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, 2000

OR

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

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New Jersey	13-5267260
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
16825 Northchase Drive, Suite 1200, Houston, Texas	77060-2544
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (281) 423-3300

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

Title of each class	Name of each exchange on which registered
Common stock ($.125 par value)	New York Stock Exchange Pacific Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

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

Indicate by check mark 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. |X|

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 9, 2001 approximated $191 million.

There were 50,086,684 shares of common stock outstanding at March 9, 2001.

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 Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

Forward-Looking Information.

The statements contained in this Annual Report on Form 10-K ("Annual Report") which are not historical facts, including, but not limited to, statements found (i) under the captions "Industry," "Products and operations," "Manufacturing process and raw materials," "Competition," "Patents and Trademarks," "Foreign Operations," and "Regulatory and Environmental Matters," all contained in Item 1. Business; (ii) under the captions "Lead pigment litigation," "Environmental matters and litigation," and "Other Litigation," all contained in Item 3. Legal Proceedings; (iii) under the captions "Results of Operations" and "Liquidity and Capital Resources," both contained in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations; and (iv) under the captions "Currency exchange rates," "Marketable equity security prices," and "Other," all contained in 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," "will," "should," "anticipates," "expects," or comparable terminology or by discussions of strategy 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 risks and uncertainties that could significantly affect 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 the Company's other filings with the Securities and Exchange Commission. While it is not possible to identify all factors, the Company continues to face many risks and uncertainties including, but not limited to, the cyclicality of the titanium dioxide industry, global economic and political conditions, global productive capacity, customer inventory levels, changes in product pricing, competitive technology positions, operating interruptions (including, but not limited to, labor disputes, leaks, fires, explosions, unscheduled downtime and transportation interruptions), the ultimate resolution of pending or possible future lead pigment litigation and legislative developments related to the lead paint litigation, the outcome of other litigation, and other risks and uncertainties included in the Company's filings with the Securities and Exchange Commission. 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 assumes no duty to update any forward-looking statements whether as a result of new information, future events or otherwise.

PART I

ITEM 1. BUSINESS

General

NL Industries, Inc., organized as a New Jersey corporation in 1891, conducts its continuing operations through its principal wholly owned subsidiary, Kronos, Inc. Kronos is the world's fifth largest producer of titanium dioxide pigments ("TiO_2") with an estimated 12% share of worldwide TiO_2 sales volume in 2000. Approximately one-half of Kronos' 2000 sales volume was in Europe, where Kronos is the second largest producer of TiO_2. NL and its consolidated subsidiaries are sometimes referred to herein collectively as the "Company."

The Company's primary objective is to maximize total shareholder return. The Company has taken a number of steps towards achieving its objective, including (i) increasing its regular quarterly dividend to $.20 per share, (ii) controlling costs, (iii) investing in certain cost effective debottlenecking projects to increase TiO_2 production capacity and efficiency, and (iv) improving its capital structure. The Company periodically considers mergers or acquisitions within the chemical industry and acquisitions of additional TiO_2 production capacity to meet its objective.

Industry

Titanium dioxide pigments are chemical products used for imparting whiteness, brightness and opacity to a wide range of products, including paints, plastics, paper, fibers and ceramics. TiO2 is considered a "quality-of-life" product with demand affected by gross domestic product in various regions of the world.

Pricing within the global TiO2 industry is cyclical, and changes in industry economic conditions can significantly impact the Company's earnings and operating cash flows. The Company's average TiO2 selling price on a billing currency basis increased from the preceding quarter during each quarter of 2000, continuing the upward trend in prices that began in the fourth quarter of 1999. Industry-wide demand for TiO2 was strong throughout most of 2000, but weakened in the fourth quarter of 2000. The Company believes that the weaker demand in the fourth quarter was due to a softening worldwide economy and customers reducing inventory levels.

Kronos has an estimated 18% share of European TiO2 sales volume and an estimated 12% share of North American TiO2 sales volume. Per capita consumption of TiO2 in the United States and Western Europe far exceeds that in other areas of the world and these regions are expected to continue to be the largest consumers of TiO2. Significant regions for TiO2 consumption could emerge in Eastern Europe, the Far East or China if the economies in these regions develop to the point that quality-of-life products, including TiO2, are in greater demand. Kronos believes that, due to its strong presence in Western Europe, it is well positioned to participate in growth in consumption of TiO2 in Eastern Europe. Geographic segment information is contained in Note 3 to the Consolidated Financial Statements.

Products and operations

TiO2 is produced in two crystalline forms: rutile and anatase. Rutile TiO2 is a more tightly bound crystal that has a higher refractive index than anatase TiO2 and, therefore, better opacification and tinting

strength in many applications. Although many end-use applications can use either form of TiO2, rutile TiO2 is the preferred form for use in coatings, plastics and ink. Anatase TiO2 has a bluer undertone and is less abrasive than rutile TiO2, and it is often preferred for use in paper, ceramics, rubber and man-made fibers.

The Company believes that there are no effective substitutes for TiO2. However, extenders such as kaolin clays, calcium carbonate and polymeric opacifiers are used in a number of Kronos' markets. Generally, extenders are used to reduce to some extent the utilization of higher-cost TiO2. The use of extenders has not significantly changed TiO2 consumption over the past decade because, to date, extenders generally have failed to match the performance characteristics of TiO2. As a result, the Company believes that the use of extenders will not materially alter the growth of the TiO2 business in the foreseeable future.

Kronos currently produces over 40 different TiO2 grades, sold under the Kronos trademark, which provide a variety of performance properties to meet customers' specific requirements. Kronos' major customers include domestic and international paint, plastics and paper manufacturers.

