative Currency Loans and the L/C Obligations and (B) the Swingline Commitment; provided, however, that the obligation of the Swingline Lender to make any such Swingline Loan to the Borrower shall be subject to all the terms and conditions hereof (including, without limitation, Section 5.3 hereof).

(c) Payment of Principal and Interest. Principal and interest on Swingline Loans deemed requested pursuant to Section 2.3(b) hereof shall be paid pursuant to the terms and conditions of the Sweep Plus Service Program without any deduction, setoff or counterclaim whatsoever. Principal and interest on Swingline Loans requested pursuant to Section 2.3 hereof shall be paid pursuant to the terms of this Agreement. Unless sooner paid pursuant to the provisions hereof or the provisions of the Sweep Plus Service Program, the principal of the Swingline Loans shall be paid in full, together with accrued interest thereon, on the Swingline Termination Date.

(d) Refunding.

(i) Swingline Loans shall be refunded by the Lenders on demand by the Swingline Lender. Such refundings shall be made by the Lenders in accordance with their respective Commitment Percentages and shall thereafter be reflected as Revolving Credit Loans of the Lenders on the books and records of the Administrative Agent. Each Lender shall fund its respective Commitment Percentage of Revolving Credit Loans as required to repay Swingline Loans outstanding to the Swingline Lender upon demand by the Swingline Lender but in no event later than 2:00 p.m. (Charlotte time) on the next succeeding Business Day after such demand is made. No Lender's obligation to fund its respective Commitment Percentage of a Swingline Loan shall be affected by any other Lender's failure to fund its Commitment Percentage of a Swingline Loan, nor shall any Lender's Commitment Percentage be increased as a result of any such failure of any other Lender to fund its Commitment Percentage of a Swingline Loan.

(ii) The Borrower shall pay to the Swingline Lender on demand the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to refund in full the outstanding Swingline Loans requested or required to be refunded. In addition, the Borrower hereby authorizes the Administrative Agent to charge any account maintained by the Borrower with the Swingline Lender (up to the amount available therein) in order to immediately pay the Swingline Lender the amount of such Swingline Loans to the extent amounts received from the Lenders are not sufficient to repay in full the outstanding Swingline Loans requested or required to be refunded. If any portion of any such amount paid to the Swingline Lender shall be recovered by or on behalf of the Borrower from the Swingline Lender in bankruptcy or otherwise, the loss of the amount so recovered shall be ratably shared among all the Lenders in accordance with their respective Commitment Percentages (unless the amounts so recovered by or on behalf of the Borrower pertain to a Swingline Loan extended after the occurrence and during the continuance of an Event of Default of which the Administrative Agent has received notice in the manner required pursuant to Section 12.5 and which such Event of Default has not been waived by the Required Lenders or the Lenders, as applicable).

(iii) Each Lender acknowledges and agrees that its obligation to refund Swingline Loans in accordance with the terms of this Section 2.3 is absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Article V. Further, each Lender agrees and acknowledges that if prior to the refunding of any outstanding Swingline Loans pursuant to this Section 2.3, one of the events described in Section 11.1(i) or (j) shall have occurred, each Lender will, on the date the applicable Revolving Credit Loans would have been made, purchase an undivided participating interest in such Swingline Loans to be refunded in an amount equal to its Commitment Percentage of the aggregate amount of such Swingline Loans. Each Lender will immediately transfer to the Swingline Lender, in immediately available funds, the amount of its participation and upon receipt thereof the Swingline Lender will deliver to such Lender a certificate evidencing such participation dated the date of receipt of such funds and for such amount. Whenever, at any time after the Swingline Lender has received from any Lender such Lender's participating interest in a Swingline Loan, the Swingline Lender receives any payment on account thereof, the Swingline Lender will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded).

(iv) In the event that any Lender fails to make payment to the Swingline Lender of any amount due under this Section 2.3, the Administrative Agent, on behalf of the Swingline Lender, shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Swingline Lender receives such payment from such Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Lender fails to make payment to the Swingline

Lender of any amount due under this Section 2.3, such Lender shall be deemed, at the option of the Administrative Agent, to have unconditionally and irrevocably purchased from the Swingline Lender, without recourse or warranty, an undivided interest and participation in the applicable Swingline Loan, and such interest and participation may be recovered from such Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand and ending on the date such amount is received.

SECTION 2.4 Procedure for Advances of Revolving Credit Loans, Alternative Currency Loans and Swingline Loans.

(a) Requests for Borrowing.

(i) Revolving Credit Loans and Alternative Currency Loans. The Borrower shall give the Administrative Agent irrevocable prior written notice substantially in the form attached hereto as Exhibit B (a "Notice of Borrowing") not later than 12:00 p.m. (Charlotte time) (A) on the same Business Day as each Base Rate Loan requested under this Section 2.4(a), (B) at least three (3) Business Days before each LIBOR Rate Loan denominated in Dollars and (C) at least four (4) Business Days before each LIBOR Rate Loan denominated in an Alternative Currency, of its intention to borrow, specifying:

(1) the date of such borrowing, which shall be a Business Day;

(2) if such Loan is to be a Revolving Credit Loan or an Alternative Currency Loan;

(3) if such Loan is to be a Revolving Credit Loan, whether such Revolving Credit Loan shall be a LIBOR Rate Loan or a Base Rate Loan;

(4) the amount of such borrowing, which shall be in an amount equal to the amount of the Aggregate Commitment or the Alternative Currency Commitment, as applicable, then available to the Borrower, or if less, (A) with respect to Base Rate Loans (other than Swingline Loans), in an aggregate principal amount of \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof, (B) with respect to LIBOR Rate Loans denominated in Dollars, in an aggregate principal amount of \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof and (C) with respect to LIBOR Rate Loans denominated in an Alternative Currency, in an aggregate principal Alternative Currency Amount of \$2,000,000 or a whole multiple of \$1,000,000 in excess thereof; and

(5) if such Loan is to be a LIBOR Rate Loan, the duration of the Interest Period applicable thereto.

A Notice of Borrowing received after 12:00 p.m. (Charlotte time) shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Borrowing.

(ii) Swingline Loans. Swingline Loans shall be requested in the manner set forth in Section 2.3.

(b) Disbursements.

(i) Revolving Credit Loans. Not later than 2:00 p.m. (Charlotte time) on the proposed borrowing date for any Revolving Credit Loan, each Lender will make available to the Administrative Agent, for the account of the Borrower, at the Administrative Agent's Office in Dollars in funds immediately available to the Administrative Agent, such Lender's Commitment Percentage of the Revolving Credit Loan to be made on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section 2.4 in immediately available funds by crediting or wiring such proceeds to the deposit account of the Borrower identified in the most recent notice substantially in the form of Exhibit C hereto (a "Notice of Account Designation") delivered by the Borrower to the Administrative Agent or as may be otherwise requested by the Borrower from time to time (subject to the reasonable consent of the Administrative Agent). Subject to Section 4.7 hereof, the Administrative Agent shall not be obligated to disburse the portion of the proceeds of any Revolving Credit Loan requested pursuant to this Section 2.4 to the extent that any Lender has not made available to the Administrative Agent its Commitment Percentage of such Revolving Credit Loan. Revolving Credit Loans to be made for the purpose of refunding Swingline Loans shall be made by the Lenders as provided in Section 2.3(d). Revolving Credit Loans to be made for the purpose of refunding Alternative Currency Loans shall be made by the Lenders as provided in Section

2.2(b).

(ii) Alternative Currency Loans. Not later than 11:00 a.m. (the time of the Administrative Agent's Correspondent's office) on or before the proposed borrowing date for any Alternative Currency Loan, the Alternative Currency Lender will make available to the Administrative Agent, for the account of the Borrower, at the office of the Administrative Agent's Correspondent in the requested Alternative Currency in funds immediately available to the Administrative Agent, the Alternative Currency Loan to be made on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section 2.4 in immediately available funds by crediting or wiring such proceeds to the deposit account of the Borrower identified in the most recent Notice of Account Designation delivered by the Borrower to the Administrative Agent or as may be otherwise requested by the Borrower from time to time (subject to the reasonable consent of the Administrative Agent). Subject to Section 4.7, the Administrative Agent shall not be obligated to disburse the portion of the proceeds of any Loan requested pursuant to this Section 2.4 to the extent that the Alternative Currency Lender has not made available to the Administrative Agent such Alternative Currency Loan.

(iii) Swingline Loans. Swingline Loans shall be disbursed in the manner set forth in Section 2.3.

SECTION 2.5 Repayment of Loans.

(a) Repayment on the Revolving Credit Termination Date. The Borrower hereby agrees to repay the outstanding principal amount of (i) all Revolving Credit Loans in full in Dollars on the Revolving Credit Termination Date, (ii) all Alternative Currency Loans in full in the Alternative Currency in which each Alternative Currency Loan was initially funded on the Revolving Credit Termination Date and (iii) all Swingline Loans in full in Dollars on the Swingline Termination Date (or, if earlier, in accordance with Section 2.3(d)), together, in each case, with all accrued but unpaid interest thereon.

(b) Mandatory Repayment of Revolving Credit Loans.

(i) Aggregate Commitment. If at any time (as determined by the Administrative Agent under Section 2.5(b)(v)), based upon the Dollar Amount of all outstanding Loans and L/C Obligations, (A) solely because of currency fluctuation, the outstanding principal amount of all Revolving Credit Loans exceeds one hundred and five percent (105%) of the Aggregate Commitment less the sum of all outstanding Swingline Loans, Alternative Currency Loans and L/C Obligations or (B) for any other reason, the outstanding principal amount of all Revolving Credit Loans exceeds the Aggregate Commitment less the sum of all outstanding Swingline Loans, Alternative Currency Loans and L/C Obligations, then, in each such case, the Borrower shall (I) first, if (and to the extent) necessary to eliminate such excess, immediately repay outstanding Swingline Loans (and/or reduce any pending request for such Loans on such day by the Dollar Amount of such excess), (II) second, if (and to the extent) necessary to eliminate such excess, immediately repay outstanding Revolving Credit Loans which are Base Rate Loans by the Dollar Amount of such excess (and/or reduce any pending request for such Loans on such day by the Dollar Amount of such excess), (III) third, if (and to the extent) necessary to eliminate such excess, immediately repay Revolving Credit Loans which are LIBOR Rate Loans and Alternative Currency Loans (and/or reduce any pending requests for a borrowing or continuation or conversion of such Loans submitted in respect of such Loans on such day by the Dollar Amount of such excess) and (IV) fourth, with respect to any Letters of Credit then outstanding, make a payment of cash collateral into a cash collateral account opened by the Administrative Agent for the benefit of the Lenders in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit (such cash collateral to be applied in accordance with Section 11.2(b)).

(ii) Alternative Currency Commitment. If at any time (as determined by the Administrative Agent under Section 2.5(b)(v)), based upon the Dollar Amount of all outstanding Loans and L/C Obligations, (A) solely because of currency fluctuation, the outstanding principal amount of all Alternative Currency Loans exceeds the lesser of (1) one hundred and five percent (105%) of the Aggregate Commitment less the sum of all outstanding Swingline Loans, Revolving Credit Loans and L/C Obligations and (2) one hundred and five percent (105%) of the Alternative Currency Commitment or (B) for any other reason, the outstanding principal amount of all Alternative Currency Loans exceeds the lesser of (1) the Aggregate Commitment less the sum of all outstanding Swingline Loans, Revolving Credit Loans and L/C Obligations and (2) the Alternative Currency Commitment,

then, in each such case, such excess shall be immediately repaid, in the currency in which such Alternative Currency Loan or Alternative Currency Loans were initially funded, by the Borrower to the Administrative Agent for the account of the Alternative Currency Lender.

(iii) Swingline Commitment. If at any time (as determined by the Administrative Agent under Section 2.5(b)(v)), based upon the Dollar Amount of all outstanding Loans and L/C Obligations, and for any reason the outstanding principal amount of all Swingline Loans exceeds the lesser of (1) the Aggregate Commitment less the sum of all outstanding Revolving Credit Loans, Alternative Currency Loans and L/C Obligations and (2) the Swingline Commitment, then, in each such case, such excess shall be immediately repaid by the Borrower to the Administrative Agent for the account of the Swingline Lender.

(iv) Excess L/C Obligations. If at any time (as determined by the Administrative Agent under Section 2.5(b)(v)) and for any reason, based upon the Dollar Amount of all outstanding Loans and L/C Obligations, the outstanding amount of all L/C Obligations exceeds the lesser of (A) the Aggregate Commitment less the sum of the amount of all outstanding Swingline Loans, Revolving Credit Loans and Alternative Currency Loans and (B) the L/C Commitment, then, in each such case, the Borrower shall make a payment of cash collateral into a cash collateral account opened by the Administrative Agent for the benefit of the Lenders in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit (such cash collateral to be applied in accordance with Section 11.2(b)).

(v) Compliance and Payments. The Borrower's compliance with this Section 2.5(b) shall be tested from time to time by the Administrative Agent at its sole discretion, but in any event shall be tested on (A) the date on which the Borrower requests the Lenders to make a Revolving Credit Loan or the Alternative Currency Lender to make an Alternative Currency Loan or the Issuing Lender to issue a Letter of Credit and (B) the date an interest payment is due under Section 4.1(e). Each such repayment pursuant to this Section 2.5(b) shall be accompanied by any amount required to be paid pursuant to Section 4.11 hereof.

(c) Optional Repayments. The Borrower may at any time and from time to time repay the Loans, in whole or in part, upon at least four (4) Business Days' irrevocable notice to the Administrative Agent with respect to Alternative Currency Loans, upon at least three (3) Business Days' irrevocable notice to the Administrative Agent with respect to LIBOR Rate Loans denominated in Dollars and upon receipt of Borrower's irrevocable notice with respect to Base Rate Loans and Swingline Loans (if received prior to 11:00 a.m. (Charlotte time), otherwise, upon at least one (1) Business Days' irrevocable notice to the Administrative Agent), substantially in the form attached hereto as Exhibit D, specifying (i) the date of repayment, (ii) the amount of repayment, (iii) whether the repayment is of Revolving Credit Loans, Alternative Currency Loans, Swingline Loans, or a combination thereof, and, if of a combination thereof, the amount allocable to each and (iv) whether the repayment is of LIBOR Rate Loans denominated in an Alternative Currency, LIBOR Rate Loans denominated in Dollars, Base Rate Loans, or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of such notice, the Administrative Agent shall promptly notify each Lender. If any such notice is given, the amount specified in such notice shall be due and payable on the date set forth in such notice. Partial repayments shall be in an aggregate amount (i) of \$2,000,000 or a whole multiple of \$500,000 in excess thereof with respect to Base Rate Loans (other than Swingline Loans), (ii) of \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof with respect to LIBOR Rate Loans denominated in Dollars, (iii) of \$2,000,000 or a whole multiple of \$1,000,000 in excess thereof (based upon the Alternative Currency Amount thereof) with respect to Alternative Currency Loans and (iv) permitted pursuant to the terms and conditions of the Sweep Plus Service Program (or as otherwise agreed to by the Swingline Lender and the Borrower). Each such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.11 hereof.

(d) Limitation on Repayment of LIBOR Rate Loans. The Borrower may not repay any LIBOR Rate Loan on any day other than on the last day of the Interest Period applicable thereto unless such repayment is accompanied by any amount required to be paid pursuant to Section 4.11 hereof.

(e) Hedging Agreements. No repayment or prepayment pursuant to this Section 2.5 shall affect any of the Borrower's obligations under any Hedging Agreement.

(f) Payment of Interest and Other Expenses. Each repayment or prepayment pursuant to this Section 2.5 shall be accompanied by accrued interest on the

amount repaid.

SECTION 2.6 Notes.

(a) Revolving Credit Notes. Except as otherwise provided in Section 13.10(a) - (e), each Lender's Revolving Credit Loans and the obligation of the Borrower to repay such Revolving Credit Loans shall be evidenced by a separate Revolving Credit Note executed by the Borrower payable to the order of such Lender.

(b) Alternative Currency Note. The Alternative Currency Loans and the obligation of the Borrower to repay such Alternative Currency Loans shall be evidenced by a separate Alternative Currency Note executed by the Borrower payable to the order of the Alternative Currency Lender.

(c) Swingline Note. The Swingline Loans and the obligation of the Borrower to repay such Swingline Loans shall be evidenced by a separate Swingline Note executed by the Borrower payable to the order of the Swingline Lender.

SECTION 2.7 Permanent Reduction of the Aggregate Commitment and the Alternative Currency Commitment.

(a) Voluntary Reduction. The Borrower shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice to the Administrative Agent, to permanently reduce, without premium or penalty, (i) the entire Aggregate Commitment at any time or (ii) portions of the Aggregate Commitment, from time to time, in an aggregate principal amount not less than \$2,000,000 or any whole multiple of \$500,000 in excess thereof; provided that in no event shall the Aggregate Commitment be reduced to an amount less than the face amount of all Letters of Credit then outstanding.

(b) Corresponding Reductions. Each partial permanent reduction permitted pursuant to this Section 2.7 shall (i) permanently reduce the Lenders' Commitments pro rata in accordance with their respective Commitment Percentages and (ii) permanently reduce the Alternative Currency Commitment pro rata in accordance with the relative amount of the Alternative Currency Commitment and the Aggregate Commitment.

(c) Corresponding Payments. Each permanent reduction permitted pursuant to this Section 2.7 shall be accompanied by a payment of principal sufficient to reduce (i) the aggregate Dollar Amount of all outstanding Revolving Credit Loans, Alternative Currency Loans, Swingline Loans and L/C Obligations, as applicable, after such reduction to the Aggregate Commitment as so reduced and (ii) to the extent that the Alternative Currency Commitment is reduced, the aggregate Dollar Amount of all outstanding Alternative Currency Loans to the Alternate Currency Commitment as so reduced. If the Aggregate Commitment as so reduced is less than the aggregate amount of all outstanding Letters of Credit, the Borrower shall be required to deposit cash collateral in a cash collateral account opened by the Administrative Agent in an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Such cash collateral shall be applied in accordance with Section 11.2(b). Any reduction of the Aggregate Commitment to zero shall be accompanied by payment of all outstanding Revolving Credit Loans, Alternative Currency Loans and Swingline Loans (and furnishing of cash collateral satisfactory to the Administrative Agent for all L/C Obligations) and shall result in the termination of the Commitments and Credit Facility. Such cash collateral shall be applied in accordance with Section 11.2(b). If the reduction of the Aggregate Commitment or the Alternative Currency Commitment, as applicable requires the repayment of any LIBOR Rate Loan, such repayment shall be accompanied by any amount required to be paid pursuant to Section 4.11 hereof.

SECTION 2.8 Termination of Credit Facility. The Credit Facility shall terminate on the earliest of (a) January 15, 2009, (b) the date of termination by the Borrower pursuant to Section 2.7 or (c) the date of termination by the Administrative Agent on behalf of the Lenders pursuant to Section 11.2(a).

ARTICLE III

LETTER OF CREDIT FACILITY

SECTION 3.1 L/C Commitment. Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Lenders set forth in Section 3.4(a), agrees to issue standby letters of credit ("Letters of Credit") for the account of the Borrower on any Business Day from the Closing Date

through but not including the Revolving Credit Termination Date in such form as may be approved from time to time by the Issuing Lender; provided, that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, based upon the Dollar Amount of all outstanding Loans and L/C Obligations, (a) the L/C Obligations would exceed the lesser of (i) the L/C Commitment or (ii) the Aggregate Commitment less the aggregate principal amount of all outstanding Swingline Loans, Revolving Credit Loans and Alternative Currency Loans or (b) the Available Commitment of any Lender would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars in a minimum amount of \$100,000, (ii) be a standby letter of credit issued to support obligations of the Borrower or any of its Subsidiaries, contingent or otherwise, incurred in the ordinary course of business, (iii) expire on a date satisfactory to the Issuing Lender, which date shall be no later than ninety (90) days prior to the Revolving Credit Termination Date and (iv) be subject to the Uniform Customs and/or ISP 98, as set forth in the Application or as determined by the Issuing Lender, and, to the extent not inconsistent therewith, the laws of the State of North Carolina. The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any Applicable Law. References herein to "issue" and derivations thereof with respect to Letters of Credit shall also include extensions or modifications of any existing Letters of Credit, unless the context otherwise requires.

SECTION 3.2 Procedure for Issuance of Letters of Credit. The Borrower, may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at the Administrative Agent's Office an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Upon receipt of any Application, the Issuing Lender shall process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall, subject to Section 3.1 and Article V hereof, promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than four (4) Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed by the Issuing Lender and the Borrower; provided that the Issuing Lender shall not issue a Letter of Credit from and after the date which is one (1) day after it has received written notice from the Administrative Agent (upon the request of the Required Lenders) that one or more of the applicable conditions to Extensions of Credit specified in Section 5.3 is not then satisfied until such conditions are satisfied or waived in accordance with the provisions of this Agreement (and the Issuing Lender shall be entitled to conclusively rely on any such notice and shall have no obligation to independently investigate the accuracy of such notice and shall have no liability to the Borrower in respect thereof if such notice proves to be inaccurate). The Issuing Lender shall promptly furnish to the Borrower a copy of such Letter of Credit and promptly notify each Lender of the issuance and upon request by any Lender, furnish to such Lender a copy of such Letter of Credit and the amount of such Lender's participation therein.

SECTION 3.3 Commissions and Other Charges.

(a) The Borrower shall pay to the Administrative Agent, for the account of the Issuing Lender and the L/C Participants, a letter of credit commission with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by the Applicable Margin with respect to LIBOR Rate Loans (determined on a per annum basis). Such commission shall be payable quarterly in arrears on the last Business Day of each calendar quarter and on the Revolving Credit Termination Date. The Administrative Agent shall, promptly following its receipt thereof, distribute to the Issuing Lender and the L/C Participants all commissions received pursuant to this Section 3.3(a) in accordance with their respective Commitment Percentages.

(b) In addition to the foregoing commission, the Borrower shall pay the Issuing Lender an issuance fee with respect to each Letter of Credit in an amount equal to the face amount of such Letter of Credit multiplied by one-eighth of one percent (0.125%) per annum. Such issuance fee shall be payable quarterly in arrears on the last Business Day of each calendar quarter and on the Revolving Credit Termination Date.

(c) In addition to the foregoing fees and commissions, the Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and

expenses as are incurred or charged by the Issuing Lender in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

SECTION 3.4 L/C Participations.

(a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions hereinafter stated, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Commitment Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower through a Revolving Credit Loan or otherwise in accordance with the terms of this Agreement, such L/C Participant shall pay to the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's Commitment Percentage of the amount of such draft, or any part thereof, which is not so reimbursed.

(b) Upon becoming aware of any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit, the Issuing Lender shall notify each L/C Participant of the amount and due date of such required payment and such L/C Participant shall pay to the Issuing Lender the amount specified on the applicable due date. If any such amount is paid to the Issuing Lender after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand, in addition to such amount, the product of (i) such amount, times (ii) the daily average Federal Funds Rate as determined by the Administrative Agent during the period from and including the date such payment is due to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. A certificate of the Issuing Lender with respect to any amounts owing under this Section 3.4(b) shall be conclusive in the absence of manifest error. With respect to payment to the Issuing Lender of the unreimbursed amounts described in this Section 3.4(b), if the L/C Participants receive notice that any such payment is due (A) prior to 1:00 p.m. (Charlotte time) on any Business Day, such payment shall be due that Business Day, and (B) after 1:00 p.m. (Charlotte time) on any Business Day, such payment shall be due on the following Business Day.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its Commitment Percentage of such payment in accordance with this Section 3.4, the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

SECTION 3.5 Reimbursement Obligation of the Borrower. In the event of any drawing under any Letter of Credit, the Borrower agrees to reimburse (either with the proceeds of a Revolving Credit Loan as provided for in this Section 3.5 or with funds from other sources), in the same day funds, the Issuing Lender on each date on which the Issuing Lender notifies the Borrower of the date and amount of a draft paid under any Letter of Credit for the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment. Unless the Borrower shall immediately notify the Issuing Lender that the Borrower intends to reimburse the Issuing Lender for such drawing from other sources or funds, the Borrower shall be deemed to have timely given a Notice of Borrowing to the Administrative Agent requesting that the Lenders make a Revolving Credit Loan bearing interest at the Base Rate on such date in the amount of (a) such draft so paid and (b) any amounts referred to in Section 3.3(c) incurred by the Issuing Lender in connection with such payment, and the Lenders shall make a Revolving Credit Loan bearing interest at the Base Rate in such amount, the proceeds of which shall be applied to reimburse the Issuing Lender for the amount of the related drawing and costs and expenses. Each Lender acknowledges and agrees that its obligation to fund a Revolving Credit Loan in accordance with this Section 3.5 to reimburse the Issuing Lender for any draft paid under a Letter of Credit is absolute and

unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, non-satisfaction of the conditions set forth in Section 2.4(a) or Article V. If the Borrower has elected to pay the amount of such drawing with funds from other sources and shall fail to reimburse the Issuing Lender as provided above, the unreimbursed amount of such drawing shall bear interest at the rate which would be payable on any outstanding Base Rate Loans which were then overdue from the date such amounts become payable (whether at stated maturity, by acceleration or otherwise) until payment in full.

SECTION 3.6 Obligations Absolute. The Borrower's obligations under this Article III (including without limitation the Reimbursement Obligation) shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Issuing Lender or any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees that the Issuing Lender and the L/C Participants shall not be responsible for, and the Borrower's Reimbursement Obligation under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions caused by the Issuing Lender's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender or any L/C Participant to the Borrower. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are in conformity with such Letter of Credit.

SECTION 3.7 Effect of Application. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Article III, the provisions of this Article III shall apply.

ARTICLE IV

GENERAL LOAN PROVISIONS

SECTION 4.1 Interest.

(a) Interest Rate Options. Subject to the provisions of this Section 4.1, at the election of the Borrower, (i) Revolving Credit Loans shall bear interest at (A) the Base Rate plus the Applicable Margin as set forth in Section 4.1(c) or (B) the LIBOR Rate plus the Applicable Margin as set forth in Section 4.1(c), (ii) Alternative Currency Loans shall bear interest at the LIBOR Rate plus the Applicable Margin as set forth in Section 4.1(c) and (iii) Swingline Loans shall bear interest at the Base Rate plus the Applicable Margin as set forth in Section 4.1(c); provided that the LIBOR Rate shall not be available until three (3) Business Days after the Closing Date. The Borrower shall select the rate of interest and Interest Period, if any, applicable to any Loan at the time a Notice of Borrowing is given pursuant to Section 2.4 or 3.5 or at the time a Notice of Conversion/Continuation is given pursuant to Section 4.2. Each Loan or portion thereof bearing interest based on the Base Rate (including, without limitation, each Swingline Loan) shall be a "Base Rate Loan" and each Loan or portion thereof bearing interest based on the LIBOR Rate shall be a "LIBOR Rate Loan." Any Revolving Credit Loan or any portion thereof as to which the Borrower has not duly specified an interest rate as provided herein shall be deemed a Base Rate Loan denominated in Dollars. Any Alternative Currency Loan or any portion thereof as to which the Borrower has not duly specified an interest rate as provided herein shall be deemed a LIBOR Rate Loan with an Interest Period of one (1) month and shall be made four (4) Business Days after receipt of such notice

(b) Interest Periods. In connection with each LIBOR Rate Loan, the Borrower, by giving notice at the times described in Section 4.1(a), shall elect an interest period (each, an "Interest Period") to be applicable to such Loan, which Interest Period shall be a period of one (1), two (2), three (3), or six

(6) months (or, if available to all of the Lenders, nine (9) months or twelve (12) months) with respect to each LIBOR Rate Loan; provided that:

(i) the Interest Period shall commence on the date of advance of or conversion to any LIBOR Rate Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; provided, that if any Interest Period with respect to a LIBOR Rate Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(iii) any Interest Period with respect to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period;

(iv) no Interest Period shall extend beyond the Revolving Credit Termination Date; and

(v) there shall be no more than six (6) Interest Periods in effect at any time.

(c) Applicable Margin. The Applicable Margin provided for in Section 4.1(a) with respect to any Loan (the "Applicable Margin") shall be based upon the table set forth below and shall be determined and adjusted quarterly on the date (each a "Calculation Date") ten (10) Business Days after the date by which the Borrower provides an Officer's Compliance Certificate for the most recently ended fiscal quarter of the Borrower; provided, however, that (a) the initial Applicable Margin shall be based on Pricing Level IV (as shown below) and shall remain at Pricing Level IV until the first Calculation Date occurring after the Closing Date and, thereafter the Pricing Level shall be determined by reference to the Leverage Ratio (as calculated pursuant to the formula set forth in Section 9.1) as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, and (b) if the Borrower fails to provide the Officer's Compliance Certificate as required by Section 7.2 for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from such Calculation Date shall be based on Pricing Level I (as shown below) until such time as an appropriate Officer's Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The Applicable Margin shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Extensions of Credit then existing or subsequently made or issued.

Pricing Level	Leverage Ratio	LIBOR Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than 2.00 to 1.00	1.85%	1.00%
II	Greater than 1.50 to 1.00 but less than or equal to 2.00 to 1.00	1.60%	0.75%
III	Greater than 1.00 to 1.00 but less than or equal to 1.50 to 1.00	1.35%	0.50%
IV	Less than or equal to 1.00 to 1.00	1.10%	0.25%

(d) Default Rate. Subject to Section 11.3, at the discretion of the Administrative Agent or as directed by the Required Lenders, upon the occurrence and during the continuance of any Event of Default, (i) the Borrower shall no longer have the option to request LIBOR Rate Loans (including, without limitation, Alternative Currency Loans) or Swingline Loans, (ii) all outstanding LIBOR Rate Loans shall bear interest at a rate per annum two percent (2%) in

excess of the rate then applicable to LIBOR Rate Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans, and (iii) all outstanding Base Rate Loans and other Obligations arising hereunder or under any other Loan Document shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans or such other Obligations arising hereunder or under any other Loan Document; provided that clauses (i), (ii) and (iii) shall apply immediately upon the occurrence and during the continuance of any Event of Default under Sections 11.1(a), 11.1(b), 11.1(i) and 11.1(j). Interest shall continue to accrue on the Notes after the filing by or against the Borrower of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(e) Interest Payment and Computation. Interest on each Base Rate Loan shall be payable in arrears on the last Business Day of each calendar quarter commencing December 31, 2005; and interest on each LIBOR Rate Loan shall be payable on the last day of each Interest Period applicable thereto, and if such Interest Period extends over three (3) months, at the end of each three (3) month interval during such Interest Period. Interest on LIBOR Rate Loans and all fees payable hereunder shall be computed on the basis of a 360-day year and assessed for the actual number of days elapsed (except, to the extent that Pounds Sterling is agreed upon as an Alternative Currency pursuant to the definition thereof, for Alternative Currency Loans denominated in Pounds Sterling which shall be computed on the basis of a 365/66-day year) and interest on Base Rate Loans shall be computed on the basis of a 365/66-day year and assessed for the actual number of days elapsed.

(f) Maximum Rate. In no contingency or event whatsoever shall the aggregate of all amounts deemed interest hereunder or under any of the Notes charged or collected pursuant to the terms of this Agreement or pursuant to any of the Notes exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lenders shall at the Administrative Agent's option (i) promptly refund to the Borrower any interest received by the Lenders in excess of the maximum lawful rate or (ii) apply such excess to the principal balance of the Obligations on a pro rata basis. It is the intent hereof that the Borrower not pay or contract to pay, and that neither the Administrative Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrower under Applicable Law.

(g) Basis of Accrual. Subject to Section 1.3 hereof, if the basis of accrual of interest or fees expressed in this Agreement with respect to the currency of any state that becomes a Participating Member State, in the judgment of the Administrative Agent, shall not be available because interest rate quotes for the applicable national currency unit are no longer provided, or shall be inconsistent with any convention or practice in the London Interbank Market for the basis of accrual of interest or fees in respect of the euro, such convention or practice shall replace such expressed basis effective as of and from the date on which such state becomes a Participating Member State; provided that if any Loan in the currency of such state is outstanding immediately prior to such date, such replacement shall take effect, with respect to such Loan, at the end of the then current Interest Period.

SECTION 4.2 Notice and Manner of Conversion or Continuation of Loans. Provided that no Default or Event of Default has occurred and is then continuing, the Borrower shall have the option to (a) convert at any time following the third Business Day after the Closing Date all or any portion of any outstanding Base Rate Loans (other than Swingline Loans) in a principal amount equal to \$3,000,000 or any whole multiple of \$1,000,000 in excess thereof into one or more LIBOR Rate Loans denominated in Dollars, (b) upon the expiration of any Interest Period, convert all or any part of its outstanding LIBOR Rate Loans denominated in Dollars in a principal amount equal to \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof into Base Rate Loans (other than Swingline Loans), (c) upon the expiration of any Interest Period, continue any LIBOR Rate Loan denominated in Dollars in a principal amount of \$3,000,000 or any whole multiple of \$1,000,000 in excess thereof as a LIBOR Rate Loan denominated in Dollars or (d) upon the expiration of any Interest Period, continue any LIBOR Rate Loan denominated in any Alternative Currency in a principal amount of \$2,000,000 or any whole multiple of \$1,000,000 in excess thereof (based on the Alternative Currency Amount thereof) as a LIBOR

Rate Loan in the same Alternative Currency. Whenever the Borrower desires to convert or continue Loans as provided above, the Borrower shall give the Administrative Agent irrevocable prior written notice in the form attached as Exhibit E (a "Notice of Conversion/Continuation") not later than 12:00 p.m. (Charlotte time) four (4) Business Days (with respect to any Alternative Currency Loan) and three (3) Business Days (with respect to any Loan denominated in Dollars) before the day on which a proposed conversion or continuation of such Loan is to be effective specifying (A) the Loans to be converted or continued, and, in the case of any LIBOR Rate Loan to be converted or continued, the last day of the Interest Period therefor, (B) the Permitted Currency in which such Loan is denominated, (C) the effective date of such conversion or continuation (which shall be a Business Day), (D) the principal amount of such Loans to be converted or continued, and (E) the Interest Period to be applicable to such converted or continued LIBOR Rate Loan. The Administrative Agent shall promptly notify the Lenders of such Notice of Conversion/Continuation.

SECTION 4.3 Fees.

(a) Commitment Fee. Commencing on the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Lenders, a non-refundable commitment fee at a rate per annum equal to the applicable rate based upon the table set forth below (the "Commitment Fee Rate") on the average daily unused portion of the Aggregate Commitment; provided that the amount of outstanding Swingline Loans and Alternative Currency Loans shall not be considered usage of the Revolving Credit Commitment for the purpose of calculating such commitment fee with regard to any Lender other than the Swingline Lender (as to outstanding Swingline Loans) and the Alternative Currency Lender (as to outstanding Alternative Currency Loans). The commitment fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement commencing December 31, 2005, and on the Revolving Credit Termination Date. Such commitment fee shall be distributed by the Administrative Agent to the Lenders pro rata in accordance with the Lenders' respective Commitment Percentages. The Commitment Fee Rate shall be determined and adjusted quarterly on each Calculation Date; provided, however, that (a) the initial Commitment Fee Rate shall be based on Pricing Level IV (as shown below) and shall remain at Pricing Level IV until the first Calculation Date occurring after the Closing Date and thereafter the Pricing Level shall be determined by reference to the Leverage Ratio (as calculated pursuant to the formula set forth in Section 9.1) as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, and (b) if the Borrower fails to provide the Officer's Compliance Certificate as required by Section 7.2 for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Commitment Fee Rate from such Calculation Date shall be based on Pricing Level I (as shown below) until such time as an appropriate Officer's Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. The Commitment Fee Rate shall be effective from one Calculation Date until the next Calculation Date.

Pricing Level	Leverage Ratio	Commitment Fee Rate
I	Greater than 2.00 to 1.00	0.35%
II	Greater than 1.50 to 1.00 but less than or equal to 2.00 to 1.00	0.30%
III	Greater than 1.00 to 1.00 but less than or equal to 1.50 to 1.00	0.25%
IV	Less than or equal to 1.00 to 1.00	0.20%

(b) Administrative Agent's and Other Fees. In order to compensate the Administrative Agent for structuring and syndicating the Extensions of Credit and for its obligations hereunder, the Borrower agrees to pay to the Administrative Agent, for its account, the fees set forth in the separate fee letter agreement executed by the Borrower and the Administrative Agent dated November 4, 2005.

SECTION 4.4 Manner of Payment.

(a) Loans and Letters of Credit Denominated in Dollars. Each payment by the Borrower on account of the principal of or interest on any Loan or Letter of Credit denominated in Dollars or of any fee, commission or other amounts (including the Reimbursement Obligation with respect to any Letter of Credit denominated in Dollars) payable to the Lenders under this Agreement or any Note (except as set forth in Section 4.4(b)) shall be made in Dollars not later than 1:00 p.m. (Charlotte time) on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's Office for the account of the Lenders (other than as set forth below) pro rata in accordance with their respective Commitment Percentages (except as specified below) in immediately available funds and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. (Charlotte time) on such day shall be deemed a payment on such date for the purposes of Section 11.1, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m. (Charlotte time) shall be deemed to have been made on the next succeeding Business Day for all purposes. With respect to each Letter of Credit denominated in Dollars, each payment to the Administrative Agent of the Issuing Lender's fees or L/C Participants' commissions shall be made in like manner, but for the account of the Issuing Lender or the L/C Participants, as the case may be.

(b) Alternative Currency Loans. Each payment by the Borrower on account of the principal of or interest on the Alternative Currency Loans shall be made in such Alternative Currency not later than 11:00 a.m. (the time of the Administrative Agent's Correspondent) on the date specified for payment under this Agreement to the Administrative Agent's account with the Administrative Agent's Correspondent for the account of the Alternative Currency Lender (other than as set forth below) in immediately available funds, and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 12:00 noon (the time of the Administrative Agent's Correspondent) on such day shall be deemed a payment on such date for the purposes of Section 11.1, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 12:00 noon (the time of the Administrative Agent's Correspondent) shall be deemed to have been made on the next succeeding Business Day for all purposes.