Kronos is one of the world's leading producers and marketers of TiO2. Kronos and its distributors and agents sell and provide technical services for its products to over 4,000 customers with the majority of sales in Europe and North America. TiO2 is distributed by rail, truck and ocean carrier in either dry or slurry form. Kronos' manufacturing facilities are located in Germany, Canada, Belgium and Norway and Kronos owns a one-half interest in a TiO2 manufacturing joint venture located in Louisiana, U.S.A. Kronos has sales and marketing activities in over 100 countries worldwide. Kronos and its predecessors have produced and marketed TiO2 in North America and Europe for over 80 years. As a result, Kronos believes that it has developed considerable expertise and efficiency in the manufacture, sale, shipment and service of its products in domestic and international markets. By volume, approximately one-half of Kronos' 2000 TiO2 sales were to Europe, with 37% to North America and the balance to export markets.

Kronos is also engaged in the mining and sale of ilmenite ore (a raw material used as a feedstock by sulfate-process TiO2 plants) and has estimated ilmenite reserves that are expected to last at least 20 years. Kronos is also engaged in the manufacture and sale of iron-based water treatment chemicals (derived from co-products of the pigment production processes). Water treatment chemicals are used as treatment and conditioning agents for industrial effluents and municipal wastewater, and in the manufacture of iron pigments.

Manufacturing process and raw materials

TiO2 is manufactured by Kronos using both the chloride process and the sulfate process. Approximately two-thirds of Kronos' current production capacity is based on its chloride process which generates less waste than the sulfate process. The sulfate process is a batch chemical process that uses sulfuric acid to extract TiO2. Sulfate technology normally produces either anatase or rutile pigment. The chloride process is a continuous process in which chlorine is used to extract rutile TiO2. In general, the chloride process is also less intensive than the sulfate process in terms of capital investment, labor and energy. Because much of the chlorine is recycled and higher titanium-containing feedstock is used, the chloride process produces less waste. Once an intermediate TiO2 pigment has been produced by either the chloride or sulfate process, it is `finished' into products with specific performance characteristics for particular end-use applications through proprietary processes involving various chemical surface treatments and intensive milling and micronizing.

Due to environmental factors and customer considerations, the proportion of TiO2 industry sales represented by chloride-process pigments has increased relative to sulfate-process pigments and, in 2000, chloride-process production facilities represented almost 60% of industry capacity.

Kronos produced a record 441,000 metric tons of TiO2 in 2000, compared to 411,000 metric tons produced in 1999 and its previous record 434,000 metric tons in 1998. Kronos' average production capacity utilization rate in 2000 was near full capacity, up from 93% in 1999, primarily due to the Company's decision to return to higher production levels to meet strengthening demand after curtailing production volume at the beginning of the first quarter of 1999 to manage inventory levels. Kronos believes its current annual attainable production capacity is approximately 450,000 metric tons, including its one-half interest in the joint venture-owned Louisiana plant (see "TiO2 manufacturing joint venture"). The Company expects its production capacity will be increased by approximately 15,000 metric tons primarily at its chloride facilities, with moderate capital expenditures, bringing Kronos' capacity to approximately 465,000 metric tons during 2002.

The primary raw materials used in the TiO2 chloride production process are titanium-containing feedstock derived from beach sand ilmenite, natural rutile ore, chlorine and coke. Chlorine and coke are available from a number of suppliers. Titanium-containing feedstock suitable for use in the chloride process is available from a limited number of suppliers around the world, principally in Australia, South Africa, Canada, India and the United States.

Kronos purchases slag refined from beach sand ilmenite from Richards Bay Iron and Titanium (Proprietary) Limited (South Africa), a 51%-owned subsidiary of Rio Tinto plc (U.K.), under a long-term supply contract that expires at the end of 2003. Natural rutile ore is purchased primarily from Iluka Resources, Inc. (Australia), a wholly owned subsidiary of Westralian Sands Limited (Australia), under a long-term supply contract that expires at the end of 2005. The Company does not expect to encounter difficulties obtaining long-term extensions to existing supply contracts prior to the expiration of the contracts. Raw materials purchased under these contracts and extensions thereof are expected to meet Kronos' chloride feedstock requirements over the next several years.

The primary raw materials used in the TiO2 sulfate production process are titanium-containing feedstock derived primarily from rock and beach sand ilmenite and sulfuric acid. Sulfuric acid is available from a number of suppliers. Titanium-containing feedstock suitable for use in the sulfate process is available from a limited number of suppliers around the world. Currently, the principal active sources are located in Norway, Canada, Australia, India and South Africa. As one of the few vertically integrated producers of sulfate-process pigments, Kronos operates a rock ilmenite mine in Norway, which provided all of Kronos' feedstock for its European sulfate-process pigment plants in 2000. For its Canadian sulfate-process plant, Kronos also purchases sulfate grade slag from Q.I.T. Fer et Titane Inc. (Canada), a wholly owned subsidiary of Rio Tinto, under a long-term supply contract which expires in 2003.

Kronos believes the availability of titanium-containing feedstock for both the chloride and sulfate processes is adequate for the next several years. Kronos does not expect to experience any interruptions of its raw material supplies because of its long-term supply contracts. However, political and economic instability in certain countries from which the Company purchases its raw material supplies could adversely affect the availability of such feedstock. Should Kronos' vendors not be able to meet their contractual obligations or should Kronos be otherwise unable to obtain necessary raw materials, the Company may incur higher costs for raw materials or may be required to reduce production levels, which may have a material adverse effect on the Company's financial position, results of operations or liquidity.

TiO2 manufacturing joint venture

Subsidiaries of Kronos and Huntsman ICI Holdings ("Huntsman") each own a 50%-interest in a manufacturing joint venture, Louisiana Pigment Company ("LPC"). LPC owns and operates a chloride-process TiO2 plant located in Lake Charles, Louisiana. Production from the plant is shared equally by Kronos and Huntsman (the "Partners") pursuant to separate offtake agreements.

A supervisory committee, composed of four members, two of whom are appointed by each Partner, directs the business and affairs of LPC including production and output decisions. Two general managers, one appointed and compensated by each Partner, manage the operations of the joint venture acting under the direction of the supervisory committee.

The manufacturing joint venture operates on a break-even basis and, accordingly, the Company reports no equity in earnings of the joint venture. Kronos' cost for its share of the TiO2 produced is equal to its share of the joint venture's costs. Kronos' share of the joint venture's interest expense in 1998 was reported as a component of interest expense. Kronos' share of all other net costs is reported as cost of sales as the related TiO2 acquired from the joint venture is sold.

Competition

The TiO2 industry is highly competitive. Kronos competes primarily on the basis of price, product quality and technical service, and the availability of high performance pigment grades. Although certain TiO2 grades are considered specialty pigments, the majority of Kronos' grades and substantially all of Kronos' production are considered commodity pigments with price generally being the most significant competitive factor. During 2000 Kronos had an estimated 12% share of worldwide TiO2 sales volume, and Kronos believes that it is the leading seller of TiO2 in a number of countries, including Germany and Canada.

Kronos' principal competitors are E.I. du Pont de Nemours & Co. ("DuPont"); Millennium Chemicals, Inc.; Huntsman; Kerr-McGee Corporation; and Ishihara Sangyo Kaisha, Ltd. Kronos' five largest competitors have estimated individual shares of TiO2 production capacity ranging from 23% to 5%, and an estimated aggregate 70% share of worldwide TiO2 production volume. DuPont has about one-half of total U.S. TiO2 production capacity and is Kronos' principal North American competitor. In 2000 Kerr-McGee acquired Kemira Pigments Oy's TiO2 businesses in the Netherlands and the U.S.

Capacity additions that are the result of construction of greenfield plants in the worldwide TiO2 market require significant capital and substantial lead time, typically three to five years in the Company's experience. No greenfield plants have been announced, but industry capacity can be expected to increase as Kronos and its competitors debottleneck existing plants. Based on the factors described under the caption "Industry" above, the Company expects that the average annual increase in industry capacity from announced debottlenecking projects will be less than the average annual demand growth for TiO2 over the next three to five years.

No assurance can be given that future increases in the TiO2 industry production capacity and future average annual demand growth rates for TiO2 will conform to the Company's expectations. If actual developments differ from the Company's expectations, the Company and the TiO2 industry's performance could be unfavorably affected.

Discontinued operations

On January 30, 1998, the Company sold its specialty chemicals business for $465 million. The Company has reported its specialty chemicals business as discontinued operations.

Research and Development

The Company's expenditures for research and development and certain technical support programs, excluding discontinued operations, have averaged approximately $6 million annually during the past three years. Research and development activities are conducted principally at the Leverkusen, Germany facility. Such activities are directed primarily toward improving both the chloride and sulfate production processes, improving product quality and strengthening Kronos' competitive position by developing new pigment applications.

Patents and Trademarks

Patents held for products and production processes are believed to be important to the Company and to the continuing business activities of Kronos. The Company continually seeks patent protection for its technical developments, principally in the United States, Canada and Europe, and from time to time enters into licensing arrangements with third parties.

The Company's major trademarks, including Kronos, are protected by registration in the United States and elsewhere with respect to those products it manufactures and sells.

Foreign Operations

The Company's chemical businesses have operated in non-U.S. markets since the 1920s. Most of Kronos' current production capacity is located in Europe and Canada with non-U.S. net property and equipment aggregating $316 million at December 31, 2000. Net property and equipment in the U.S., including 50% of the property and equipment of the TiO2 manufacturing joint venture, was $140 million at December 31, 2000. Kronos' European operations include production facilities in Germany, Belgium and Norway. Approximately $639 million of the Company's 2000 consolidated sales were to non-U.S. customers, including $106 million to customers in areas other than Europe and Canada. Sales to customers in the U.S. aggregated $283 million in 2000. Foreign operations are subject to, among other things, currency exchange rate fluctuations and the Company's results of operations have, in the past, been both favorably and unfavorably affected by fluctuations in currency exchange rates. Effects of fluctuations in currency exchange rates on the Company's results of operations are discussed in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A. "Quantitative and Qualitative Disclosures about Market Risk."

Political and economic uncertainties in certain of the countries in which the Company operates may expose it 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. The Company's manufacturing and mining operations are also subject to extensive and diverse environmental regulation in each of the foreign countries in which they operate. See "Regulatory and Environmental Matters."

Customer Base and Seasonality

The Company believes that neither its aggregate sales nor those of any of its principal product groups are concentrated in or materially dependent upon any single customer or small group of customers. Kronos' largest ten customers accounted for 24% of net sales in 2000. Neither the Company's business as a whole nor that of any of its principal product groups is seasonal to any significant extent. Due in part to the increase in paint production in the spring to meet the spring and summer painting season demand, TiO2 sales are generally higher in the second and third calendar quarters than in the first and fourth calendar quarters.

Employees

As of December 31, 2000, the Company employed approximately 2,500 persons, excluding the joint venture employees, with approximately 100 employees in the United States and approximately 2,400 at sites outside the United States. Hourly employees in production facilities worldwide, including the TiO2 manufacturing joint venture, are represented by a variety of labor unions, with labor agreements having various expiration dates. The Company believes its labor relations are good.

Regulatory and Environmental Matters

Certain of the Company's businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws. As with other companies engaged in similar businesses, certain past and current operations and products of the Company have the potential to cause environmental or other damage. The Company has implemented and continues to implement various policies and programs in an effort to minimize these risks. The policy of the Company is to maintain compliance with applicable environmental laws and regulations at all its facilities and to strive to improve its environmental performance. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could adversely affect the Company's production, handling, use, storage, transportation, sale or disposal of such substances as well as the Company's consolidated financial position, results of operations or liquidity.