(c) Pro Rata Treatment. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender, at its address for notices set forth herein, its pro rata share of such payment in accordance with such Lender's Commitment Percentage (except as specified below) and shall wire advice of the amount of such credit to each Lender. Each payment to the Administrative Agent of the Issuing Lender's fees or L/C Participants' commissions shall be made in like manner, but for the account of the Issuing Lender or the L/C Participants, as the case may be. Each payment to the Administrative Agent of Administrative Agent's fees or expenses shall be made for the account of the Administrative Agent. Each payment to the Administrative Agent with respect to the Swingline Note (including, without limitation, the Swingline Lender's fees or expenses) shall be made for the account of the Swingline Lender. Each payment to the Administrative Agent with respect to the Alternative Currency Note shall be made for the account of the Alternative Currency Lender. Any amount payable to any Lender under Sections 4.10, 4.11, 4.12, 4.13 or 13.2 shall be paid to the Administrative Agent for the account of the applicable Lender. Subject to Section 4.1(b)(ii), if any payment under this Agreement or any Note shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day and such extension of time shall in such case be included in computing any interest if payable along with such payment.

SECTION 4.5 Crediting of Payments and Proceeds. In the event that the Borrower shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to Section 11.2, all payments received by the Lenders upon the Notes and the other Obligations and all net proceeds from the enforcement of the Obligations shall be applied: (a) first to all expenses then due and payable by the Borrower hereunder and under the other Loan Documents, (b) then to all indemnity obligations then due and payable by the Borrower hereunder and under the other Loan Documents, (c) then to all Administrative Agent's and Issuing Lender's fees then due and payable, (d) then to all commitment and other fees and commissions then due and payable, (e) then to accrued and unpaid interest on the Swingline Note to the Swingline Lender and the Alternative Currency Note to the Alternative Currency Lender (pro rata in accordance with all such amounts due), (f) then to the principal amount outstanding under the Swingline Note to the Swingline Lender and the Alternative

Currency Note to the Alternative Currency Lender (pro rata in accordance with all such amounts due), (g) then to accrued and unpaid interest on the Revolving Credit Notes, accrued and unpaid interest on the Reimbursement Obligation and any Hedging Obligations (including any termination payments and any accrued and unpaid interest thereon) (pro rata in accordance with all such amounts due), (h) then to the principal amount of the Revolving Credit Notes and Reimbursement Obligation (pro rata in accordance with all such amounts due) and (i) then to the cash collateral account described in Section 11.2(b) hereof to the extent of any L/C Obligations then outstanding, in that order.

SECTION 4.6 Adjustments. If any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or interest thereon, or if any Lender shall at any time receive any collateral in respect to the Obligations owing to it (whether voluntarily or involuntarily, by set-off or otherwise) (other than pursuant to Sections 4.8, 4.9, 4.10, 4.11, 4.12, 4.13 or 13.2 hereof) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of the similar Obligations owing to such other Lender, or interest thereon, such Benefited Lender shall purchase for cash from the other Lenders such portion of each such other Lender's Extensions of Credit, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned to the extent of such recovery, but without interest. The Borrower agrees that each Lender so purchasing a portion of another Lender's Extensions of Credit may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion.

SECTION 4.7 Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent. The obligations of the Lenders under this Agreement to make the Loans and issue or participate in Letters of Credit are several and are not joint or joint and several. Unless the Administrative Agent shall have received notice from a Lender prior to a proposed borrowing date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the amount to be borrowed on such date (which notice shall not release such Lender of its obligations hereunder), the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the proposed borrowing date in accordance with Section 2.4(b) and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such borrowing date, such Lender shall pay to the Administrative Agent on demand an amount, until paid, equal to (a) with respect to any Loan denominated in Dollars, the product of (i) the amount not made available by such Lender in accordance with the terms hereof, times (ii) the daily average Federal Funds Rate during such period as determined by the Administrative Agent, times (iii) a fraction the numerator of which is the number of days that elapse from and including such borrowing date to the date on which such amount not made available by such Lender in accordance with the terms hereof shall have become immediately available to the Administrative Agent and the denominator of which is 360 and (b) with respect to any Loan denominated in an Alternative Currency, the amount not made available by such Lender in accordance with the terms hereof and interest thereon at a rate per annum equal to the Administrative Agent's aggregate marginal cost (including the cost of maintaining any required reserves or deposit insurance and of any fees, penalties, overdraft charges or other costs or expenses incurred by the Administrative Agent as a result of the failure to deliver funds hereunder) of carrying such amount. A certificate of the Administrative Agent with respect to any amounts owing under this Section 4.7 shall be conclusive, absent manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three (3) Business Days after such borrowing date, the Administrative Agent shall be entitled to recover such amount made available by the Administrative Agent with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower. The failure of any Lender to make available its Commitment Percentage of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Commitment Percentage of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Commitment Percentage of such Loan available on the borrowing date. Notwithstanding anything set forth herein to the contrary, any Lender that fails to make available its Commitment Percentage of any Loan shall not (a) have any voting or

consent rights under or with respect to any Loan Document or (b) constitute a "Lender" (or be included in the calculation of Required Lenders hereunder) for any voting or consent rights under or with respect to any Loan Document.

SECTION 4.8. Redenomination of Alternative Currency Loans.

(a) Conversion to the Base Rate. If any Alternative Currency Loan is required to bear interest at the Base Rate rather than the LIBOR Rate pursuant to Section 4.1(d), Section 4.10 or any other applicable provision hereof, such Loan shall be funded in Dollars in an amount equal to the Dollar Amount of such Alternative Currency Loan, all subject to the provisions of Section 2.5(b). The Borrower shall reimburse the Alternative Currency Lender or the Lenders, as applicable, upon any such conversion for any amounts required to be paid under Section 4.11.

(b) Redenomination of Loans and Obligations. Subject to Section 1.3 hereof, (i) any Loan to be denominated in the currency of the applicable Participating Member State shall be made in the euro and (ii) any obligation of any party under this Agreement or any other Loan Document which has been denominated in the currency of a Participating Member State shall be redenominated into the euro.

(c) Further Assurances. The terms and provisions of this Agreement will be subject to such reasonable changes of construction as determined by the Administrative Agent to reflect the implementation of the EMU in any Participating Member State or any market conventions relating to the fixing and/or calculation of interest being changed or replaced and to reflect market practice at that time, and subject thereto, to put the Administrative Agent, the Lenders and the Borrower in the same position, so far as possible, that they would have been if such implementation had not occurred. In connection therewith, the Borrower agrees, at the request of the Administrative Agent, at the time of or at any time following the implementation of the EMU in any Participating Member State or any market conventions relating to the fixing and/or calculation of interest being changed or replaced, to enter into an agreement amending this Agreement in such manner as the Administrative Agent shall reasonably request.

SECTION 4.9. Regulatory Limitation. In the event, as a result of increases in the value of Alternative Currencies against the Dollar or for any other reason, the obligation of any of the Lenders to make Loans (taking into account the Dollar Amount of the Obligations and all other indebtedness required to be aggregated under 12 U.S.C.A. ss.84, as amended, the regulations promulgated thereunder and any other Applicable Law) is determined by such Lender to exceed its then applicable legal lending limit under 12 U.S.C.A. ss.84, as amended, and the regulations promulgated thereunder, or any other Applicable Law, the amount of additional Extensions of Credit such Lender shall be obligated to make or issue or participate in hereunder shall immediately be reduced to the maximum amount which such Lender may legally advance (as determined by such Lender), the obligation of each of the remaining Lenders hereunder shall be proportionately reduced, based on their applicable Commitment Percentages and, to the extent necessary under such laws and regulations (as determined by each of the Lenders, with respect to the applicability of such laws and regulations to itself), and the Borrower shall reduce, or cause to be reduced, complying to the extent practicable with the remaining provisions hereof, the Obligations outstanding hereunder by an amount sufficient to comply with such maximum amounts.

SECTION 4.10 Changed Circumstances.

(a) Circumstances Affecting LIBOR Rate and Alternative Currency Availability. If with respect to any Interest Period for any LIBOR Rate Loan, the Administrative Agent, the Alternative Currency Lender or any Lender (after consultation with the Administrative Agent) shall determine that (i) by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars or an Alternative Currency in the applicable amounts are not being quoted via Dow Jones Market Screen 3750 or the applicable Reuters Screen Page or offered to the Administrative Agent or such Lender for such Interest Period, (ii) a fundamental change has occurred in the foreign exchange or interbank markets with respect to any Alternative Currency (including, without limitation, changes in national or international financial, political or economic conditions or currency exchange rates or exchange controls) or (iii) it has become otherwise materially impractical for the Alternative Currency Lender to make such Alternative Currency Loans, then the Administrative Agent shall forthwith give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders or the Alternative Currency Lender, as

applicable, to make LIBOR Rate Loans or Alternative Currency Loans, as applicable, and the right of the Borrower to convert any Loan to or continue any Loan as a LIBOR Rate Loan or an Alternative Currency Loan, as applicable, shall be suspended, and the Borrower shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBOR Rate Loan or Alternative Currency Loan, as applicable, together with accrued interest thereon, on the last day of the then current Interest Period applicable to such LIBOR Rate Loan or Alternative Currency Loan, as applicable, or convert the then outstanding principal amount of each such LIBOR Rate Loan or Alternative Currency Loan, as applicable, to a Base Rate Loan in Dollars as of the last day of such Interest Period; provided that if the Borrower elects to make such conversion, the Borrower shall pay to the Administrative Agent, the Alternative Currency Lender and the Lenders any and all costs, fees and other expenses incurred by the Administrative Agent, the Alternative Currency Lender and the Lenders in effecting such conversion.

(b) Laws Affecting LIBOR Rate and Alternative Currency Availability. If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any LIBOR Rate Loan or any Alternative Currency Loan, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower, and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Lenders or the Alternative Currency Lender, as applicable, to make LIBOR Rate Loans or Alternative Currency Loans, as applicable, and the right of the Borrower to convert any Loan or continue any Loan as a LIBOR Rate Loan or an Alternative Currency Loan, as applicable, shall be suspended and thereafter the Borrower may select only Base Rate Loans hereunder, and (ii) if any of the Lenders or the Alternative Currency Lender, as applicable, may not lawfully continue to maintain a LIBOR Rate Loan or an Alternative Currency Loan, as applicable, to the end of the then current Interest Period applicable thereto as a LIBOR Rate Loan or Alternative Currency Loan, as applicable, the applicable LIBOR Rate Loan or an Alternative Currency Loan, as applicable, shall immediately be converted to a Base Rate Loan in Dollars for the remainder of such Interest Period; provided that if the Borrower elects to make such conversion, the Borrower shall pay to the Administrative Agent, the Alternative Currency Lender and the Lenders any and all costs, fees and other expenses incurred by the Administrative Agent, the Alternative Currency Lender and the Lenders in effecting such conversion, including any amounts required to be paid under Section 4.11.

(c) Increased Costs. If, after the date hereof, the introduction of, or any change in, any Applicable Law, or in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of such Governmental Authority, central bank or comparable agency:

(i) shall (except as provided in Section 4.13(e)) subject any of the Lenders (or any of their respective Lending Offices) to any tax, duty or other charge with respect to any Note, Letter of Credit or Application or shall change the basis of taxation of payments to any of the Lenders (or any of their respective Lending Offices) of the principal of or interest on any Note, Letter of Credit or Application or any other amounts due under this Agreement in respect thereof (except for changes in the rate of franchise tax or tax on the overall net income of any of the Lenders or any of their respective Lending Offices imposed by the jurisdiction in which such Lender is organized or is or should be qualified to do business or such Lending Office is located); provided that the Borrower shall not be obligated to pay any amounts pursuant to this Section 4.10(c)(i) to the extent that such amounts are duplicative of any amounts paid by the Borrower pursuant to Section 4.13; or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any reserve imposed by the Board of Governors of the Federal Reserve System), special deposit, insurance or capital or similar requirement against assets of, deposits with or for the account of, or credit extended by any of the Lenders (or any of their respective Lending Offices) or shall impose

on any of the Lenders (or any of their respective Lending Offices) or the foreign exchange and interbank markets any other condition affecting any Note;

and the result of any of the foregoing events described in clause (i) or (ii) above is to increase the costs to any of the Lenders of maintaining any LIBOR Rate Loan or an Alternative Currency Loan, as applicable, or issuing or participating in Letters of Credit or to reduce the yield or amount of any sum received or receivable by any of the Lenders under this Agreement or under the Notes in respect of a LIBOR Rate Loan or an Alternative Currency Loan, as applicable, or Letter of Credit or Application, then such Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify the Borrower of such fact and demand compensation therefor and, within fifteen (15) days after such notice by the Administrative Agent, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or Lenders for such increased cost or reduction. The Administrative Agent will promptly notify the Borrower of any event of which it has knowledge which will entitle such Lender to compensation pursuant to this Section 4.10(c); provided, that the Administrative Agent shall incur no liability whatsoever to the Lenders or the Borrower in the event it fails to do so. The amount of such compensation shall be determined, in the applicable Lender's reasonable discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans or Alternative Currency Loans, as applicable, in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

(d) Exchange Indemnification and Increased Costs. The Borrower shall, upon demand from the Administrative Agent, pay to the Administrative Agent or any applicable Lender, the amount of (i) any loss or cost or increased cost incurred by the Administrative Agent or any applicable Lender, (ii) any reduction in any amount payable to or in the effective return on the capital to the Administrative Agent or any applicable Lender, (iii) any interest or any other return, including principal, foregone by the Administrative Agent or any applicable Lender as a result of the introduction of, change over to or operation of the euro, or (iv) any currency exchange loss, that Administrative Agent or any Lender sustains as a result of any payment being made by the Borrower in a currency other than that originally extended to the Borrower. A certificate of the Administrative Agent setting forth the basis for determining such additional amount or amounts necessary to compensate the Administrative Agent or the applicable Lender shall be conclusively presumed to be correct save for manifest error.

SECTION 4.11 Indemnity. The Borrower hereby indemnifies each of the Lenders against any loss or expense (including, without limitation, any foreign exchange costs) which may arise or be attributable to each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain any Loan (a) as a consequence of any failure by the Borrower to make any payment when due of any amount due hereunder in connection with a LIBOR Rate Loan or an Alternative Currency Loan, (b) due to any failure of the Borrower to borrow, continue or convert on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation or (c) due to any payment, prepayment or conversion of any LIBOR Rate Loan or any Alternative Currency Loan on a date other than the last day of the Interest Period therefor. The amount of such loss or expense shall be determined, in the applicable Lender's reasonable discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

SECTION 4.12 Capital Requirements. If either (a) the introduction of, or any change in, or in the interpretation of, any Applicable Law or (b) compliance with any guideline or request from any central bank or comparable agency or other Governmental Authority (whether or not having the force of law), has or would have the effect of reducing the rate of return on the capital of, or has affected or would affect the amount of capital required to be maintained by, any Lender or any corporation controlling such Lender as a consequence of, or with reference to the Commitments and other commitments of this type, below the rate which such Lender or such other corporation could have achieved but for such introduction, change or compliance, then within five (5) Business Days after

written demand by any such Lender, the Borrower shall pay to such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender or other corporation for such reduction. A certificate as to such amounts submitted to the Borrower and the Administrative Agent by such Lender, shall, in the absence of manifest error, be presumed to be correct and binding for all purposes.

SECTION 4.13 Taxes.

(a) Payments Free and Clear. Except as otherwise provided in Section 4.13(e), any and all payments by the Borrower hereunder or under the Notes or the Letters of Credit shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholding, and all liabilities with respect thereto excluding, (i) in the case of each Lender and the Administrative Agent, income and franchise taxes imposed by the jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or is or should be qualified to do business or any political subdivision thereof and (ii) in the case of each Lender, income and franchise taxes imposed by the jurisdiction of such Lender's Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct or withhold any Taxes from or in respect of any sum payable hereunder or under any Note or in respect of any Letter of Credit to any Lender or the Administrative Agent, (A) except as otherwise provided in Section 4.13(e), the sum payable shall be increased as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional sums payable under this Section 4.13) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the amount such party would have received had no such deductions or withholdings been made, (B) the Borrower shall make such deductions or withholdings, (C) the Borrower shall pay the full amount deducted to the relevant taxing authority or other authority in accordance with Applicable Law, and (D) the Borrower shall deliver to the Administrative Agent and such Lender evidence of such payment to the relevant taxing authority or other Governmental Authority in the manner provided in Section 4.13(d).

(b) Stamp and Other Taxes. In addition, the Borrower shall pay any present or future stamp, registration, recordation or documentary taxes or any other similar fees or charges or excise or property taxes, levies of the United States or any state or political subdivision thereof or any applicable foreign jurisdiction which arise from any payment made hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Loans, the Letters of Credit, the other Loan Documents, or the perfection of any rights or security interest in respect thereof (hereinafter referred to as "Other Taxes").

(c) Indemnity. Except as otherwise provided in Section 4.13(e), the Borrower shall indemnify each Lender and the Administrative Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.13) paid by such Lender or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Such indemnification shall be made within thirty (30) days from the date such Lender or the Administrative Agent (as the case may be) makes written demand therefor. Within sixty (60) days of the written request of the Borrower, the Administrative Agent and each Lender shall execute and deliver such certificates, forms or other documents which can be reasonably furnished thereby consistent with the facts and which are reasonably necessary to assist the Borrower in applying for refunds of such Taxes or Other Taxes.

(d) Evidence of Payment. Within thirty (30) days after the date of any payment of Taxes or Other Taxes, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 13.1, the original or a certified copy of a receipt evidencing payment thereof or other evidence of payment satisfactory to the Administrative Agent.

(e) Delivery of Tax Forms. To the extent required by Applicable Law to reduce or eliminate withholding or payment of taxes, each Lender and the Administrative Agent shall deliver to the Borrower, with a copy to the Administrative Agent, on the Closing Date or concurrently with the delivery of the relevant Assignment and Acceptance, as applicable, (i) two United States Internal Revenue Service Forms W-9, Forms W-8ECI or Forms W-8BEN, as applicable (or successor forms) properly completed and certifying in each case that such

Lender is entitled to a complete exemption from withholding or deduction for or on account of any United States federal income taxes, and (ii) an Internal Revenue Service Form W-8BEN or W-8ECI or successor applicable form, as the case may be, to establish an exemption from United States backup withholding taxes. Each such Lender further agrees to deliver to the Borrower with a copy to the Administrative Agent, as applicable, two Form W-9, Form W-8BEN or W-8ECI, or successor applicable forms or manner of certification, as the case may be, on or before the date that any such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower certifying in the case of a Form W-9, Form W-8BEN or W-8ECI (or successor forms) that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes (unless in any such case an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders such forms inapplicable or the exemption to which such forms relate unavailable and such Lender notifies the Borrower and the Administrative Agent that it is not entitled to receive payments without deduction or withholding of United States federal income taxes) and, in the case of a Form W-9, Form W-8BEN or W-8ECI, establishing an exemption from United States backup withholding tax. Notwithstanding anything in any Loan Document to the contrary, the Borrower shall not be required to pay additional amounts to any Lender or the Administrative Agent under Section 4.13 or Section 4.10(c), (i) if such Lender or the Administrative Agent fails to comply with the requirements of this Section 4.13(e), other than to the extent that such failure is due to a change in law occurring after the date on which such Lender or the Administrative Agent became a party to this Agreement or (ii) that are the result of such Lender's or the Administrative Agent's gross negligence or willful misconduct, as applicable.