The Company's U.S. manufacturing operations are governed by federal environmental and worker health and safety laws and regulations, principally the Resource Conservation and Recovery Act ("RCRA"), the Occupational Safety and Health Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act and the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA"), as well as the state counterparts of these statutes. The Company believes the Louisiana plant owned and operated by the joint venture and a slurry facility owned by the Company are in substantial compliance with applicable requirements of these laws or compliance orders issued thereunder. The Company has no other U.S. plants. From time to time, the Company's facilities may be subject to environmental regulatory enforcement under such statutes. Resolution of such matters typically involves the establishment of compliance programs. Occasionally, resolution may result in the payment of penalties, but to date such penalties have not involved amounts having a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company's European and Canadian production facilities operate in an environmental regulatory framework in which governmental authorities typically are granted broad discretionary powers which allow them to issue operating permits required for the plants to operate. The Company believes that all its plants are in substantial compliance with applicable environmental laws.

While the laws regulating operations of industrial facilities in Europe vary from country to country, a common regulatory denominator is provided by the European Union (the "EU"). Germany and Belgium are members of the EU and follow its initiatives. Norway, although not a member, generally patterns its environmental regulatory actions after the EU. The Company believes that Kronos is in substantial compliance with agreements reached with European regulatory authorities and with an EU directive to control the effluents produced by TiO2 production facilities.

The Company has a contract with a third party to treat certain effluents of its German sulfate-process plants. Either party may terminate the contract after giving four years advance notice with regard to its Nordenham, Germany plant. Under certain circumstances, Kronos may terminate the contract after giving six months notice with respect to treatment of effluents from the Leverkusen, Germany plant.

The Company completed in 2000 an $8 million landfill expansion for its Belgian plant which is expected to provide the plant with twenty years of storage space for neutralized chloride-process solids.

The Company's capital expenditures related to its ongoing environmental protection and improvement programs are currently expected to be approximately $6 million in 2001 and $5 million in 2002.

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, pursuant to CERCLA and similar state laws in approximately 75 governmental and private actions associated with waste disposal sites, mining locations and facilities currently or previously owned, operated or used by the Company, or its subsidiaries, or their predecessors, certain of which are on the U.S. Environmental Protection Agency's ("U.S. EPA") Superfund National Priorities List or similar state lists. See Item 3. "Legal Proceedings."

Principal Shareholders

At December 31, 2000, Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 60% and 20%, respectively, of NL's outstanding common stock. At December 31, 2000, Contran and its subsidiaries held approximately 93% of Valhi's outstanding common stock, and a subsidiary of Valhi and NL held approximately 80% of Tremont'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 the sole trustee. Mr. Simmons, the Chairman of the Board of NL and the Chairman of the Board and Chief Executive Officer of Contran and Valhi and a director of Tremont, may be deemed to control each of such companies.

ITEM 2. PROPERTIES

Kronos currently operates four TiO2 facilities in Europe (Leverkusen and Nordenham, Germany; Langerbrugge, Belgium; and Fredrikstad, Norway). In North America, Kronos has a facility in Varennes, Quebec, Canada and, through the manufacturing joint venture described above, a one-half interest in a plant in Lake Charles, Louisiana. The Company also owns a slurry plant in Lake Charles, Louisiana. The

Company's Fredrikstad TiO2 plant has a lien on it that secures a claim by Norwegian tax authorities, pending resolution of certain tax litigation. See Notes 9 and 12 to the Consolidated Financial Statements.

Kronos' principal German operating subsidiary leases the land under its Leverkusen TiO2 production facility pursuant to a lease expiring in 2050. The Leverkusen facility, with about one-third of Kronos' current TiO2 production capacity, is located within an extensive manufacturing complex owned by Bayer AG. Kronos is the only unrelated party so situated. Under a separate supplies and services agreement expiring in 2011, Bayer provides some raw materials, auxiliary and operating materials and utilities services necessary to operate the Leverkusen facility. Both the lease and the supplies and services agreement have certain restrictions regarding Kronos' ability to transfer ownership or use of the Leverkusen facility.

All of Kronos' principal production facilities described above are owned, except for the land under the Leverkusen facility. Kronos has a governmental concession with an unlimited term to operate its ilmenite mine in Norway.

The Company has under lease various corporate and administrative offices located in the U.S. and various sales offices located in the U.S., France, the Netherlands, Denmark and the U.K.

ITEM 3. LEGAL PROCEEDINGS

Lead pigment litigation

The Company was formerly involved in the manufacture of lead pigments for use in paint and lead-based paint. The Company has been named as a defendant or third party defendant in various legal proceedings alleging that the Company and other manufacturers are responsible for personal injury, property damage and governmental expenditures allegedly associated with the use of lead pigments. The Company is vigorously defending such litigation. Considering the Company's previous involvement in the lead pigment and lead-based paint businesses, there can be no assurance that additional litigation, similar to that described below, will not be filed. In this regard, the Company is aware that the City Council of the City of Milwaukee, Wisconsin has authorized the filing of litigation against former lead pigment manufacturers. While the suit has not yet been filed, the Company believes that the suit may seek to recover costs associated with diagnosing and treating children who have been exposed to lead-based paint and the cost of abating lead-based paint in the City's public housing. In addition, it is possible that other governmental entities may take similar action in the future.

In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to (a) impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and (b) effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage, and bills which would revive actions barred by the statute of limitations. While no legislation or regulations have been enacted to date which are expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity, the imposition of market share liability or other legislation could have such an effect.

The Company has not accrued any amounts for the pending lead pigment and lead-based paint litigation. There is no assurance that the Company will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings in pending and possible future cases. However, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment and lead-based paint litigation is without merit. Liability that may result, if any, cannot reasonably be estimated.

In 1989 and 1990 the Housing Authority of New Orleans ("HANO") filed third-party complaints for indemnity and/or contribution against the Company, other alleged manufacturers of lead pigment (together with the Company, the "pigment manufacturers") and the Lead Industries Association (the "LIA") in 14 actions commenced by residents of HANO units seeking compensatory and punitive damages for injuries allegedly caused by lead pigment. The actions, which were pending in the Civil District Court for the Parish of Orleans, State of Louisiana, were dismissed by the district court in 1990. Subsequently, HANO agreed to consolidate all the cases and appealed. In March 1992 the Louisiana Court of Appeals, Fourth Circuit, dismissed HANO's appeal as untimely with respect to three of these cases. With respect to the other cases included in the appeal, the court of appeals reversed the lower court decision dismissing the cases. These cases were remanded to the District Court for further proceedings. In November 1994 the District Court granted defendants' motion for summary judgment in one of the remaining cases and in June 1995 the District Court granted defendants' motion for summary judgment in several of the remaining cases. After such grant, only two cases remain pending and have been inactive since 1992, Hall v. HANO, et al. (No. 89-3552) and Allen v. HANO, et al. (No. 89-427) Civil District Court for the Parish of Orleans, State of Louisiana.

In June 1989 a complaint was filed in the Supreme Court of the State of New York, County of New York, against the pigment manufacturers and the LIA. Plaintiffs seek damages, contribution and/or indemnity in an amount in excess of $50 million for monitoring and abating alleged lead paint hazards in public and private residential buildings, diagnosing and treating children allegedly exposed to lead paint in city buildings, the costs of educating city residents to the hazards of lead paint, and liability in personal injury actions against the City and the Housing Authority based on alleged lead poisoning of city residents (The City of New York, the New York City Housing Authority and the New York City Health and Hospitals Corp. v. Lead Industries Association, Inc., et al., No. 89-4617). In December 1991 the court granted the defendants' motion to dismiss claims alleging negligence and strict liability and denied the remainder of the motion. In January 1992 defendants appealed the denial. In May 1993 the Appellate Division of the Supreme Court affirmed the denial of the motion to dismiss plaintiffs' fraud, restitution and indemnification claims. In May 1994 the trial court granted the defendants' motion to dismiss the plaintiffs' restitution and indemnification claims, and plaintiffs appealed. In June 1996 the Appellate Division reversed the trial court's dismissal of plaintiffs' restitution and indemnification claims, reinstating those claims. In December 1998 plaintiffs moved for partial summary judgment on their claims of market share, alternative liability, enterprise liability, and concert of action. In February 1999 plaintiffs New York City and New York City Health and Hospital Corporation dismissed with prejudice all their claims and were no longer parties to the case. Also in February 1999 the New York City Housing Authority dismissed with prejudice all of its claims except for claims for damages relating to two housing projects. In September 1999 the trial court denied the plaintiffs' motions for summary judgment on market share and conspiracy issues and denied defendants' April 1999 motion for summary judgment on statute of limitations grounds. In September 2000 the First Department denied plaintiffs' appeal of the trial court's denial of plaintiffs' motion for summary judgment on the market share issue. Discovery is proceeding.

In August 1992 the Company was served with an amended complaint in Jackson, et al. v. The Glidden Co., et al., Court of Common Pleas, Cuyahoga County, Cleveland, Ohio (Case No. 236835). Plaintiffs seek compensatory and punitive damages for personal injury caused by the ingestion of lead, and an order directing defendants to abate lead-based paint in buildings. Plaintiffs purport to represent a class of similarly situated persons throughout the State of Ohio. The amended complaint asserts causes of action under theories of strict liability, negligence per se, negligence, breach of express and implied warranty, fraud, nuisance, restitution, and negligent infliction of emotional distress. The complaint asserts several theories of liability including joint and several, market share, enterprise and alternative liability. Plaintiffs moved for class certification in October 1998, and all briefing on the issue was completed in April 1999. No decision regarding class certification has been issued by the trial court.

In November 1993 the Company was served with a complaint in Brenner, et al. v. American Cyanamid, et al., (No. 12596-93) Supreme Court, State of New York, Erie County alleging injuries to two children purportedly caused by lead pigment. The complaint seeks $24 million in compensatory and $10 million in punitive damages for alleged negligent failure to warn, strict liability, fraud and misrepresentation, concert of action, civil conspiracy, enterprise liability, market share liability, and alternative liability. In June 1998 defendants moved for partial summary judgment dismissing plaintiffs' market share and alternative liability claims. In January 1999 the trial court granted defendants' summary judgment motion to dismiss the alternative liability and enterprise liability claims, but denied defendants' motion to dismiss the market share liability claim. In May 1999 defendants appealed the denial of their motion to dismiss the market share liability claim. The Fourth Department intermediate appellate court in December 1999 reversed the trial court and dismissed the market share claim. The case was remanded to the trial court for further proceedings on the remaining claims and in June 2000 the trial court dismissed all remaining claims. Plaintiffs have filed a notice of appeal.

In April 1997 the Company was served with a complaint in Parker v. NL Industries, et al. (Circuit Court, Baltimore City, Maryland, No. 97085060 CC915). Plaintiff, now an adult, and his wife, seek compensatory and punitive damages from the Company, another former manufacturer of lead paint and a local paint retailer, based on claims of negligence, strict liability and fraud, for plaintiff's alleged ingestion of lead paint as a child. In February 1998 the Court dismissed the fraud claim. In June 2000, following a two-week trial, the jury returned a verdict for the Company. Plaintiffs have abandoned their appeal.

In December 1998 the Company was served with a complaint on behalf of four children and their guardians in Sabater, et al. v. Lead Industries Association, et al. (Supreme Court of the State of New York, County of Bronx, Index No. 25533/98). Plaintiffs purport to represent a class of all children and mothers similarly situated in New York City. The complaint alleges against the Company, the LIA, and other former manufacturers of lead pigment various causes of action including negligence, strict products liability, fraud and misrepresentation, concert of action, civil conspiracy, enterprise liability, market share liability, breach of warranties, nuisance, and violation of New York State's consumer protection act. The complaint seeks damages for establishment of property abatement and medical monitoring funds and compensatory damages for alleged injuries to plaintiffs. In February 2000 the trial court granted defendants' motions to dismiss the product defect, express warranty, nuisance and consumer fraud statute claims. In October 2000 defendants filed a third-party complaint against the Federal Home Loan Mortgage Corporation (FHLMC), and FHLMC removed the case to federal court in the Southern District of New York and moved to dismiss the claims. Plaintiffs have moved to remand the case to state court.