(f) Survival. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 4.13 shall survive the payment in full of the Obligations and the termination of the Commitments.

SECTION 4.14. Other Consequential Changes. Subject to Section 1.3 hereof, without prejudice and in addition to any method of conversion or rounding prescribed by any EMU Legislation and without prejudice to the respective obligations of the Borrower to the Administrative Agent and the Lenders and the Administrative Agent and the Lenders to the Borrower under or pursuant to this Agreement, except as expressly provided in this Agreement, each provision of this Agreement, including, without limitation, the right to combine currencies to effect a set-off, shall be subject to such reasonable changes of interpretation as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or change over to the euro in Participating Member States.

SECTION 4.15. Replacement of Lenders.

(a) If any Lender requests compensation pursuant to Section 4.10 or Section 4.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.13, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Extensions of Credit hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (A) would eliminate or reduce amounts payable pursuant to Section 4.10, Section 4.12 or Section 4.13, as the case may be, in the future and (B) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender.

(b) If any Lender requests compensation pursuant to Section 4.10 or Section 4.12, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 4.13, then the Borrower may, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 13.10), all of its interests, rights and obligations under this Agreement to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (A) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not unreasonably be withheld, (B) such Lender shall have received payment of an amount equal to the outstanding principal of its Extensions of Credit, accrued interest thereon, accrued fees, breakage costs and all other amounts payable to it hereunder, from the assignee (to the extent of such

outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (C) in the case of any such assignment resulting from a claim for compensation pursuant to Section 4.10 or Section 4.12, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

(c) To the extent that any Lender (a "Replaced Lender") is required to assign all of its interests, rights and obligations under this Agreement to an Eligible Assignee (a "Replacement Lender") pursuant to this Section 4.15, upon the execution of all applicable assignment documents and the satisfaction of all other conditions set forth herein, the Replacement Lender shall become a Lender hereunder and the Replaced Lender shall cease to be a Lender hereunder, except with respect to the indemnification provisions under this Agreement, which provisions shall survive as to such Replaced Lender.

SECTION 4.16. Security. The Obligations shall be secured as provided in the Security Documents.

ARTICLE V

CLOSING; CONDITIONS OF CLOSING AND BORROWING

SECTION 5.1 Closing. The closing shall take place at the offices of Womble Carlyle Sandridge & Rice, PLLC at 10:00 a.m. on December ____, 2005, or on such other date and time as the parties hereto shall mutually agree.

SECTION 5.2 Conditions to Closing and Initial Extensions of Credit. The obligation of the Lenders to close this Agreement and to make the initial Loan or issue or participate in the initial Letter of Credit, if any, is subject to the satisfaction of each of the following conditions:

(a) Executed Loan Documents. The following Loan Documents in form and substance satisfactory to the Administrative Agent and each Lender:

- (i) this Agreement,
- (ii) the Revolving Credit Notes,
- (iii) the Alternative Currency Note,
- (iv) the Swingline Note,
- (v) the Subsidiary Guaranty Agreement;
- (vi) the Collateral Agreement; and
- (vii) each other applicable Loan Document;

shall have been duly authorized, executed and delivered to the Administrative Agent by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist thereunder, and the Borrower shall have delivered original counterparts thereof to the Administrative Agent.

(b) Closing Certificates; etc.

(i) Officer's Certificate of the Borrower. The Administrative Agent shall have received a certificate from a Responsible Officer of the Borrower, in form and substance satisfactory to the Administrative Agent, to the effect that all representations and warranties of the Borrower and its Subsidiaries contained in this Agreement and the other Loan Documents are true, correct and complete; that the Borrower and its Subsidiaries are not in violation of any of the covenants contained in this Agreement and the other Loan Documents; that, after giving effect to the transactions contemplated by this Agreement, no Default or Event of Default has occurred and is continuing; and that the Borrower and its Subsidiaries have satisfied each of the closing conditions.

(ii) Certificate of Secretary of the Borrower and each Subsidiary Guarantor. The Administrative Agent shall have received a certificate of the secretary or assistant secretary of the Borrower and each Subsidiary Guarantor certifying as to the incumbency and genuineness of the signature of each officer of the Borrower or such Subsidiary Guarantor executing Loan Documents to which it is a party and certifying that attached thereto is a true, correct and complete copy of (A) the articles of incorporation of the Borrower or such

Subsidiary Guarantor and all amendments thereto, certified by the appropriate Governmental Authority in its jurisdiction of incorporation, (B) the bylaws of the Borrower or such Subsidiary Guarantor as in effect on the date of such certifications, (C) resolutions duly adopted by the Board of Directors of the Borrower and such Subsidiary Guarantor authorizing the borrowings contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (D) each certificate required to be delivered pursuant to Section 5.2(b)(iii).

(iii) Certificates of Good Standing. The Administrative Agent shall have received (A) certificates as of a recent date of the good standing of the Borrower and each Subsidiary Guarantor under the laws of its jurisdiction of organization and, to the extent requested by the Administrative Agent, each other jurisdiction where the Borrower and each Subsidiary Guarantor is qualified to do business and (B) a certificate of the relevant taxing authority of the jurisdiction of organization of the Borrower and each Subsidiary Guarantor certifying that such Person has filed required tax returns and owes no delinquent taxes.

(iv) Opinions of Counsel. The Administrative Agent shall have received favorable opinions of counsel to the Borrower and each Subsidiary Guarantor addressed to the Administrative Agent and the Lenders with respect to the Borrower, the Subsidiary Guarantors, the Loan Documents and such other matters as the Lenders shall request.

(v) Tax Forms. The Administrative Agent shall have received copies of the United States Internal Revenue Service forms required by Section 4.13(e) hereof.

(c) Security Interests.

(i) Pledged Collateral. To the extent that the Applicable Laws and practices of any relevant foreign jurisdiction provide for the issuance of stock certificates or other certificates, the Administrative Agent shall have received original stock certificates or other certificates (or the equivalent taking into account the Applicable Laws and practices of any relevant foreign jurisdiction) of each Material Foreign Subsidiary evidencing the capital stock or other ownership interests pledged pursuant to the Collateral Agreement, together with an undated stock power for each such certificate duly executed in blank by the registered owner thereof; provided that the Borrower may evidence compliance herewith by providing a perfected first priority security interest (or the equivalent thereof pursuant to the Applicable Laws and practices of any relevant foreign jurisdiction) in the relevant indicia of ownership of such Material Foreign Subsidiary; provided, further, that the Borrower or the applicable Domestic Subsidiary of the Borrower owning the capital stock or other ownership interests of such Material Foreign Subsidiary shall not be required to pledge more than that percentage of all issued and outstanding shares of all capital stock or other ownership interests of such Foreign Subsidiary the granting of a security interest in which shall not result in material adverse tax consequences to the Borrower or such applicable Domestic Subsidiary (it being acknowledged by the Borrower, the Lenders and the Administrative Agent that, as of the Closing Date, such percentage required to be pledged is sixty-five percent (65%)).

(ii) Foreign Security Interests and Filings. Notwithstanding anything in the Loan Documents to the contrary, (A) the Borrower shall not be required to deliver a foreign pledge agreement unless reasonably requested to do so by the Administrative Agent and (B) the Borrower shall not be required to deliver an opinion of counsel as to the perfection, validity and binding nature of the security interests created pursuant to such foreign pledge agreement unless reasonably requested to do so by the Administrative Agent.

(d) Consents; Defaults.

(ii) Governmental and Third Party Approvals. The Borrower shall have obtained all necessary material approvals, authorizations and consents of any Person and of all Governmental Authorities and courts having jurisdiction with respect to the transactions contemplated by this Agreement and the other Loan Documents.

(i) No Injunction, Etc. No action, suit, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of, this Agreement or the other Loan Documents or the consummation by the Borrower or any of its Subsidiaries of the transactions contemplated hereby or thereby, or which

would be reasonably likely to have a Material Adverse Effect.

(ii) No Event of Default. No Default or Event of Default shall have occurred and be continuing.

(e) Financial Matters.

(i) Financial Statements. The Administrative Agent shall have received the audited Consolidated financial statements of the Borrower and its Subsidiaries for each of the Borrower's Fiscal Years ending in 2004, 2003 and 2002, each as filed with the Securities and Exchange Commission and prepared in accordance with GAAP.

(ii) Financial Condition Certificate. The Borrower shall have delivered to the Administrative Agent a certificate, in form and substance satisfactory to the Administrative Agent, and certified as accurate by a Responsible Officer, that (A) the Borrower and each of its Subsidiaries are each Solvent as of the Closing Date, (B) attached thereto are calculations evidencing compliance with the covenants contained in Article IX hereof as of the most recent quarterly financial statements of the Borrower and its Subsidiaries, and (C) the financial projections previously delivered to the Administrative Agent represent the good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries as of the date thereof.

(iii) Payment at Closing; Fee Letters. The Borrower shall have paid to the Administrative Agent and the Lenders the fees set forth or referenced in Section 4.3 and any other accrued and unpaid fees or commissions due hereunder (including, without limitation, reasonable legal fees and expenses) and to any other Person such amount as may be due thereto in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Loan Documents.

(f) Miscellaneous.

(i) Notice of Borrowing. The Administrative Agent shall have received (A) a Notice of Borrowing, as applicable, from the Borrower in accordance with Section 2.4(a) and (B) a Notice of Account Designation from the Borrower in accordance with Section 2.4(b) specifying the account or accounts to which the proceeds of any Loans made after the Closing Date are to be disbursed.

(ii) Existing Facility. The Existing Facility shall be repaid in full and terminated.

(iii) Miscellaneous Matters. The Administrative Agent shall have received such information as it may have requested from the Borrower and its Subsidiaries relating to litigation, tax, accounting, labor, insurance, pension liabilities (actual or contingent), leases of real property, agreements evidencing Debt, ownership of assets by the Borrower or any of its Subsidiaries, environmental matters, contingent liabilities and management of the Borrower and its Subsidiaries (including, as applicable, copies of all documents, instruments and agreements relating to such subjects), and such information shall be in form and substance satisfactory to Administrative Agent.

(iv) Other Documents. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to the Administrative Agent. The Administrative Agent shall have received copies of all other documents, certificates and instruments reasonably requested thereby with respect to the transactions contemplated by this Agreement.

SECTION 5.3 Conditions to All Extensions of Credit. The obligations of the Lenders to make any Extensions of Credit (including the initial Extension of Credit), convert or continue any Loan and/or the Issuing Lender to issue or extend any Letter of Credit are subject to the satisfaction of the following conditions precedent on the relevant borrowing, conversion, continuation, issuance or extension date:

(a) Continuation of Representations and Warranties. The representations and warranties contained in Section 6.1(a), (c), (d), (e), (j), (m) and (n) shall be true and correct on and as of such borrowing, conversion, continuation, issuance or extension date with the same effect as if made on and as of such date, except for any representation and warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier

date.

(b) No Existing Default. No Default or Event of Default shall have occurred and be continuing (i) on the borrowing, conversion or continuation date with respect to such Loan or after giving effect to the Loans to be made, converted or continued on such date or (ii) on the issue date with respect to such Letter of Credit or after giving effect to the issuance or extension of such Letter of Credit on such date.

(c) Notices. The Administrative Agent shall have received a Notice of Borrowing or Notice of Conversion/Continuation, as applicable, from the Borrower in accordance with Section 2.4(a) or 4.2.

(d) Compliance with Borrowing Limits. The Borrower shall have demonstrated compliance with Section 2.5(b) (i) on the borrowing, conversion or continuation date with respect to such Loan or after giving effect to the Loans to be made, converted or continued on such date or (ii) on the issuance or extension date with respect to such Letter of Credit or after giving effect to the issuance or extension of such Letter of Credit on such date.

(e) Additional Documents. The Administrative Agent shall have received each additional document, instrument, legal opinion or other item reasonably requested by it.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF THE BORROWER

SECTION 6.1 Representations and Warranties. To induce the Administrative Agent and the Lenders to enter into this Agreement and to induce the Lenders to make Extensions of Credit, the Borrower hereby represents and warrants to the Administrative Agent and Lenders both before and after giving effect to the transactions contemplated hereunder that:

(a) Organization; Power; Qualification. Each of the Borrower and its Subsidiaries (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, (ii) has the power and authority to own its properties and to carry on its business and (iii) is duly qualified and authorized to do business in each jurisdiction in which its business requires such qualification and authorization, except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect. The jurisdictions in which the Borrower and its Subsidiaries are organized and qualified to do business as of the Closing Date are described on Schedule 6.1(a).

(b) Ownership. Each Subsidiary of the Borrower as of the Closing Date is listed, and the Material Domestic Subsidiaries and Material Foreign Subsidiaries are identified as such, on Schedule 6.1(b). As of the Closing Date, the capitalization of the Borrower and its Subsidiaries consists of the number of shares, authorized, issued and outstanding, of such classes and series, with or without par value, described on Schedule 6.1(b). All outstanding shares or equity interests have been duly authorized and validly issued and are fully paid and nonassessable, with no personal liability attaching to the ownership thereof, and not subject to any preemptive or similar rights. The shareholders of the Subsidiaries of the Borrower and the number of shares owned by each as of the Closing Date are described on Schedule 6.1(b). As of the Closing Date, there are no outstanding stock purchase warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever, which are convertible into, exchangeable for or otherwise provide for or permit the issuance of capital stock of the Borrower or its Subsidiaries, except pursuant to plans and agreements described in the Borrower's periodic filings with the SEC.

(c) Authorization of Agreement, Loan Documents and Borrowing. Each of the Borrower and its Subsidiaries has the right, power and authority and has taken all necessary corporate and other organizational action to authorize the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms. This Agreement and each of the other Loan Documents have been duly executed and delivered by the duly authorized officers of the Borrower and each of its Subsidiaries party thereto, and each such document constitutes the legal, valid and binding obligation of the Borrower or its Subsidiary party thereto, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the

enforcement of creditors' rights in general and the availability of equitable remedies.

(d) Compliance of Agreement, Loan Documents and Borrowing with Laws, Etc. The execution, delivery and performance by the Borrower and its Subsidiaries of the Loan Documents to which each such Person is a party, in accordance with their respective terms, the Extensions of Credit hereunder and the transactions contemplated hereby do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any material Governmental Approval or violate any material Applicable Law relating to the Borrower or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute a default under the articles of incorporation, bylaws or other organizational documents of the Borrower or any of its Subsidiaries or any material indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person, (iii) result in or require the creation or imposition of any material Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens arising under the Loan Documents or (iv) require any material consent or material authorization of, material filing with, or other material act in respect of, an arbitrator or Governmental Authority and no material consent of any other Person is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement.

(e) Compliance with Law; Governmental Approvals. Each of the Borrower and its Subsidiaries (i) has all Governmental Approvals required by any Applicable Law for it to conduct its business, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to Borrower's knowledge, threatened attack by direct or collateral proceeding, (ii) is in compliance in all material respects with each Governmental Approval applicable to it, (iii) is in compliance, and has been in compliance, with all Applicable Laws relating to it or any of its respective properties and (iv) has timely filed all material reports, documents and other materials required to be filed by it under all Applicable Laws with any Governmental Authority and has retained all material records and documents required to be retained by it under Applicable Law, except where the failure to comply with or satisfy could not reasonably be expected to have a Material Adverse Effect.

(f) Taxes. No Governmental Authority has asserted any Lien or other claim against the Borrower or any Subsidiary thereof with respect to unpaid taxes which has not been discharged or resolved, except unpaid taxes which are being contested in good faith and for which adequate reserves have been provided in accordance with GAAP.

(g) Intellectual Property Matters. Each of the Borrower and its Subsidiaries owns or possesses rights to use all franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, service marks, service mark rights, trade names, trade name rights, copyrights and rights with respect to the foregoing which are required to conduct its business, except for those, the failure of which to own or possess, could not reasonably be expected to have a Material Adverse Effect. To its knowledge, (i) no event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such rights and (ii) neither the Borrower nor any Subsidiary thereof is liable to any Person for infringement under Applicable Law with respect to any such rights as a result of its business operations, in each case which could reasonably be expected to have a Material Adverse Effect.

(h) Environmental Matters.

(i) To the Borrower's knowledge, there is no contamination at, under or about the Borrower's or any of its Subsidiaries' properties or such operations which could interfere with the continued operation of such properties or impair the fair saleable value thereof, except to the extent any such non-compliance or contamination could not reasonably be expected to have a Material Adverse Effect;

(ii) Neither the Borrower nor any Subsidiary thereof has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding Environmental Laws, except as could not reasonably be expected to have a Material Adverse Effect; and

(iii) To the Borrower's knowledge, Hazardous Materials have not been transported or disposed of by the Borrower or any of its Subsidiaries or by any other Person to or from the properties owned, leased or operated by the Borrower

and its Subsidiaries in a manner or to a location which could give rise to liability under Environmental Laws that could reasonably be expected to have a Material Adverse Effect.

(i) ERISA.

(i) As of the Closing Date, neither the Borrower nor any ERISA Affiliate maintains or contributes to, or has any obligation under, any Employee Benefit Plans other than those identified on Schedule 6.1(i);

(ii) Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code except for such plans that have not yet received determination letters but for which the remedial amendment period for submitting a determination letter has not yet expired;

(iii) As of the Closing Date, no Pension Plan has been terminated, nor has any accumulated funding deficiency (as defined in Section 412 of the Code) been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service been received or requested with respect to any Pension Plan, nor has there been any event requiring any disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA with respect to any Pension Plan; and

(iv) No Termination Event has occurred or is reasonably expected to occur.

(j) Margin Stock. Neither the Borrower nor any Subsidiary thereof is engaged principally or as one of its activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used, directly or indirectly, in Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the Loans or Letters of Credit will be used for purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

(k) Government Regulation. Neither the Borrower nor any Subsidiary thereof is an "investment company" or a company "controlled" by an "investment company" (as each such term is defined or used in the Investment Company Act of 1940, as amended) and neither the Borrower nor any Subsidiary thereof is, or after giving effect to any Extension of Credit will be, subject to regulation under the Public Utility Holding Company Act of 1935 or the Interstate Commerce Act, each as amended, or any other Applicable Law which limits its ability to incur or consummate the transactions contemplated hereby.

(l) Employee Relations. Each of the Borrower and its Subsidiaries is not, as of the Closing Date, party to any collective bargaining agreement nor has any labor union been recognized as the representative of its employees except as set forth on Schedule 6.1(l). The Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

(m) Financial Statements. The (i) audited Consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2004 and the related audited statements of income and retained earnings and cash flows for the Fiscal Year then ended and (ii) unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of September 30, 2005 and related unaudited interim statements of income and retained earnings, in each case including the accompanying notes, copies of which have been furnished to the Administrative Agent and each Lender, are complete and correct and fairly present on a Consolidated basis the financial position, results of operations and cash flows of the Borrower and its Subsidiaries as of such dates and for the periods then ended (other than customary, year end adjustments for unaudited financial statements). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP. The Borrower and its Subsidiaries have no Debt, obligation or other unusual forward or long-term commitment which is not fairly reflected in the foregoing financial statements or in the notes thereto.