In September 1999 an amended complaint was filed in Thomas v. Lead Industries Association, et al. (Circuit Court, Milwaukee, Wisconsin, Case No. 99-CV-6411) adding as defendants the Company and seven other companies alleged to have manufactured lead products in paint to a suit originally filed against plaintiff's landlords. Plaintiff, a minor, alleges injuries purportedly caused by lead on the surfaces of premises in homes in which he resided. Plaintiff seeks compensatory and punitive damages. Plaintiff alleges strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, and enterprise liability causes of action against the Company, seven other alleged former manufacturers of lead products contained in paint, and the LIA. In January 2000 the Company filed an answer denying all wrongdoing and liability. In June 2000 the trial court granted defendants' January 2000 motion to dismiss the product defect and Wisconsin consumer protection statute claims. Discovery is proceeding.

In October 1999 the Company was served with a complaint in State of Rhode Island v. Lead Industries Association, et al. (Superior Court of Rhode Island, No. 99-5226). Rhode Island, by and through its Attorney General, seeks compensatory and punitive damages for medical, school, and public and private building abatement expenses that the State alleges were caused by lead paint, and for funding of a public education campaign and screening programs. Plaintiff seeks judgments of joint and several liability against the Company, seven other companies alleged to have manufactured lead products in paint, and the LIA. Plaintiffs allege public nuisance, violation of the Rhode Island Unfair Trade Practices and Consumer Protection Act, strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentation and omissions, civil conspiracy, unjust enrichment, indemnity, and equitable relief to protect children. In January 2000 defendants moved to dismiss all claims. The court has not ruled.

In October 1999 the Company was served with a complaint in Cofield, et al. v. Lead Industries Association, et al. (Circuit Court for Baltimore City, Maryland, Case No. 24-C-99-004491). Plaintiffs, six homeowners, seek to represent a class of all owners of nonrental residential properties in Maryland. Plaintiffs seek compensatory and punitive damages for the existence of lead-based paint in their homes, including funds for monitoring, detecting and abating lead-based paint in those residences. Plaintiffs allege that the Company, fourteen other companies alleged to have manufactured lead pigment, paint and/or gasoline additives, the LIA, and the National Paint and Coatings Association are jointly and severally liable for alleged negligent product design, negligent failure to warn, supplier negligence, strict liability/defective design, strict liability/failure to warn, nuisance, indemnification, fraud and deceit, conspiracy, concert of action, aiding and abetting, and enterprise liability. Plaintiffs seek damages in excess of $20,000 per household. In October 1999 defendants removed the case to Maryland federal court. In February 2000 defendants moved to dismiss the design defect, fraud and deceit, indemnification and nuisance claims. In March 2000 the Federal trial court (No. MJG-99-3277) denied plaintiffs' motion to remand to State Court. In April 2000 defendants filed an additional motion to dismiss all claims for lack of product identification. In August 2000 the federal court dismissed the fraud and deceit, indemnification, and nuisance claims, and remanded the case to Maryland state court. In August 2000 plaintiffs also filed a third amended complaint, with the case renamed Young, et al. v. Lead Industries, Association, et al.. In November 2000 defendants filed motions to dismiss all remaining claims except conspiracy and aiding and abetting. The court has not ruled. Class discovery is proceeding.

In October 1999 the Company was served with a complaint in Smith, et al. v. Lead Industries Association, et al. (Circuit Court for Baltimore City, Maryland, Case No. 24-C-99-004490). Plaintiffs, six minors, each seek compensatory damages of $5 million and punitive damages of $10 million. Plaintiffs allege that the Company, fourteen other companies alleged to have manufactured lead pigment, paint and/or

gasoline additives, the LIA, and the National Paint and Coatings Association are jointly and severally liable for alleged negligent product design, negligent failure to warn, supplier negligence, fraud and deceit, conspiracy, concert of action, aiding and abetting, strict liability/ failure to warn, and strict liability/defective design. In October 1999 defendants removed the case to Maryland federal court and in November 1999 the case was remanded to state court. In February 2000 the Company answered the complaint and denied all wrongdoing and liability, and all defendants filed motions to dismiss the product defect and fraud and deceit claims. In June 2000 defendants moved to dismiss all claims for lack of product identification. The court has not ruled.

In February 2000 the Company was served with a complaint in City of St. Louis v. Lead Industries Association, et al. (Missouri Circuit Court 22nd Judicial Circuit, St. Louis City, Cause No. 002-245, Division 1). The City of St. Louis seeks compensatory and punitive damages for its expenses discovering and abating lead, detecting lead poisoning and providing medical care, educational programs for City residents, and the costs of educating children suffering injuries due to lead exposure. Plaintiff seeks judgments of joint and several liability against the Company, eight other companies alleged to have manufactured lead products for paint, and the LIA. Plaintiff alleges claims of public nuisance, product liability, negligence, negligent misrepresentation, fraudulent misrepresentation, civil conspiracy, unjust enrichment, and indemnity. In March 2000 defendants removed the case to Missouri federal court. In April 2000 plaintiff filed a motion to remand to State Court and an amended complaint seeking to add additional Missouri defendant residents. In May 2000 defendants moved to dismiss all claims. The court has not ruled.