(n) No Material Adverse Change. Except as publicly disclosed by the Borrower prior to the Closing Date, since September 30, 2005, there has been no material adverse change in the properties, assets, liabilities (actual or contingent), business, operations, prospects, or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, and no event

has occurred or condition arisen that could reasonably be expected to have a Material Adverse Effect.

(o) Solvency. As of the Closing Date and after giving effect to each Extension of Credit made hereunder, the Borrower and each of its Subsidiaries will be Solvent.

(p) Liens. None of the properties and assets of the Borrower or any Subsidiary thereof is subject to any Lien, except Liens permitted pursuant to Section 10.2. No financing statement under the Uniform Commercial Code of any state which names the Borrower or any Subsidiary thereof or any of their respective trade names or divisions as debtor and which has not been terminated, has been filed in any state or other jurisdiction and neither the Borrower nor any Subsidiary thereof has signed any such financing statement or any security agreement authorizing any secured party thereunder to file any such financing statement, except to perfect those Liens permitted by Section 10.2 hereof.

(q) Debt and Guaranty Obligations. Schedule 6.1(q) is a complete and correct listing of all Debt and Guaranty Obligations of the Borrower and its Subsidiaries as of the Closing Date in excess of \$3,000,000.

(r) Litigation. Except for matters existing on the Closing Date and set forth on Schedule 6.1(r), there are no actions, suits or proceedings pending nor, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary thereof or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority that, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

(s) Absence of Defaults. No event has occurred or is continuing which constitutes a Default or an Event of Default, or which constitutes, or which with the passage of time or giving of notice or both would constitute, a default or event of default by the Borrower or any Subsidiary thereof under any judgment, decree or order to which the Borrower or its Subsidiaries is a party or by which the Borrower or its Subsidiaries or any of their respective properties may be bound or which would require the Borrower or its Subsidiaries to make any payment thereunder prior to the scheduled maturity date therefor, except where such default or defaults, if any, could not reasonably be expected to have a Material Adverse Effect.

(t) Accuracy and Completeness of Information. All written information produced by or on behalf of the Borrower or any Subsidiary thereof and furnished to the Lenders was, at the time the same was so furnished, complete and correct in all material respects to the extent necessary to give the recipient a true and accurate knowledge of the subject matter, as it pertains to the financing contemplated by this Agreement. No document furnished or written statement made to the Administrative Agent or the Lenders by the Borrower or any Subsidiary thereof in connection with the negotiation, preparation or execution of this Agreement or any of the Loan Documents contains any untrue statement of a fact material to the creditworthiness of the Borrower or its Subsidiaries or omits to state a material fact necessary in order to make the statements contained therein not misleading in any material respect. The Borrower is not aware of any facts which it has not disclosed in writing to the Administrative Agent having a Material Adverse Effect.

SECTION 6.2 Survival of Representations and Warranties, Etc. All representations and warranties set forth in this Article VI and all representations and warranties contained in any certificate, or any of the Loan Documents (including but not limited to any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date (except those that are expressly made as of a specific date), shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lenders or any borrowing hereunder.

ARTICLE VII

FINANCIAL INFORMATION AND NOTICES

Until all the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.11, the Borrower will furnish or cause to be furnished to the Administrative Agent at the Administrative Agent's Office and to the Lenders at

their respective addresses as set forth on Schedule 1.1(a), or such other office as may be designated by the Administrative Agent and Lenders from time to time:

SECTION 7.1 Financial Statements and Projections.

(a) Quarterly Financial Statements. As soon as practicable and in any event within fifty (50) days after each fiscal quarter of each Fiscal Year, unaudited Consolidated financial statements of the Borrower and its Subsidiaries for the fiscal quarter then ended and that portion of the Fiscal Year then ended, including the notes thereto, all in reasonable detail and prepared by the Borrower in accordance with GAAP and in compliance with the applicable reporting requirements of the Securities and Exchange Commission for issuers of publicly traded securities, and certified by the chief financial officer or the controller of the Borrower to present fairly in all material respects the financial condition of the Borrower and its Subsidiaries on a Consolidated basis as of their respective dates and the results of operations of the Borrower and its Subsidiaries for the respective periods then ended, subject to normal year end adjustments (it being agreed that the requirements of this subsection may be satisfied by filing of the applicable quarterly report on Form 10-Q of the Borrower with the Securities and Exchange Commission to the extent that: (i) it contains the foregoing information, (ii) it is available to the Administrative Agent and the Lenders on EDGAR and (iii) the Borrower notifies the Administrative Agent and the Lenders within the time period noted herein that it is available to them on EDGAR).

(b) Annual Financial Statements. As soon as practicable and in any event within one hundred and five (105) days after the end of each Fiscal Year, audited Consolidated financial statements of the Borrower and its Subsidiaries for the Fiscal Year then ended, including the notes thereto, all in reasonable detail and certified by an independent public accounting firm in accordance with GAAP, and accompanied by a report thereon by such independent public accounting firm that is not qualified with respect to scope limitations imposed by the Borrower or any of its Subsidiaries or with respect to accounting principles followed by the Borrower or any of its Subsidiaries not in accordance with GAAP (it being agreed that the requirements of this subsection may be satisfied by filing of the applicable annual report on Form 10-K of the Borrower with the Securities and Exchange Commission to the extent that: (i) it contains the foregoing information, (ii) it is available to the Administrative Agent and the Lenders on EDGAR and (iii) the Borrower notifies the Administrative Agent and the Lenders within the time period noted herein that it is available to them on EDGAR).

SECTION 7.2 Officer's Compliance Certificate. At each time financial statements are delivered pursuant to Sections 7.1(a) or (b) and at such other times as the Administrative Agent shall reasonably request, a certificate of the chief financial officer, the controller or the treasurer of the Borrower in the form of Exhibit F attached hereto (an "Officer's Compliance Certificate").

SECTION 7.3 Other Reports. Such other information regarding the operations, business affairs and financial condition of the Borrower or any of its Subsidiaries as the Administrative Agent or any Lender may reasonably request.

SECTION 7.4 Notices. Prompt (but in no event later than ten (10) days after an officer of the Borrower obtains knowledge thereof) telephonic and written notice of:

(a) any attachment, judgment, lien, levy or order exceeding \$3,000,000 that may be assessed against the Borrower or any Subsidiary thereof;

(b) (i) any Default or Event of Default or (ii) the occurrence or existence of any event or circumstance that could reasonably be expected to become a Default or Event of Default; and

(c) any event which makes any of the representations set forth in Section 6.1 inaccurate in any respect (provided that, with respect to any representation set forth in Section 6.1 that is not subject to a materiality or a Material Adverse Effect qualification, any event which makes such representation inaccurate in any material respect).

SECTION 7.5 Accuracy of Information. All written information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender whether pursuant to this Article VII or any other provision of this Agreement, or any of the Loan Documents, shall, at the time the same is so furnished, comply with the representations and warranties set forth in Section 6.1(w).

ARTICLE VIII

AFFIRMATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner provided for in Section 13.11, the Borrower will, and will cause each of its Subsidiaries to:

SECTION 8.1 Preservation of Corporate Existence and Related Matters. Except as permitted by Section 10.4, preserve and maintain its separate corporate existence and all rights, franchises, licenses and privileges necessary to the material conduct of its business, and qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 8.2 Maintenance of Property. Protect and preserve all properties useful in and material to its business, including copyrights, patents, trade names, service marks and trademarks; maintain in good working order and condition all buildings, equipment and other tangible real and personal property; and from time to time make or cause to be made all renewals, replacements and additions to such property necessary for the conduct of its business, so that the business carried on in connection therewith may be conducted in a commercially reasonable manner.

SECTION 8.3 Insurance. Maintain insurance with financially sound and reputable insurance companies against such risks and in such amounts as are customarily maintained by similar businesses (including, without limitation, hazard and business interruption coverage) and as may be required by Applicable Law, and from time to time after the Closing Date deliver to the Administrative Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, retention amounts, the amounts of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

SECTION 8.4 Accounting Methods and Financial Records. Maintain a system of accounting, and keep such books, records and accounts (which shall be true and complete in all material respects) as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP and in compliance with the regulations of any Governmental Authority having jurisdiction over it or any of its properties.

SECTION 8.5 Payment and Performance of Obligations. Pay and perform all Obligations under this Agreement and the other Loan Documents, and pay or perform (a) all taxes, assessments and other governmental charges that may be levied or assessed upon it or any of its property, and (b) all other indebtedness, obligations and liabilities in accordance with customary trade practices; provided, that the Borrower or such Subsidiary may contest any item described in clauses (a) or (b) of this Section 8.5 in good faith so long as adequate reserves are maintained with respect thereto in accordance with GAAP.

SECTION 8.6 Compliance With Laws and Approvals. Observe and remain in compliance in all material respects with all Applicable Laws and maintain in full force and effect all Governmental Approvals, in each case applicable to its properties and the conduct of its business.

SECTION 8.7 ERISA. The Borrower shall furnish to the Administrative Agent upon the Administrative Agent's request such additional information about any Employee Benefit Plan as may be reasonably requested by the Administrative Agent.

SECTION 8.8 Compliance With Material Agreements. Comply in all material respects with each term, condition and provision of all material agreements and other instruments entered into in the conduct of its business; provided, that the Borrower or any such Subsidiary may contest any such material agreement or other instrument in good faith through applicable proceedings so long as adequate reserves are maintained in accordance with GAAP.

SECTION 8.9 Visits and Inspections. Permit representatives of the Administrative Agent or any Lender, from time to time upon reasonable notice, to visit and inspect its properties; inspect, audit and make extracts from its books, records and files, including, but not limited to, management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial

condition, results of operations and business prospects.

SECTION 8.10 Additional Subsidiaries and Additional Collateral. Notify the Administrative Agent of (1) the creation or acquisition of any Material Domestic Subsidiary or Material Foreign Subsidiary or (2) any Domestic Subsidiary or Foreign Subsidiary of the Borrower becoming a Material Domestic Subsidiary or Material Foreign Subsidiary as evidenced by the information set forth in the Officer's Compliance Certificate delivered pursuant to Section 7.2, and promptly thereafter (and in any event within thirty (30) days), cause to be executed and delivered to the Administrative Agent (i) a duly executed Joinder Agreement (pursuant to which such Material Domestic Subsidiary shall become a party to the Guaranty Agreement, the Collateral Agreement and any other applicable Security Documents and such Material Foreign Subsidiary shall execute the Collateral Agreement as an issuer), (ii) such other instruments and documents and other items of the type required to be delivered pursuant to Section 5.2(c), all in form and substance reasonably satisfactory to the Administrative Agent, as may be reasonably required by the Administrative Agent to obtain a first priority perfected security interest in the capital stock of any Material Foreign Subsidiary to be pledged pursuant to the Loan Documents, (iii) such closing documents and closing certificates of the type required to be delivered pursuant to Section 5.2(b), including, without limitation, favorable legal opinions addressed to the Administrative Agent and the Lenders in form and substance reasonably satisfactory thereto with respect to such duly executed Joinder Agreement (and (i) the Guaranty Agreement, the Collateral Agreement and any other applicable Security Documents to which such Material Domestic Subsidiary shall become party thereto in connection therewith and (ii) the Collateral Agreement that the Material Foreign Subsidiary shall execute as an issuer in connection therewith), in each case as may reasonably be requested by the Administrative Agent, and (iv) such other documents and certificates as may be reasonably requested by the Administrative Agent. Notwithstanding the foregoing, neither the Borrower nor any Material Domestic Subsidiary shall pledge to the Administrative Agent more than that percentage of all issued and outstanding shares of all capital stock or other ownership interests of a Material Foreign Subsidiary the granting of a security interest in which shall result in material adverse tax consequences to the Borrower or the applicable Material Domestic Subsidiary (it being acknowledged by the Borrower, the Lenders and the Administrative Agent that, as of the Closing Date, such percentage required to be pledged is sixty-five percent (65%).

SECTION 8.11 Use of Proceeds. Use the proceeds of the Extensions of Credit (a) to refinance the Existing Facility and (b) for working capital and general corporate requirements of the Borrower and its Subsidiaries, including the payment of certain fees and expenses incurred in connection with the transactions contemplated by this Agreement.

SECTION 8.12 Burdensome Provisions. Neither the Borrower nor any Subsidiary thereof shall be a party to any indenture, agreement, lease or other instrument, or subject to any corporate or partnership restriction, Governmental Approval or Applicable Law which could be reasonably expected to have a Material Adverse Effect. Except as set forth in the Existing Bond Documentation, no Subsidiary shall be a party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its capital stock to the Borrower or any Subsidiary or to transfer any of its assets or properties to the Borrower or any other Subsidiary in each case other than existing under or by reason of the Loan Documents or Applicable Law.

SECTION 8.13 Titles to Properties. Each of the Borrower and its Subsidiaries shall have such title to the real property owned or leased by it as is necessary or desirable to the conduct of its business and valid and legal title to all of its personal property and assets, except those which have been disposed of by the Borrower or its Subsidiaries in the ordinary course of business or as otherwise expressly permitted hereunder.

SECTION 8.14 Senior Debt Status. The Obligations of the Borrower and each of its Subsidiaries under this Agreement and each of the other Loan Documents shall rank at least senior in priority of payment to all Subordinated Debt of each such Person and shall be designated at all times as "Senior Indebtedness" under all instruments and documents, now or in the future, relating to all Subordinated Debt.

SECTION 8.15 Further Assurances. Make, execute and deliver all such additional and further acts, things, deeds and instruments as the Administrative Agent and the Required Lenders (through the Administrative Agent) may reasonably require to document and consummate the transactions contemplated hereby and to

vest completely in and insure the Administrative Agent and the Lenders their respective rights under this Agreement, the Notes, the Letters of Credit and the other Loan Documents.

ARTICLE IX

FINANCIAL COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.11, the Borrower and its Subsidiaries on a Consolidated basis will not:

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

SECTION 9.2 Consolidated Net Worth. Permit, at any time, Consolidated Net Worth to be less than \$120,000,000.

SECTION 9.3 Interest Coverage Ratio As of any fiscal quarter end during the periods set forth below, permit the ratio of: (a) EBIT for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date, to (b) Interest Expense for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date, to be less than 2.50 to 1.00.

SECTION 9.4 Capital Expenditures. During any Fiscal Year, permit Capital Expenditures to be greater than the sum of (i) one hundred fifty percent (150%) of depreciation and amortization expense (calculated in accordance with GAAP) for the prior Fiscal Year and (ii) \$5,000,000.

ARTICLE X

NEGATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Commitments terminated, unless consent has been obtained in the manner set forth in Section 13.11, the Borrower has not and will not permit any of its Subsidiaries to:

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

(a) the Obligations (excluding any Hedging Obligations);

(b) Debt incurred in connection with a Hedging Agreement with a counterparty and upon terms and conditions (including interest rate) reasonably satisfactory to the Administrative Agent; provided, that any counterparty that is a Lender or the Bank of Montreal shall be deemed satisfactory to the Administrative Agent;

(c) Debt existing on the Closing Date and not otherwise permitted under this Section 10.1, as set forth on Schedule 6.1(q), and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof;

(d) Guaranty Obligations in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders;

(e) unsecured Debt of the Borrower and the Domestic Subsidiaries in an aggregate amount not to exceed \$5,000,000 on any date of determination (provided that such Debt may be secured to the extent that any such Debt is created, incurred, assumed or suffered to exist in connection with Capital Leases and purchase money financing);

(f) Debt of the Foreign Subsidiaries in an aggregate amount not to exceed \$10,000,000 on any date of determination;

(g) intercompany Debt between the Borrower and any Subsidiary of the Borrower or between any Subsidiary of the Borrower and any other Subsidiary of the Borrower; or

(h) Debt of any Person acquired in accordance with Section 10.3(c), including any renewal, extension or refinancing, but not any increase in the

aggregate principal amount, thereof (provided that such Debt was not incurred in connection with such acquisition);

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

SECTION 10.2 Limitations on Liens. Create, incur, assume or suffer to exist, any Lien on or with respect to any of its assets or properties (including, without limitation, shares of capital stock or other ownership interests), real or personal, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments and other governmental charges or levies (excluding any Lien imposed pursuant to any of the provisions of ERISA or the Environmental Laws) not yet due or as to which the period of grace, if any, related thereto has not expired or which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;

(b) the claims of materialmen, mechanics, carriers, warehousemen, processors, landlords or other similar parties for labor, materials, supplies or rentals incurred in the ordinary course of business, (i) which are not overdue for a period of more than thirty (30) days or (ii) which are being contested in good faith and by appropriate proceedings;

(c) Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers' compensation, unemployment insurance or similar legislation;

(d) Liens constituting encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of real property, which in the aggregate are not substantial in amount and which do not, in any case, prevent the use thereof in the ordinary conduct of the Borrower's business;

(e) Liens of the Administrative Agent for the benefit of the Administrative Agent and the Lenders;

(f) Liens not otherwise permitted by this Section 10.2 and in existence on the Closing Date and described on Schedule 10.2;

(g) Liens securing Debt incurred in connection with Capital Leases and purchase money Debt (in each case to the extent that such Debt is permitted under Section 10.1(e)); provided that (A) such Liens shall be created substantially simultaneously with the acquisition or lease of the related asset, (B) such Liens do not at any time encumber any property other than the property financed by such Debt, (C) the amount of such Debt secured thereby is not increased and (D) the principal amount of such Debt secured by any such Lien shall at no time exceed one hundred percent (100%) of the original purchase price or lease payment amount of such property at the time it was acquired;

(h) Liens on the assets of any Foreign Subsidiary securing Debt of such Foreign Subsidiary (to the extent that such Debt is permitted under Section 10.1(f));

(i) Liens securing judgments not giving rise to an Event of Default so long as (A) such Lien is adequately bonded and (B) any appropriate legal proceeding which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired;

(j) Liens encumbering deposits made to secure obligations arising from statutory, regulatory, contractual or warranty requirements of the Borrower or any of its Subsidiaries, including rights of offset and set-off, incurred in the ordinary course of business;

(k) Liens in favor of custom and revenue authorities arising as a matter of law to secure payment of custom duties in connection with the importation of goods in the ordinary course of business;

(l) Liens arising from the precautionary filing of Uniform Commercial Code financing statements (or similar foreign counterparts) regarding leases; and

(m) rights of setoff or bankers' liens upon deposits of cash in favor of banks or other financial institutions in the ordinary course of business.

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

(a) investments (i) existing on the Closing Date in Subsidiaries, (ii) in Subsidiaries formed or acquired after the Closing Date so long as the Borrower and its Subsidiaries comply with the provisions of Section 8.10 and (iii) existing on the Closing Date in the form of loans, advances and investments described on Schedule 10.3;

(b) investments in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within three hundred sixty-five (365) days from the date of acquisition thereof, (ii) commercial paper maturing no more than one hundred twenty (120) days from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one hundred twenty (120) days from the date of creation thereof issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$500,000,000 and having a rating of "A" or better by a nationally recognized rating agency; provided, that the aggregate amount invested in such certificates of deposit shall not at any time exceed \$5,000,000 for any one such certificate of deposit and \$10,000,000 for any one such bank, (iv) time deposits maturing no more than thirty (30) days from the date of creation thereof with commercial banks or savings banks or savings and loan associations each having membership either in the FDIC or the deposits of which are insured by the FDIC and in amounts not exceeding the maximum amounts of insurance thereunder, (v) tax-exempt municipal bonds maturing within one hundred twenty (120) days from the date of acquisition thereof, (vi) any money market or bank fund investing only in the investments set forth above or (vii) investments held in trust or escrow accounts subject to government regulation, legal settlements, collateral requirements or other similar arrangements; and

(c) investments by the Borrower or any of its Subsidiaries in the form of acquisitions of all, substantially all or a majority of the stock or assets of the business or a line of business (whether by the acquisition of capital stock, assets or any combination thereof) of any other Person (each, a "Permitted Acquisition"); provided that:

(i) the Person to be acquired shall be a going concern, engaged in a business, or the assets to be acquired shall be used in a business which is similar, related or complimentary to the line of business of the Borrower and its Subsidiaries as required pursuant to Section 10.12;

(ii) the Borrower or such Subsidiary (unless the Person to be acquired complies with Section 8.10), as applicable, shall be the surviving Person and no Change in Control shall have been effected thereby;

(iii) with respect to any Material Acquisition, the Borrower shall have delivered written notice of such proposed acquisition to the Administrative Agent (for delivery by the Administrative Agent to the Lenders) and the Lenders, which notice shall include the proposed closing date of such proposed acquisition, not less than twenty (20) calendar days prior to such proposed closing date;

(iv) with respect to any Material Acquisition, the Borrower shall have delivered to the Administrative Agent copies of the Permitted Acquisition Documents;

(v) with respect to any Material Acquisition, the Borrower shall have certified on or before the closing date of such proposed acquisition, in writing and in a form reasonably acceptable to the Administrative Agent and the Lenders, that such proposed acquisition has been approved by the board of directors or equivalent governing body of the Person to be acquired;

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

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

(viii) with respect to any Material Acquisition, the Borrower shall have delivered to the Administrative Agent and the Lenders an Officer's Compliance Certificate dated as of the closing date of such proposed acquisition demonstrating, in form and substance reasonably satisfactory thereto, pro forma compliance with each covenant contained in Article IX (both before and after giving effect to such proposed acquisition) (it being agreed by the Borrower, the Administrative Agent and the Lenders that such calculations shall assume that all Debt assumed or incurred in conjunction with such proposed acquisition was incurred at the beginning of the applicable calculation period and that all income and expenses associated with such proposed acquisition shall be treated as earned and included in the pro-forma calculations (both on a consolidated and consolidating basis));

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

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

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

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

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

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

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

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

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

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

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

(f) Hedging Agreements permitted pursuant to Section 10.1; and

(g) purchases of assets in the ordinary course of business.

SECTION 10.4 Limitations on Mergers and Liquidation. Merge, consolidate or enter into any similar combination with any other Person or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except:

(a) (i) any Wholly-Owned Domestic Subsidiary of the Borrower may merge with the Borrower or any other Wholly-Owned Domestic Subsidiary of the Borrower (provided that (1) in any merger involving the Borrower, the Borrower shall be the surviving entity and (2) in any merger involving any Subsidiary Guarantor (and not involving the Borrower), such Subsidiary Guarantor shall be the surviving entity) and (ii) any Wholly-Owned Foreign Subsidiary of the Borrower may merge with any other Wholly-Owned Foreign Subsidiary of the Borrower;

(b) (i) any Wholly-Owned Domestic Subsidiary of the Borrower may merge into the Person such Wholly-Owned Domestic Subsidiary was formed to acquire in

connection with an acquisition permitted by Section 10.3(c) (provided that, after giving effect to such acquisition, such Person shall be a Wholly-Owned Domestic Subsidiary and shall comply with the requirements set forth in Section 8.10) and (ii) any Wholly-Owned Foreign Subsidiary of the Borrower may merge into the Person such Wholly-Owned Foreign Subsidiary was formed to acquire in connection with an acquisition permitted by Section 10.3(c); and

(c) (i) any Wholly-Owned Domestic Subsidiary of the Borrower may wind-up into the Borrower or any other Wholly-Owned Domestic Subsidiary of the Borrower and (ii) any Wholly-Owned Foreign Subsidiary of the Borrower may wind-up into any other Wholly-Owned Foreign Subsidiary of the Borrower.

SECTION 10.5 Limitations on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, the sale of any receivables and leasehold interests and any sale-leaseback or similar transaction), whether now owned or hereafter acquired except:

(a) the sale of inventory in the ordinary course of business;

(b) the sale of assets, for fair market value in the ordinary course of business, that are no longer used or usable in the business of the Borrower or any of its Subsidiaries;

(c) the transfer of assets to the Borrower or any Wholly-Owned Subsidiary of the Borrower pursuant to Section 10.4(c);

(d) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(e) the disposition of any Hedging Agreement;

(f) sales or grants of licenses in the ordinary course of business to use the patents, trade secrets, know-how and other intellectual property of the Borrower and its Subsidiaries to the extent that any such license does not prohibit the Borrower or its Subsidiaries from using any material technologies licensed unless for due consideration, or require the Borrower or its Subsidiaries to pay fees for the use of any material technology;

(g) any distribution permitted pursuant to Section 10.6; and

(h) sales of assets by the Borrower or any Subsidiary of the Borrower in an aggregate amount not to exceed \$10,000,000 during the term of this Agreement; provided that such limitations on the sale of assets shall not include, so long as no Default or Event of Default has occurred and is continuing, any sale of assets consisting of property, plant or equipment of Borrower or any of its Subsidiaries in which the net cash proceeds of such sale are reinvested in assets consisting of property, plant or equipment (or otherwise in a manner acceptable to the Administrative Agent in its sole discretion) within two hundred seventy (270) days after receipt of such net cash proceeds.

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

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

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

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

(d) in addition to transactions permitted under subsection (c) above, the Borrower may pay cash dividends on its capital stock, purchase, redeem, retire or otherwise acquire, directly or indirectly, shares of its capital stock

(including purchases of treasury stock), or make distributions of cash, property or assets among its shareholders in an aggregate amount not to exceed, during the term of this Agreement, the sum of (i) \$20,000,000 plus (ii) an amount equal to fifty percent (50%) of aggregate Net Income of the Borrower and its Subsidiaries since September 30, 2005.

SECTION 10.7 Limitations on Exchange and Issuance of Capital Stock. Issue, sell or otherwise dispose of any class or series of capital stock that, by its terms or by the terms of any security into which it is convertible or exchangeable, is, or upon the happening of an event or passage of time would be, (a) convertible or exchangeable into Debt or (b) required to be redeemed or repurchased, including at the option of the holder, in whole or in part, or has, or upon the happening of an event or passage of time would have, a redemption or similar payment due.

SECTION 10.8 Transactions with Affiliates. Except for transactions permitted by 10.3, 10.6 and 10.7 and those transactions existing on the Closing Date and identified on Schedule 10.8, directly or indirectly enter into, or be a party to, any transaction with any of its Affiliates, except pursuant to the reasonable requirements of its business and upon fair and reasonable terms that are no less favorable to it than it would obtain in a comparable arm's length transaction with a Person not its Affiliate.

SECTION 10.9 Certain Accounting Changes; Organizational Documents.

(a) Make any change in its accounting treatment and reporting practices except as required or permitted by GAAP; or

(b) Amend, modify or change its articles of incorporation (or corporate charter or other similar organizational documents) or amend, modify or change its bylaws (or other similar documents) in any manner adverse in any material respect to the rights or interests of the Lenders.

SECTION 10.10 Amendments; Payments and Prepayments of Subordinated Debt. Amend or modify (or permit the modification or amendment of) any of the terms or provisions of any Subordinated Debt, or cancel or forgive, make any elective, voluntary or optional payment or prepayment on, or redeem or acquire for value (including, without limitation, by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying when due) any Subordinated Debt.

SECTION 10.11 Restrictive Agreements.

(a) Enter into any Debt which contains any negative pledge on assets or any covenants more restrictive than the provisions of Articles VIII, IX and X hereof, or which restricts, limits or otherwise encumbers its ability to incur Liens on or with respect to any of its assets or properties other than the assets or properties securing such Debt.

(b) Except as provided in the Existing Bond Documentation, enter into or permit to exist any agreement which impairs or limits the ability of any Subsidiary of the Borrower to pay dividends to the Borrower.

SECTION 10.12 Nature of Business. Alter in any material respect the character or conduct of the business conducted by the Borrower and its Subsidiaries taken as a whole as of the Closing Date (except as otherwise permitted by the terms of this Agreement).

SECTION 10.13 Impairment of Security Interests. Take or omit to take any action, which might or would have the result of materially impairing the security interests in favor of the Administrative Agent with respect to the capital stock or other ownership interests of the Material Foreign Subsidiaries pledged pursuant to the Collateral Agreement or grant to any Person (other than the Administrative Agent for the benefit of itself and the Lenders pursuant to the Security Documents) any interest whatsoever in the capital stock or other ownership interest of the Material Foreign Subsidiaries pledged pursuant to the Collateral Agreement, except for asset sales permitted under Section 10.5.

SECTION 10.14 Subsidiaries. Allow the Subsidiaries of the Borrower that are not "Material Domestic Subsidiaries" (including without limitation, Subsidiaries designated as Material Domestic Subsidiaries pursuant to subsection (c) of the definition of Material Domestic Subsidiary) or "Material Foreign Subsidiaries" (including without limitation, Subsidiaries designated as Material Foreign Subsidiaries pursuant to subsection (c) of the definition of Material Foreign Subsidiary) to have total net assets equal to or greater than ten percent (10%)

of total net assets of the Borrower and its Subsidiaries at any time.

ARTICLE XI

DEFAULT AND REMEDIES

SECTION 11.1 Events of Default. Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) Default in Payment of Principal of Loans and Reimbursement Obligations. The Borrower shall default in any payment of principal of any Loan, Note or Reimbursement Obligation when and as due (whether at maturity, by reason of acceleration or otherwise).

(b) Other Payment Default. The Borrower shall default in the payment when and as due (whether at maturity, by reason of acceleration or otherwise) of (i) interest on any Loan, Note or Reimbursement Obligation, and such default shall continue unremedied for five (5) Business Days or (ii) any other Obligation, and such default shall continue unremedied for ten (10) Business Days.

(c) Misrepresentation. Any representation or warranty made or deemed to be made by the Borrower or any of its Subsidiaries under this Agreement, any other Loan Document or any amendment hereto or thereto, shall at any time prove to have been incorrect or misleading in any material respect when made or deemed made.

(d) Default in Performance of Certain Covenants. The Borrower or any of its Subsidiaries shall default in the performance or observance of any covenant or agreement contained in Sections 7.1, 7.2 or 7.4(b)(i) or Articles IX or X of this Agreement, and the Borrower's failure to perform or observe any covenant or agreement in Section 7.1 or 7.2 shall continue unremedied for ten (10) Business Days (during which time the Applicable Margin shall be based on Pricing Level I).

(e) Default in Performance of Other Covenants and Conditions. The Borrower or any Subsidiary thereof shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as specifically provided for otherwise in this Section 11.1) or any other Loan Document and such default shall continue for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Administrative Agent.

(f) Hedging Agreement. The Borrower shall default in the performance or observance of any terms, covenant, condition or agreement (after giving effect to any applicable grace or cure period) under any Hedging Agreement with respect to any Debt or other obligation in a principal amount in excess of \$3,000,000 and such default causes the termination of such Hedging Agreement or permits any counterparty to such Hedging Agreement to terminate any such Hedging Agreement.

(g) Debt Cross-Default. The Borrower or any of its Subsidiaries shall (i) default in the payment of any Debt (other than the Notes or any Reimbursement Obligation) the aggregate outstanding amount of which Debt is in excess of \$3,000,000 beyond the period of grace if any, provided in the instrument or agreement under which such Debt was created, or (ii) default in the observance or performance of any other agreement or condition relating to any Debt (other than the Notes or any Reimbursement Obligation) the aggregate outstanding amount of which Debt is in excess of \$3,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Debt (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, any such Debt to become due prior to its stated maturity (any applicable grace period having expired).

(h) Change in Control. (i) The sale, lease or transfer of all or substantially all of the Borrower's assets to any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended), (ii) the liquidation or dissolution of the Borrower, (iii) any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended), other than the Permitted Holders, shall obtain ownership or control in one or more series of transactions of more than

thirty-five percent (35%) of the common stock or thirty-five percent (35%) of the voting power of the Borrower entitled to vote in the election of members of the board of directors of the Borrower or (iv) during any period of twelve (12) consecutive calendar months, individuals who, at the beginning of such period, constituted the Borrower's board of directors (together with any new directors whose election by the Borrower's board of directors or whose nomination for election by the Borrower's stockholders was approved by a vote of at least two-thirds (2/3rds) of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason, other than death or disability, to constitute a majority of the directors then in office (any such event, a "Change in Control").

(i) Voluntary Bankruptcy Proceeding. The Borrower or any Subsidiary thereof shall (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

(j) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against the Borrower or any Material Domestic Subsidiary thereof in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for the Borrower or any Material Domestic Subsidiary thereof or for all or any substantial part of their respective assets, domestic or foreign, and such case or proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

(k) Failure of Agreements. This Agreement or any other Loan Document, at any time after its execution and delivery and for any reason other than as expressly permitted hereunder or the satisfaction in full of all of the Obligations, ceases to be in full force and effect; or the Borrower, any Subsidiary Guarantor or any other Affiliate contests in any manner the validity or enforceability of this Agreement or any other Loan Document; or the Borrower or any Subsidiary Guarantor denies that it has any or further liability or obligation under this Agreement or any other Loan Document, or purports to revoke, terminate or rescind this Agreement or any other Loan Document.

(l) Termination Event. The occurrence of any of the following events: (i) the Borrower or any ERISA Affiliate fails to make full payment when due of all amounts which, under the provisions of any Pension Plan or Section 412 of the Code, the Borrower or any ERISA Affiliate is required to pay as contributions thereto, (ii) an accumulated funding deficiency in excess of \$5,000,000 occurs or exists, whether or not waived, with respect to any Pension Plan, (iii) a Termination Event or (iv) the Borrower or any ERISA Affiliate as employers under one or more Multiemployer Plans makes a complete or partial withdrawal from any such Multiemployer Plan and the plan sponsor of such Multiemployer Plans notifies such withdrawing employer that such employer has incurred a withdrawal liability requiring payments in an amount exceeding \$5,000,000.

(m) Judgment. A judgment or order for the payment of money which causes the aggregate amount of all such judgments to exceed \$5,000,000 in any Fiscal Year shall be entered against the Borrower or any of its Subsidiaries by any court and such judgment or order shall continue without discharge or stay for a period of sixty (60) days.

(n) Environmental. Any one or more Environmental Claims shall have been asserted against the Borrower or any of its Subsidiaries; the Borrower and its Subsidiaries would be reasonable likely to incur liability as a result thereof; and such liability would be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect.

SECTION 11.2 Remedies. Upon the occurrence of an Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower:

(a) Acceleration; Termination of Facilities. Declare the principal of and interest on the Loans, the Notes and the Reimbursement Obligations at the time outstanding, and all other amounts owed to the Lenders and to the Administrative Agent under this Agreement or any of the other Loan Documents (including, without limitation, all L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented or shall be entitled to present the documents required thereunder) and all other Obligations (other than Hedging Obligations), to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or the other Loan Documents to the contrary notwithstanding, and terminate the Credit Facility and any right of the Borrower to request borrowings or Letters of Credit thereunder; provided, that upon the occurrence of an Event of Default specified in Section 11.1(i) or (j), the Credit Facility shall be automatically terminated and all Obligations (other than Hedging Obligations) shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Agreement or in any other Loan Document to the contrary notwithstanding.

(b) Letters of Credit. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to the preceding paragraph, require the Borrower at such time to, and the Borrower shall, deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay the other Obligations on a pro rata basis. After all such Letters of Credit shall have expired or been fully drawn upon, the Reimbursement Obligation shall have been satisfied and all other Obligations shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower.

(c) Rights of Collection. Exercise on behalf of the Lenders all of its other rights and remedies under this Agreement, the other Loan Documents and Applicable Law, in order to satisfy all of the Borrower's Obligations.

SECTION 11.3 Rights and Remedies Cumulative; Non-Waiver; etc. The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrower, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default.

SECTION 11.4. Judgment Currency. The obligation of the Borrower to make payments of the principal of and interest on the Notes and the obligation of any such Person to make payments of any other amounts payable hereunder or pursuant to any other Loan Document in the currency specified for such payment shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, which is expressed in or converted into any other currency, except to the extent that such tender or recovery shall result in the actual receipt by each of the Administrative Agent and Lenders of the full amount of the particular Permitted Currency expressed to be payable pursuant to the applicable Loan Document. The Administrative Agent shall, using all amounts obtained or received from the Borrower pursuant to any such tender or recovery in payment of principal of and interest on the Obligations, promptly purchase the applicable

currency at the most favorable spot exchange rate (to the Borrower) determined by the Administrative Agent to be available to it. The obligation of the Borrower to make payments in the applicable currency shall be enforceable as an alternative or additional cause of action solely for the purpose of recovering in the applicable currency the amount, if any, by which such actual receipt shall fall short of the full amount of the currency expressed to be payable pursuant to the applicable Loan Document.

ARTICLE XII

THE ADMINISTRATIVE AGENT

SECTION 12.1 Appointment. Each of the Lenders hereby irrevocably designates and appoints Wachovia as Administrative Agent of such Lender under this Agreement and the other Loan Documents for the term hereof and each such Lender irrevocably authorizes Wachovia as Administrative Agent for such Lender, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and such other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement or such other Loan Documents, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein and therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or the other Loan Documents or otherwise exist against the Administrative Agent. Any reference to the Administrative Agent in this Article XII shall be deemed to refer to the Administrative Agent solely in its capacity as Administrative Agent and not in its capacity as a Lender.

SECTION 12.2 Delegation of Duties. The Administrative Agent may execute any of its respective duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by the Administrative Agent with reasonable care.

SECTION 12.3 Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates shall be (a) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or the other Loan Documents (except for actions occasioned solely by its or such Person's own gross negligence or willful misconduct), or (b) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any of its Subsidiaries or any officer thereof contained in this Agreement or the other Loan Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or the other Loan Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents or for any failure of the Borrower or any of its Subsidiaries to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement, or to inspect the properties, books or records of the Borrower or any of its Subsidiaries.

SECTION 12.4 Reliance by the Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, teletype, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless such Note shall have been transferred in accordance with Section 13.10. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement and the other Loan Documents unless it shall first receive such advice or concurrence of the Required Lenders (or, when expressly required hereby or by the relevant other Loan Documents, all the Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action except for its own gross negligence or

willful misconduct. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the Notes in accordance with a request of the Required Lenders (or, when expressly required hereby, all the Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

SECTION 12.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless it has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, it shall promptly give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, when expressly required hereby, all the Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders, except to the extent that other provisions of this Agreement expressly require that any such action be taken or not be taken only with the consent and authorization or the request of the Lenders or Required Lenders, as applicable.

SECTION 12.6 Non-Reliance on the Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Borrower or any of its Subsidiaries, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries and made its own decision to make its Loans and issue or participate in Letters of Credit hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower and its Subsidiaries. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder or by the other Loan Documents, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower or any of its Subsidiaries which may come into the possession of the Administrative Agent or any of its respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates.