In April 2000 the Company was served with a complaint in County of Santa Clara v. Atlantic Richfield Company, et al. (Superior Court of the State of California, County of Santa Clara, Case No. CV788657). The County of Santa Clara seeks to represent a class of California governmental entities (other than the state and its agencies). The County seeks from defendants, eight present or former pigment or paint manufacturing companies and the LIA, compensatory damages for funds the plaintiffs have expended for medical treatment, educational expenses, abatement or other costs due to exposure to, or potential exposure to, lead paint, disgorgement of profit, and punitive damages. Plaintiff alleges causes of action for violations of the California Business and Professions Code, strict product liability, negligence, fraud and concealment, unjust enrichment, and indemnity, and includes market share liability allegations. Defendants filed demurrers to the original complaint in August 2000 and to the first amended complaint in October 2000. In December 2000 the Court dismissed all claims except the claim for fraud, but granted plaintiffs leave to amend. The plaintiffs filed a second amended complaint in January 2001 that included as plaintiffs: Santa Cruz, Solano, Alameda, San Francisco, and Kern counties; the cities of San Francisco and Oakland; the Oakland and San Francisco unified school districts and housing authorities; and the Oakland Redevelopment Agency. The second amended complaint omits indemnification and unjust enrichment claims, but adds public and private nuisance claims.

In June 2000 two complaints were filed in Texas state court, Spring Branch Independent School District v. Lead Industries Association, et al. (District Court of Harris County, Texas, No. 2000-31175), and Houston Independent School District v. Lead Industries Association, et al. (District Court of Harris County, Texas, No. 2000-33725). The School Districts seek past and future damages and exemplary damages for costs they have allegedly incurred due to the presence of lead-based paint in their buildings from the Company, the LIA and seven other companies sued as former manufacturers of lead-based paint. Plaintiffs allege claims for design defect and marketing defect, negligent product design and failure to warn, fraudulent misrepresentation, negligent misrepresentation, concert of action, conspiracy, and indemnity. In October

2000 the Company filed answers in both cases denying all allegations of wrongdoing and liability. Discovery is proceeding.

In June 2000 a complaint was filed in Illinois state court, Lewis, et al. v. Lead Industries Association, et al. (Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 00CH09800). Plaintiffs seek to represent two classes, one of all minors between ages six months and six years who resided in housing in Illinois built before 1978, and one of all individuals between ages six and twenty years who lived between ages six months and six years in Illinois housing built before 1978 and had blood lead levels of 10 micrograms/deciliter or more. The complaint seeks a medical screening fund for the first class to determine blood lead levels, a medical monitoring fund for the second class to detect the onset of latent diseases, and a fund for a public education campaign. The complaint seeks to hold jointly and severally liable the Company, the LIA, and seven other companies sued as former manufacturers of lead pigment and/or lead paint. Plaintiffs allege claims for negligent product design, negligent failure to warn, strict products liability, violation of the Illinois Consumer Fraud Act, fraud by omission, market share liability, civil conspiracy, concert of action, enterprise liability and alternative liability. In October 2000 defendants moved to dismiss all claims. In November 2000 plaintiffs moved to amend the complaint. Plaintiffs filed an amended complaint in January 2001.

In October 2000 the Company was served with a complaint filed in California state court. Justice, et al. v. Sherwin-Williams Company, et al. (Superior Court of California, County of San Francisco, No. 314686). Plaintiffs are two minors who seek general, special and punitive damages for injuries alleged to be due to ingestion of paint containing lead in their residence. Defendants are the Company, the LIA, and nine other companies sued as former manufacturers of lead paint. Plaintiffs allege claims for negligence, strict products liability, concert of action, market share liability, and intentional tort. The Company answered the complaint in December 2000 denying all allegations of wrongdoing and liability.

In January 2001 the Company was served with a complaint in Gaines, et al., v. The Sherwin-Williams Company, et al. (Circuit Court of Jefferson County, Mississippi, Civil Action No. 2000-0604). The complaint seeks joint and several liability for compensatory and punitive damages from the Company, Sherwin-Williams, and four local retailers on behalf of a minor and his mother alleging injuries due to lead pigment and/or paint. The complaint alleges strict liability, negligence, and fraudulent concealment and misrepresentation claims. In February 2001 the Company removed the case to federal court. In March 2001 the Company moved to dismiss the negligence and fraudulent concealment and misrepresentation claims.

In February 2001 the Company was served with a complaint in Borden, et al. v. The Sherwin-Williams Company, et al. (Circuit Court of Jefferson County, Mississippi, Civil Action No. 2000-587). The complaint seeks joint and several liability for compensatory and punitive damages from more than 40 manufacturers and retailers of lead pigment and/or paint, including the Company, on behalf of 18 adult residents of Mississippi who were allegedly exposed to lead during their employment in construction and repair activities. The complaint asserts strict liability, negligence, fraudulent concealment and misrepresentation, and medical monitoring claims. The Company intends to deny all allegations of wrongdoing and liability.

The Company believes that the foregoing lead pigment actions are without merit and intends to continue to deny all allegations of wrongdoing and liability and to defend such actions vigorously.

The Company has filed actions seeking declaratory judgment and other relief against various insurance carriers with respect to costs of defense and indemnity coverage for certain of its environmental and lead pigment litigation. NL Industries, Inc. v. Commercial Union Insurance Cos., et al., Nos. 90-2124, -2125 (HLS) (District Court of New Jersey). The action relating to lead pigment litigation defense costs filed in May 1990 against Commercial Union Insurance Company ("Commercial Union") sought to recover defense costs incurred in the City of New York lead pigment case and two other lead pigment cases which have since been resolved in the Company's favor. The action relating to lead paint litigation defense costs has been settled. The Company has also settled insurance coverage claims concerning environmental claims with certain of the defendants in the New Jersey environmental coverage litigation, including the Company's principal former carriers, as more fully described below. The settled claims are to be dismissed from the New Jersey litigation in accordance with the terms of the settlement agreements. The Company also continues to negotiate with several other insurance carriers with respect to possible settlement of claims that are being asserted in the New Jersey environmental litigation, although there can be no assurance that settlement agreements can be reached with these other carriers. No further material settlements relating to litigation concerning environmental remediation coverage are expected.