SECTION 12.7 Indemnification. The Lenders agree to indemnify the Administrative Agent in its capacity as such and (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to the respective amounts of their Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Notes or any Reimbursement Obligation) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of this Agreement or the other Loan Documents, or any documents, reports or other information provided to the Administrative Agent or any Lender or contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Administrative Agent's bad faith, gross negligence or willful misconduct. The agreements in this Section 12.7 shall survive the payment of the Notes, any Reimbursement Obligation and all other amounts payable hereunder and the termination of this

Agreement.

SECTION 12.8 The Administrative Agent in Its Individual Capacity. The Administrative Agent and its respective Subsidiaries and Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent were not the Administrative Agent hereunder. With respect to any Loans made or renewed by it and any Note issued to it and with respect to any Letter of Credit issued by it or participated in by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

SECTION 12.9 Resignation of the Administrative Agent; Successor Administrative Agent. Subject to the appointment and acceptance of a successor as provided below, the Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, which successor shall have minimum capital and surplus of at least \$500,000,000. If no successor Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the Administrative Agent's giving of notice of resignation, then the Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which successor shall have minimum capital and surplus of at least \$500,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Section 12.9 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as Administrative Agent.

SECTION 12.10 Administrative Agent May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower or any Guarantor, the Administrative Agent (irrespective of whether the principal of any Loan or L/C Obligation shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, the L/C Obligations and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Administrative Agent and the Lenders (including any claim for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and the Lenders and their respective agents and counsel and all other amounts due the Administrative Agent and the Lenders under this Agreement, including, without limitation, Section 3.3, Section 4.3 and Section 13.2) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under this Agreement (including, without limitation, Section 4.3 and Section 13.2).

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

restructuring, bankruptcy or other similar proceeding, creating and perfecting Liens in favor of Administrative Agent on behalf of Lenders pursuant to any Security Document, enforcing any Obligations of, or collecting any payments due from, the Borrower or any Subsidiary Guarantor by reason of an Event of Default (including in connection with the sale of, collection from, or other realization upon any of the Collateral or the enforcement of the Subsidiary Guaranty Agreement), consulting with appraisers, accountants, engineers, attorneys and other Persons concerning the nature, scope or value of any right or remedy of the Administrative Agent or any Lender hereunder or under any other Loan Document or any factual matters in connection therewith, which expenses shall include, without limitation, the reasonable fees and disbursements of such Persons, and (c) defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any losses, penalties, fines, liabilities, settlements, damages, costs and expenses, suffered by any such Person in connection with any claim (including, without limitation, any Environmental Claims), investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document or any documents, reports or other information provided to the Administrative Agent or any Lender or contemplated by or referred herein or therein or the transactions contemplated hereby or thereby, including, without limitation, reasonable attorney's and consultant's fees and settlement costs, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor.

SECTION 13.3 Set-off.

(a) In addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, upon and after the occurrence of any Event of Default and during the continuance thereof, the Lenders and any assignee or participant of a Lender in accordance with Section 13.10 are hereby authorized by the Borrower at any time or from time to time, without notice to the Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all deposits (general or special, time or demand, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Lenders, or any such assignee or participant to or for the credit or the account of the Borrower against and on account of the Obligations irrespective of whether or not (a) the Lenders shall have made any demand under this Agreement or any of the other Loan Documents or (b) the Administrative Agent shall have declared any or all of the Obligations to be due and payable as permitted by Section 11.2 and although such Obligations shall be contingent or unmatured. Notwithstanding the preceding sentence, each Lender agrees to notify the Borrower and the Administrative Agent after any such set-off and application; provided, that the failure to give such notice shall not affect the validity of such set-off and application.

(b) Any amount to be set-off pursuant to Section 13.3(a) shall be denominated in Dollars and any amount denominated in an Alternative Currency shall be in an amount equal to the Dollar Amount of such amount at the most favorable spot exchange rate (to the Borrower) determined by the Administrative Agent to be available to it; provided that if at the time of any such determination no such spot exchange rate can reasonably be determined, the Administrative Agent may use any reasonable method as it deems applicable to determine such rate, any such determination to be conclusive absent manifest error.

(c) Each Lender and any assignee or participant of such Lender in accordance with Section 13.10 are hereby authorized by the Borrower to combine currencies, as deemed necessary by such Person, in order to effect any set-off pursuant to Section 13.3(a).

SECTION 13.4 Governing Law. This Agreement, the Notes and the other Loan Documents, unless otherwise expressly set forth therein, shall be governed by, construed and enforced in accordance with the laws of the State of North Carolina, without reference to the conflicts or choice of law principles thereof.

SECTION 13.5 Jurisdiction and Venue.

(a) Jurisdiction. The Borrower hereby irrevocably consents to the personal jurisdiction of the state and federal courts located in Mecklenburg County, North Carolina (and any courts from which an appeal from any of such courts must

or may be taken), in any action, claim or other proceeding arising out of any dispute in connection with this Agreement, the Notes and the other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations. The Borrower hereby irrevocably consents to the service of a summons and complaint and other process in any action, claim or proceeding brought by the Administrative Agent or any Lender in connection with this Agreement, the Notes or the other Loan Documents, any rights or obligations hereunder or thereunder, or the performance of such rights and obligations, on behalf of itself or its property, in the manner specified in Section 13.1. Nothing in this Section 13.5 shall affect the right of the Administrative Agent or any Lender to serve legal process in any other manner permitted by Applicable Law or affect the right of the Administrative Agent or any Lender to bring any action or proceeding against the Borrower or its properties in the courts of any other jurisdictions.

(b) Venue. The Borrower hereby irrevocably waives any objection it may have now or in the future to the laying of venue in the aforesaid jurisdiction in any action, claim or other proceeding arising out of or in connection with this Agreement, any other Loan Document or the rights and obligations of the parties hereunder or thereunder. The Borrower irrevocably waives, in connection with such action, claim or proceeding, any plea or claim that the action, claim or other proceeding has been brought in an inconvenient forum.

SECTION 13.6 Binding Arbitration; Waiver of Jury Trial.

(a) Binding Arbitration. Upon demand of the Borrower, the Administrative Agent or the Required Lenders, whether made before or after institution of any judicial proceeding, any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Loan Document ("Disputes"), between or among parties hereto and to the other Loan Documents shall be resolved by binding arbitration as provided herein. Institution of a judicial proceeding by a party does not waive the right of that party to demand arbitration hereunder. Disputes may include, without limitation, tort claims, counterclaims, claims brought as class actions, claims arising from Loan Documents executed in the future, disputes as to whether a matter is subject to arbitration, or claims concerning any aspect of the past, present or future relationships arising out of or connected with the Loan Documents. Arbitration shall be conducted under and governed by the Commercial Financial Disputes Arbitration Rules (the "Arbitration Rules") of the American Arbitration Association (the "AAA") and the Federal Arbitration Act. All arbitration hearings shall be conducted in Charlotte, North Carolina. The expedited procedures set forth in Rule 51, et seq. of the Arbitration Rules shall be applicable to claims of less than \$1,000,000. All applicable statutes of limitations shall apply to any Dispute. A judgment upon the award may be entered in any court having jurisdiction. Notwithstanding anything foregoing to the contrary, any arbitration proceeding demanded hereunder shall begin within ninety (90) days after such demand thereof and shall be concluded within one-hundred twenty (120) days after such demand. These time limitations may not be extended unless a party hereto shows cause for extension and then such extension shall not exceed a total of sixty (60) days. The panel from which all arbitrators are selected shall be comprised of licensed attorneys selected from the Commercial Financial Dispute Arbitration Panel of the AAA. The single arbitrator selected for expedited procedure shall be a retired judge from the highest court of general jurisdiction, state or federal, of the state where the hearing will be conducted. The parties hereto do not waive any applicable Federal or state substantive law except as provided herein. Notwithstanding the foregoing, this paragraph shall not apply to any Hedging Agreement.

(b) Jury Trial. THE ADMINISTRATIVE AGENT, EACH LENDER AND THE BORROWER HEREBY ACKNOWLEDGE THAT BY AGREEING TO BINDING ARBITRATION THEY HAVE IRREVOCABLY WAIVED THEIR RESPECTIVE RIGHTS TO A JURY TRIAL WITH RESPECT TO ANY ACTION, CLAIM OR OTHER PROCEEDING ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, THE NOTES OR THE OTHER LOAN DOCUMENTS, ANY RIGHTS OR OBLIGATIONS HEREUNDER OR THEREUNDER, OR THE PERFORMANCE OF SUCH RIGHTS AND OBLIGATIONS.

(c) Preservation of Certain Remedies. Notwithstanding the preceding binding arbitration provisions, the parties hereto and the other Loan Documents preserve, without diminution, certain remedies that such Persons may employ or exercise freely, either alone, in conjunction with or during a Dispute. Each such Person shall have and hereby reserves the right to proceed in any court of proper jurisdiction or by self help to exercise or prosecute the following remedies, as applicable: (i) all rights to foreclose against any real or personal property or other security by exercising a power of sale granted in the Loan Documents or under Applicable Law or by judicial foreclosure and sale, including a proceeding to confirm the sale, (ii) all rights of self help

including peaceful occupation of property and collection of rents, set off, and peaceful possession of property, (iii) obtaining provisional or ancillary remedies including injunctive relief, sequestration, garnishment, attachment, appointment of receiver and in filing an involuntary bankruptcy proceeding, and (iv) when applicable, a judgment by confession of judgment. Preservation of these remedies does not limit the power of an arbitrator to grant similar remedies that may be requested by a party in a Dispute.

SECTION 13.7 Reversal of Payments. To the extent the Borrower makes a payment or payments to the Administrative Agent for the ratable benefit of the Lenders or the Administrative Agent receives any payment or proceeds of the Collateral, which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Administrative Agent.

SECTION 13.8 Injunctive Relief; Punitive Damages.

(a) The Borrower recognizes that, in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lenders. Therefore, the Borrower agrees that the Lenders, at the Lenders' option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(b) The Administrative Agent, the Lenders and the Borrower (on behalf of itself and its Subsidiaries) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any Dispute, whether such Dispute is resolved through arbitration or judicially.

SECTION 13.9 Accounting Matters. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time, provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance therewith.

SECTION 13.10 Successors and Assigns; Participations.

(a) Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Administrative Agent and the Lenders, all future holders of the Notes, and their respective successors and assigns, except that the Borrower shall not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Assignment by Lenders. Each Lender may, in the ordinary course of its business and in accordance with Applicable Law, sell or assign to any Lender, any Affiliate of a Lender and with the consent of the Borrower (so long as no Default or Event of Default has occurred and is continuing) and the consent of the Administrative Agent, which consents shall not be unreasonably withheld or delayed, assign to one or more Eligible Assignees all or a portion of its interests, rights and obligations under this Agreement and the other Loan Documents (including, without limitation, all or a portion of the Extensions of Credit at the time owing to it and the Notes held by it); provided that:

(i) each such assignment shall be of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement;

(ii) if less than all of the assigning Lender's Commitment is to be assigned, the Commitment so assigned shall not be less than \$5,000,000;

(iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance substantially in the form of Exhibit G attached hereto (an "Assignment and Acceptance"), together with (to the extent requested by any Purchasing Lender) any Note or Notes subject to such assignment;

(iv) where consent of the Borrower to an assignment to a Purchasing Lender is required hereunder (including consent to an assignment to an Approved Fund), the Borrower shall be deemed to have given its consent five (5) Business Days after the date written notice thereof has been delivered by the assigning Lender (through the Administrative Agent) unless such consent is expressly refused by the Borrower prior to such fifth (5th) Business Day;

(v) such assignment shall not, without the consent of the Borrower require the Borrower to file a registration statement with the Securities and Exchange Commission or apply to or qualify the Loans or the Notes under the blue sky laws of any state; and

(vi) the assigning Lender shall pay to the Administrative Agent an assignment fee of \$3,500 upon the execution by such Lender of the Assignment and Acceptance; provided that no such fee shall be payable upon any assignment by a Lender to an Affiliate of such Lender.

Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof (unless otherwise agreed to by the Administrative Agent), (A) the Purchasing Lender thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereby and (B) the Lender thereunder shall, to the extent provided in such assignment, be released from its obligations under this Agreement.

(c) Rights and Duties Upon Assignment. By executing and delivering an Assignment and Acceptance, the assigning Lender thereunder and the Purchasing Lender thereunder confirm to and agree with each other and the other parties hereto as set forth in such Assignment and Acceptance.

(d) Register. The Administrative Agent shall maintain a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders and the amount of the Extensions of Credit with respect to each Lender from time to time (the "Register"). The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Issuance of New Notes. Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and a Purchasing Lender together with any Note or Notes (if applicable) subject to such assignment and (if applicable) the written consent to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is substantially in the form of Exhibit G:

(i) accept such Assignment and Acceptance;

(ii) record the information contained therein in the Register;

(iii) give prompt notice thereof to the Lenders and the Borrower; and

(iv) promptly deliver a copy of such Assignment and Acceptance to the Borrower.

Within five (5) Business Days after receipt of notice, the Borrower shall execute and deliver to the Administrative Agent, in exchange for the surrendered Note or Notes, a new Note or Notes to the order of such Purchasing Lender (to the extent requested thereby) in amounts equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and a new Note or Notes to the order of the assigning Lender (to the extent requested thereby) in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of the assigned

Notes delivered to the assigning Lender. Each surrendered Note or Notes shall be canceled and returned to the Borrower. Notwithstanding anything in this Agreement to the contrary, any Lender which has not been issued a Note or Notes hereunder may at any time deliver a written request for a Note or Notes to the Administrative Agent and the Borrower. Within five (5) Business Days after receipt of notice, the Borrower shall execute and deliver to the Administrative Agent, a Note or Notes (as applicable) to the order of such Lender in amounts equal to the Commitment of such Lender. Upon receipt thereby, the Administrative Agent shall promptly deliver such Note or Notes to such Lender.

(f) Participations. Each Lender may, without notice to or the consent of the Borrower or the Administrative Agent, in the ordinary course of its commercial banking business and in accordance with Applicable Law, sell participations to one or more banks or other entities (any such bank or other entity, a "Participant") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Extensions of Credit and the Notes held by it); provided that:

(i) each such participation shall be in an amount not less than \$5,000,000;

(ii) such Lender's obligations under this Agreement (including, without limitation, its Commitment) shall remain unchanged;

(iii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations;

(iv) such Lender shall remain the holder of the Notes held by it for all purposes of this Agreement;

(v) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement;

(vi) such Lender shall not permit such Participant the right to approve any waivers, amendments or other modifications to this Agreement or any other Loan Document other than waivers, amendments or modifications which would reduce the principal of or the interest rate on any Loan or Reimbursement Obligation, extend the term or increase the amount of the Commitment, reduce the amount of any fees to which such Participant is entitled, extend any scheduled payment date for principal of any Loan or, except as expressly contemplated hereby or thereby, release substantially all of the Collateral or any Security Document; and

(vii) any such disposition shall not, without the consent of the Borrower require the Borrower to file a registration statement with the Securities and Exchange Commission to apply to qualify the Loans or the Notes under the blue sky law of any state.

The Borrower agrees that each Participant shall be entitled to the benefits of Section 4.7, Section 4.8, Section 4.9, Section 4.10, Section 4.11, Section 4.12, Section 4.13 and Section 13.3 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 13.10; provided that a Participant shall not be entitled to receive any greater payment under Section 4.7, Section 4.8, Section 4.9, Section 4.10, Section 4.11, Section 4.12, and Section 4.13 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent and such Participant shall have delivered to the Administrative Agent all United States Internal Revenue Service Forms required pursuant to Section 4.13(e).

(g) Disclosure of Information; Confidentiality. The Administrative Agent and the Lenders shall hold all non-public information with respect to the Borrower obtained pursuant to the Loan Documents (or any Hedging Agreement with a Lender or the Administrative Agent) in accordance with their customary procedures for handling confidential information; provided, that the Administrative Agent may disclose information relating to this Agreement to Gold Sheets and other similar bank trade publications, such information to consist of deal terms and other information customarily found in such publications and provided further, that the Administrative Agent or any Lender may disclose any such information to the extent such disclosure is (i) required by law or requested or required pursuant to any legal process, (ii) requested by, or required to be disclosed to, any rating agency, or regulatory or similar authority (including, without limitation, the National Association of Insurance

Commissioners) or (iii) used in any suit, action or proceeding for the purpose of defending itself, reducing its liability or protecting any of its claims, rights, remedies or interests under or in connection with the Loan Documents (or any Hedging Agreement with a Lender or the Administrative Agent). Any Lender may, in connection with any assignment, proposed assignment, participation or proposed participation pursuant to this Section 13.10, disclose to the Purchasing Lender, proposed Purchasing Lender, Participant, proposed Participant, or to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower; provided, that prior to any such disclosure, each such Purchasing Lender, proposed Purchasing Lender, Participant or proposed Participant, contractual counterparty or professional advisor shall agree to be bound by the provisions of this Section 13.10(g).

(h) Certain Pledges or Assignments. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement or any other Loan Document to secure obligations of such Lender, including, without limitation, any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute such pledgee or assignee for such Lender as a party hereto.

SECTION 13.11 Amendments, Waivers and Consents. Except as set forth below or as specifically provided in the Credit Agreement or any other Loan Document, any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents may be amended or waived by the Lenders, and any consent given by the Lenders, if, but only if, such amendment, waiver or consent is in writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and, in the case of an amendment, signed by the Borrower; provided that no amendment, waiver or consent shall (a) increase (i) the Commitment of any Lender, (ii) the Alternative Currency Commitment or (iii) the Swingline Commitment, (b) reduce the rate of interest or fees payable on any Loan or Reimbursement Obligation, (c) reduce or forgive the principal amount of any Loan or Reimbursement Obligation, (d) extend the originally scheduled time or times of payment of the principal of any Loan or Reimbursement Obligation or the time or times of payment of interest on any Loan or Reimbursement Obligation or any fee or commission with respect thereto, (e) permit any subordination of the principal or interest on any Loan or Reimbursement Obligation, (f) release the Borrower from the Obligations (other than Hedging Obligations) hereunder, (g) release any Subsidiary Guarantor from its obligations under the Subsidiary Guaranty Agreement, (h) permit any assignment (other than as specifically permitted or contemplated in this Agreement) of any of the Borrower's rights and obligations hereunder, (i) release any Collateral or any Security Documents (other than asset sales permitted pursuant to Section 10.5 and as otherwise specifically permitted or contemplated in this Agreement or the applicable Security Document), (j) amend the definition of Alternative Currency, (k) amend the provisions of this Section 13.11 or the definition of Required Lenders, or (l) extend the time of the obligation of the Lenders to make or issue or participate in Letters of Credit, in each case, without the prior written consent of each Lender. In addition, no amendment, waiver or consent to the provisions (a) of Article XII shall be made without the written consent of the Administrative Agent, (b) of Article III shall be made without the written consent of the Issuing Lender, (c) relating to Swingline Loans or the Swingline Facility shall be made without the written consent of the Swingline Lender and (d) relating to Alternative Currency Loans or the Alternative Currency Facility shall be made without the written consent of the Alternative Currency Lender.

SECTION 13.12 Performance of Duties. The Borrower's obligations under this Agreement and each of the other Loan Documents shall be performed by the Borrower at its sole cost and expense.

SECTION 13.13 All Powers Coupled with Interest. All powers of attorney and other authorizations granted to the Lenders, the Administrative Agent and any Persons designated by the Administrative Agent or any Lender pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied, any of the Commitments remain in effect or the Credit Facility has not been terminated.

SECTION 13.14 Survival of Indemnities. Notwithstanding any termination of this Agreement, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of this Article XIII and any other provision of this Agreement and the other Loan Documents shall continue in full

force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 13.15 Titles and Captions. Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

SECTION 13.16 Severability of Provisions. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 13.17 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

SECTION 13.18 Term of Agreement. This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations arising hereunder or under any other Loan Document shall have been indefeasibly and irrevocably paid and satisfied in full and all Commitments have been terminated. The Administrative Agent is hereby permitted to release all security interests in the capital stock or other ownership interests of the Material Foreign Subsidiaries pledged pursuant to the Collateral Agreement in favor of the Administrative Agent, for the ratable benefit of itself and the Lenders, upon repayment of the outstanding principal of and all accrued interest on the Loans, payment of all outstanding fees and expenses hereunder and the termination of the Lender's Commitments. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination.

SECTION 13.19 Advice of Counsel. Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel.

SECTION 13.20 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

SECTION 13.21 Inconsistencies with Other Documents; Independent Effect of Covenants.

(a) In the event there is a conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall control; provided, that any provision of the Security Documents which imposes additional burdens on the Borrower or its Subsidiaries or further restricts the rights of the Borrower or its Subsidiaries or gives the Administrative Agent or Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

(b) The Borrower expressly acknowledges and agrees that each covenant contained in Articles VIII, IX, or X hereof shall be given independent effect. Accordingly, the Borrower shall not engage in any transaction or other act otherwise permitted under any covenant contained in Articles VIII, IX, or X if, before or after giving effect to such transaction or act, the Borrower shall or would be in breach of any other covenant contained in Articles VIII, IX, or X.

SECTION 13.22 Continuity of Contract. The parties hereto agree that the occurrence or non-occurrence of EMU, any event or events associated with EMU and/or the introduction of the euro in any additional part of the European Union (a) will not result in the discharge, cancellation, rescission or termination in whole or in part of this Agreement or any other Loan Document, (b) will not give any party the right to cancel, rescind, terminate or vary this Agreement or any other Loan Document or (c) will not give rise to an Event of Default, in each case other than as specifically provided in this Agreement.

SECTION 13.23 Release of Collateral. The parties hereto agree that at Closing, all of the mortgages and security interests granted to the

Administrative Agent in the assets of the Borrower and its Subsidiaries pursuant to the Existing Credit Agreement, other than in the Collateral, shall be released. The Administrative Agent shall take such action and execute and deliver such documents, certificates and instruments as may be reasonably requested by Borrower to evidence the release contemplated hereby.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

BORROWER:

[CORPORATE SEAL]

COMPX INTERNATIONAL INC., as Borrower

By:

Name:

Title:

[Signature pages continued on the following page]

ADMINISTRATIVE AGENT AND LENDERS:

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Administrative Agent
and Lender

By:

Name:

Title:

[Signature pages continued on the following page]

COMPASS BANK, as Lender

By:

Name:

Title:

[Signature pages continued on the following page]

COMERICA BANK, as Lender

By: _____
Name: _____
Title: _____

Schedule 1.1(a)
to
Credit Agreement

Lenders and Commitments

LENDER	COMMITMENT PERCENTAGE	COMMITMENT
Wachovia Bank, National Association Charlotte Plaza, CP-8 201 South College Street Charlotte, North Carolina 28288-0680 Attention: Syndication Agency Services Telephone No.: (704) 374-2698 Telecopy No.: (704) 383-0288	50.00000%	\$25,000,000.00
Compass Bank 8080 N. Central Expway, Suite 250 Dallas, Texas 75206 Attention: Key Coker Telephone No.: 214-706-8044 Telecopy No.: 214-346-2746	25.00000%	\$12,500,000
Comerica Bank U.S. Banking Department- South 4100 Spring Valley Road, Suite 400 Dallas, Texas 75244 Attention: Janet L. Wheeler Telephone No.: 972-361-2652 Telecopy No.: 972-361-2550	25.00000%	\$12,500,000
TOTAL:	100%	\$50,000,000.00

Schedule 1.1(b)
To
Credit Agreement

Mandatory Cost Rate

- The Mandatory Cost Rate is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the United Kingdom's Financial Services Authority (the "Financial Services Authority") (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.
- On the first day of each Interest Period (or as soon as possible thereafter), the Administrative Agent shall calculate, as a percentage rate, a rate (the "Additional Cost Rate") for each Lender in accordance with the paragraphs set out below. The Mandatory Cost Rate will be calculated by the Administrative Agent as a weighted average of the

Lenders' Additional Cost Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.

3. The Additional Cost Rate for any Lender lending from a Lending Office in a Participating Member State will be the percentage notified by that Lender to the Administrative Agent. This percentage will be certified by that Lender in its notice to the Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Lending Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Lending Office.
4. The Additional Cost Rate for any Lender lending from a Lending Office in the United Kingdom will be calculated by the Administrative Agent as follows:

(a) in relation to a Loan denominated in Pounds Sterling:

$$\frac{AB+C(B-D)+E \times 0.01}{100-(A+C)} \text{ percent per annum}$$

(b) in relation to a Loan in denominated in any Alternative Currency other than Pounds Sterling:

$$\frac{E \times 0.01}{300} \text{ percent per annum}$$

Where:

- A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.
- B is LIBOR for the relevant Interest Period on the relevant Loan.
- C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as interest bearing Special Deposits with the Bank of England.
- D is the percentage rate per annum payable by the Bank of England to the Administrative Agent on interest bearing Special Deposits.
- E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Administrative Agent as being the average of the most recent rates of charge supplied by any applicable reference banks (the "Reference Banks") to the Administrative Agent pursuant to paragraph 7 below and expressed in pounds per (pound)1,000,000.

5. For the purposes of this Schedule 1.1(b):

- (a) "Eligible Liabilities" has the meaning given to it from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
- (b) "Fees Rules" means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;
- (c) "Fee Tariffs" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate); and
- (d) "Special Deposits" has the meanings given to it from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;
- (e) "Tariff Base" has the meaning given to it in, and will be calculated

in accordance with, the Fees Rules.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 percent will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.
7. If requested by the Administrative Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Administrative Agent the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per (pound)1,000,000 of the Tariff Base of that Reference Bank.
8. Each Lender shall supply any information required by the Administrative Agent for the purpose of calculating its Additional Cost Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:
 - (a) the jurisdiction of its Lending Office; and
 - (b) any other information that the Administrative Agent may reasonably require for such purpose.Each Lender shall promptly notify the Administrative Agent of any change to the information provided by it pursuant to this paragraph.
9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Lending Office in the same jurisdiction as its Lending Office.
10. The Administrative Agent shall have no liability to any person if such determination results in an Additional Cost Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.
11. The Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost Rate to the Lenders on the basis of the Additional Cost Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.
12. Any determination by the Administrative Agent pursuant to this Schedule 1.1(b) in relation to a formula, the Mandatory Cost Rate, an Additional Cost Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties.
13. The Administrative Agent may from time to time, after consultation with the Borrower and the Lenders, determine and notify to all parties of any amendments which are required to be made to this Schedule 1.1(b) in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties.

Existing Bond Documentation

[Attached hereto]

CREDIT AGREEMENT

dated as of December 23, 2005

by and among

COMPX INTERNATIONAL INC.
as Borrower,

the Lenders referred to herein,
as Lenders,

and

WACHOVIA BANK, NATIONAL ASSOCIATION,
as Administrative Agent

WACHOVIA SECURITIES, INC.,
as Sole Lead Arranger and Sole Book Manager

TABLE OF CONTENTS

Page

ARTICLE I	DEFINITIONS.....	1
SECTION 1.1	Definitions.....	1
SECTION 1.2	General.....	3
SECTION 1.3	Effectiveness of Euro Provisions.....	3
SECTION 1.4	Other Definitions and Provisions.....	3
ARTICLE II	REVOLVING CREDIT FACILITY.....	3
SECTION 2.1	Revolving Credit Loans.....	3
SECTION 2.2	Alternative Currency Loans.....	3
SECTION 2.3	Swingline Loans.....	3
SECTION 2.4	Procedure for Advances of Revolving Credit Loans, Alternative Currency Loans and Swingline Loans.....	3
SECTION 2.5	Repayment of Loans.....	3
SECTION 2.6	Notes.....	3
SECTION 2.7	Permanent Reduction of the Aggregate Commitment and the Alternative Currency Commitment.....	3
SECTION 2.8	Termination of Credit Facility.....	3
ARTICLE III	LETTER OF CREDIT FACILITY.....	3
SECTION 3.1	L/C Commitment.....	3
SECTION 3.2	Procedure for Issuance of Letters of Credit.....	3
SECTION 3.3	Commissions and Other Charges.....	3
SECTION 3.4	L/C Participations.....	3
SECTION 3.5	Reimbursement Obligation of the Borrower.....	3
SECTION 3.6	Obligations Absolute.....	3
SECTION 3.7	Effect of Application.....	3
ARTICLE IV	GENERAL LOAN PROVISIONS.....	3
SECTION 4.1	Interest.....	3
SECTION 4.2	Notice and Manner of Conversion or Continuation of Loans.....	3
SECTION 4.3	Fees.....	3
SECTION 4.4	Manner of Payment.....	3
SECTION 4.5	Crediting of Payments and Proceeds.....	3
SECTION 4.6	Adjustments.....	3
SECTION 4.7	Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent.....	3
SECTION 4.8.	Redenomination of Alternative Currency Loans.....	3
SECTION 4.9.	Regulatory Limitation.....	3
SECTION 4.10	Changed Circumstances.....	3
SECTION 4.11	Indemnity.....	3
SECTION 4.12	Capital Requirements.....	3

SECTION 4.13	Taxes.....	3
SECTION 4.14.	Other Consequential Changes.....	3
SECTION 4.15.	Replacement of Lenders.....	3
SECTION 4.16.	Security.....	3
ARTICLE V CLOSING; CONDITIONS OF CLOSING AND BORROWING.....3		
SECTION 5.1	Closing.....	3
SECTION 5.2	Conditions to Closing and Initial Extensions of Credit.....	3
SECTION 5.3	Conditions to All Extensions of Credit.....	3
ARTICLE VI REPRESENTATIONS AND WARRANTIES OF THE BORROWER.....3		
SECTION 6.1	Representations and Warranties.....	3
SECTION 6.2	Survival of Representations and Warranties, Etc.....	3
ARTICLE VII FINANCIAL INFORMATION AND NOTICES.....3		
SECTION 7.1	Financial Statements and Projections.....	3
SECTION 7.2	Officer's Compliance Certificate.....	3
SECTION 7.3	Other Reports.....	3
SECTION 7.4	Notices.....	3
SECTION 7.5	Accuracy of Information.....	3
ARTICLE VIII AFFIRMATIVE COVENANTS.....3		
SECTION 8.1	Preservation of Corporate Existence and Related Matters.....	3
SECTION 8.2	Maintenance of Property.....	3
SECTION 8.3	Insurance.....	3
SECTION 8.4	Accounting Methods and Financial Records.....	3
SECTION 8.5	Payment and Performance of Obligations.....	3
SECTION 8.6	Compliance With Laws and Approvals.....	3
SECTION 8.7	ERISA.....	3
SECTION 8.8	Compliance With Agreements.....	3
SECTION 8.9	Visits and Inspections.....	3
SECTION 8.10	Additional Subsidiaries and Additional Collateral.....	3
SECTION 8.11	Use of Proceeds.....	3
SECTION 8.12	Burdensome Provisions.....	3
SECTION 8.13	Titles to Properties.....	3
SECTION 8.14	Senior Debt Status.....	3
SECTION 8.15	Further Assurances.....	3
ARTICLE IX FINANCIAL COVENANTS.....3		
SECTION 9.1	Leverage Ratio.....	3
SECTION 9.2	Consolidated Net Worth.....	3
SECTION 9.3	Interest Coverage Ratio.....	3
SECTION 9.4	Capital Expenditures.....	3
ARTICLE X NEGATIVE COVENANTS.....3		
SECTION 10.1	Limitations on Debt.....	3
SECTION 10.2	Limitations on Liens.....	3
SECTION 10.3	Limitations on Loans, Advances, Investments and Acquisitions.....	3
SECTION 10.4	Limitations on Mergers and Liquidation.....	3
SECTION 10.5	Limitations on Sale of Assets.....	3
SECTION 10.6	Limitations on Dividends and Distributions.....	3
SECTION 10.7	Limitations on Exchange and Issuance of Capital Stock.....	3
SECTION 10.8	Transactions with Affiliates.....	3
SECTION 10.9	Certain Accounting Changes; Organizational Documents.....	3
SECTION 10.10	Amendments; Payments and Prepayments of Subordinated Debt.....	3
SECTION 10.11	Restrictive Agreements.....	3
SECTION 10.12	Nature of Business.....	3
SECTION 10.13	Impairment of Security Interests.....	3
SECTION 10.14	Subsidiaries.....	3
ARTICLE XI DEFAULT AND REMEDIES.....3		
SECTION 11.1	Events of Default.....	3
SECTION 11.2	Remedies.....	3
SECTION 11.3	Rights and Remedies Cumulative; Non-Waiver; etc.....	3
SECTION 11.4	Judgment Currency.....	3
ARTICLE XII THE ADMINISTRATIVE AGENT.....3		
SECTION 12.1	Appointment.....	3
SECTION 12.2	Delegation of Duties.....	3
SECTION 12.3	Exculpatory Provisions.....	3
SECTION 12.4	Reliance by the Administrative Agent.....	3
SECTION 12.5	Notice of Default.....	3
SECTION 12.6	Non-Reliance on the Administrative Agent and Other Lenders.....	3
SECTION 12.7	Indemnification.....	3
SECTION 12.8	The Administrative Agent in Its Individual Capacity.....	3
SECTION 12.9	Resignation of the Administrative Agent; Successor Administrative Agent.....	3
SECTION 12.10	Administrative Agent May File Proofs of Claim.....	3
ARTICLE XIII MISCELLANEOUS.....3		
SECTION 13.1	Notices.....	3
SECTION 13.2	Expenses; Indemnity.....	3
SECTION 13.3	Set-off.....	3
SECTION 13.4	Governing Law.....	3
SECTION 13.5	Jurisdiction and Venue.....	3
SECTION 13.6	Binding Arbitration; Waiver of Jury Trial.....	3
SECTION 13.7	Reversal of Payments.....	3
SECTION 13.8	Injunctive Relief; Punitive Damages.....	3
SECTION 13.9	Accounting Matters.....	3
SECTION 13.10	Successors and Assigns; Participations.....	3
SECTION 13.11	Amendments, Waivers and Consents.....	3
SECTION 13.12	Performance of Duties.....	3
SECTION 13.13	All Powers Coupled with Interest.....	3
SECTION 13.14	Survival of Indemnities.....	3
SECTION 13.15	Titles and Captions.....	3

SECTION 13.16	Severability of Provisions.....	3
SECTION 13.17	Counterparts.....	3
SECTION 13.18	Term of Agreement.....	3
SECTION 13.19	Advice of Counsel.....	3
SECTION 13.20	No Strict Construction.....	3
SECTION 13.21	Inconsistencies with Other Documents; Independent Effect of Covenants.....	3
SECTION 13.22	Continuity of Contract.....	3
SECTION 13.23	Release of Collateral.....	3

EXHIBITS AND SCHEDULES

EXHIBITS

Exhibit A-1	-	Form of Revolving Credit Note
Exhibit A-2	-	Form of Swingline Note
Exhibit A-3	-	Form of Alternative Currency Note
Exhibit B	-	Form of Notice of Borrowing
Exhibit C	-	Form of Notice of Account Designation
Exhibit D	-	Form of Notice of Prepayment
Exhibit E	-	Form of Notice of Conversion/Continuation
Exhibit F	-	Form of Officer's Compliance Certificate
Exhibit G	-	Form of Assignment and Acceptance
Exhibit H	-	Form of Subsidiary Guaranty Agreement
Exhibit I	-	Form of Collateral Agreement
Exhibit J	-	Form of Joinder Agreement

SCHEDULES

Schedule 1.1(a)	-	Lenders and Commitments
Schedule 1.1(b)	-	Mandatory Cost Rate
Schedule 1.1(c)	-	Existing Bond Documentation
Schedule 6.1(a)	-	Jurisdictions of Organization and Qualification
Schedule 6.1(b)	-	Subsidiaries and Capitalization
Schedule 6.1(i)	-	ERISA Plans
Schedule 6.1(l)	-	Labor and Collective Bargaining Agreements
Schedule 6.1(q)	-	Debt and Guaranty Obligations
Schedule 6.1(r)	-	Litigation
Schedule 10.2	-	Existing Liens
Schedule 10.3	-	Existing Loans, Advances and Investments
Schedule 10.8	-	Transactions with Affiliates

EXHIBIT 21.1 SUBSIDIARIES OF THE REGISTRANT

Name of Corporation -----	Jurisdiction of Incorporation or Organization -----	% of Voting Securities Held at December 31, 2005 -----
Waterloo Furniture Components Limited	Canada	100
CompX Security Products Inc.	Delaware	100
CompX Precision Slides Inc.	Michigan	100
CompX Asia Holding Corporation	Malaysia	100
Dynaslide Corporation	Taiwan	100
CompX (H.K.) Corp.	British Virgin Islands	100
CompX SFC, Inc.	Delaware	100
CompX Marine Inc.	Delaware	100
Custom Marine Acquisition Inc.	Delaware	100
JZTB Realty LLC	Wisconsin	100

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (Form S-8 Nos. 333-47539 and 333-56163) of CompX International Inc. of our report dated March 16, 2006 relating to the financial statements and financial statement schedule which appears in this 10-K.

PricewaterhouseCoopers LLP
Dallas, Texas
March 16, 2006

CERTIFICATION

I, David A. Bowers, the Vice Chairman of the Board, President and Chief Executive Officer of CompX International Inc., certify that:

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

Date: March 16, 2006

/s/David A. Bowers

David A. Bowers
Vice Chairman of the Board, President
and Chief Executive Officer

CERTIFICATION

I, Darryl R. Halbert, the Vice President, Chief Financial Officer and Controller of CompX International Inc., certify that:

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

Date: March 16, 2006

/s/Darryl R. Halbert

Darryl R. Halbert
Vice President, Chief Financial Officer
and Controller

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

In connection with the Annual Report of CompX International Inc. (the Company) on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, David A. Bowers, Vice Chairman of the Board, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/David A. Bowers

David A. Bowers
Vice Chairman of the Board, President and Chief Executive Officer
March 16, 2006

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

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

In connection with the Annual Report of CompX International Inc. (the Company) on Form 10-K for the period ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Darryl R. Halbert, Vice President, Chief Financial Officer and Controller of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/Darryl R. Halbert

Darryl R. Halbert
Vice President, Chief Financial Officer
and Controller
March 16, 2006

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