Other than granting motions for summary judgment brought by two excess liability insurance carriers, which contended that their policies contained absolute pollution exclusion language, and certain summary judgment motions regarding policy periods and ruling regarding choice of law issues, the Court has not made any final rulings on defense costs or indemnity coverage with respect to the Company's pending environmental litigation. Nor has the Court made any final ruling on indemnity coverage in the lead pigment litigation. No trial dates have been set. Other than rulings to date, the issue of whether insurance coverage for defense costs or indemnity or both will be found to exist depends upon a variety of factors, and there can be no assurance that such insurance coverage will exist in other cases. The Company has not considered any potential insurance recoveries for lead pigment or environmental litigation in determining related accruals.

Environmental matters and litigation

The Company has been named as a defendant, PRP, or both, pursuant to CERCLA and similar state laws in approximately 75 governmental and private actions associated with waste disposal sites, mining locations and facilities currently or previously owned, operated or used by the Company, or its subsidiaries, or their predecessors, certain of which are on the U.S. EPA's Superfund National Priorities List or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage, and/or damages for injury to natural resources. Certain of these proceedings involve claims for substantial amounts. Although the Company may be jointly and severally liable for such costs, in most cases it is only one of a number of PRPs who may also be jointly and severally liable.

The extent of CERCLA liability cannot accurately be determined until the Remedial Investigation and Feasibility Study ("RIFS") is complete, the U.S. EPA issues a record of decision and costs are allocated among PRPs. The extent of liability under analogous state cleanup statutes and for common law equivalents are subject to similar uncertainties. The Company believes it has provided adequate accruals for reasonably estimable costs for CERCLA matters and other environmental liabilities. At December 31, 2000, the Company had accrued $110 million for those environmental matters which are reasonably estimable. The Company determines the amount of accrual on a quarterly basis by analyzing and estimating the range of possible costs to the Company. Such costs include, among other things, expenditures for remedial investigations, monitoring, managing, studies, certain legal fees, cleanup, removal and remediation. It is

not possible to estimate the range of costs for certain sites. The Company has estimated that the upper end of the range of reasonably possible costs to the Company for sites for which it is possible to estimate costs is approximately $170 million. The Company's estimate of such liability has not been discounted to present value and the Company has not reduced its accruals for any potential insurance recoveries. No assurance can be given that actual costs will not exceed either accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes with respect to site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. Furthermore, there can be no assurance that additional environmental matters will not arise in the future. More detailed descriptions of certain legal proceedings relating to environmental matters are set forth below.

In June 2000 the Company recognized a $43 million net gain from a settlement with one of the two principal former insurance carriers, and in December 2000 the Company recognized a $26.5 million net gain from a settlement with certain members of the other principal former insurance carrier. The settlement gains are stated net of $3.1 million in commissions, and the gross settlement proceeds of $72.6 million were transferred by the carriers to special purpose trusts established to pay future remediation and other environmental expenditures of the Company. A settlement with remaining members of the second carrier group was reached in January 2001, and the Company expects to recognize a $10 million gain in the first quarter of 2001. The settlements resolved court proceedings that the Company initiated to seek reimbursement for legal defense expenditures and indemnity coverage for certain of its environmental remediation expenditures.

In July 1991 the United States filed an action in the U.S. District Court for the Southern District of Illinois against the Company and others (United States of America v. NL Industries, Inc., et al., Civ. No. 91-CV 00578) with respect to the Granite City, Illinois lead smelter formerly owned by the Company. The complaint seeks injunctive relief to compel the defendants to comply with an administrative order issued pursuant to CERCLA, and fines and treble damages for the alleged failure to comply with the order. The Company and the other parties did not implement the order, believing that the remedy selected by the U.S. EPA was invalid, arbitrary, capricious and was not selected in accordance with law. The complaint also seeks recovery of past costs and a declaration that the defendants are liable for future costs. Although the action was filed against the Company and ten other defendants, there are 330 other PRPs who have been notified by the U.S. EPA. Some of those notified were also respondents to the administrative order. In September 1995 the U.S. EPA released its amended decision selecting cleanup remedies for the Granite City site. In September 1997 the U.S. EPA informed the Company that past and future cleanup costs are estimated to total approximately $63.5 million. In 1999 the U.S. EPA and certain other PRPs entered into a consent decree settling their liability at the site for approximately 50% of the site costs. The Company and the U.S. EPA reached an agreement in principle in 1999 to settle the Company's liability at the site for $31.5 million. The Company and the U.S. EPA are negotiating a consent decree embodying the terms of this agreement in principle.

The Company reached an agreement in 1999 with the other PRPs at a formerly owned lead smelter site in Pedricktown, New Jersey to settle the Company's liability for $6 million, of which $3.2 million has been paid as of December 31, 2000. The settlement does not resolve issues regarding the Company's potential liability in the event site costs exceed $21 million. The

Company does not presently expect site costs to exceed such amount and has not provided accruals for such contingency.

In 1998 the Company reached an agreement to settle litigation with the other PRPs at a lead smelter site in Portland, Oregon that was formerly owned by the Company. Under the agreement, the Company agreed to pay a portion of future cleanup costs. In 2000 the construction of the remediation was completed and is now in the operation and maintenance phase.

In 2000 the Company reached an agreement with the other PRPs at the Baxter Springs subsite in Cherokee County, Kansas, to resolve the Company's liability. The Company and others formerly mined lead and zinc in the Baxter Springs subsite. Under the agreement, the Company agreed to pay a portion of the cleanup costs associated with the Baxter Springs subsite. The U.S. EPA has estimated the total cleanup costs in the Baxter Springs subsite to be $5.4 million. The remedial design phase of the cleanup is underway.

In 1996 the U.S. EPA ordered the Company to perform a removal action at a formerly owned facility in Chicago, Illinois. The Company has complied with the order and has completed the on-site work at the facility. The Company is conducting an investigation regarding potential offsite contamination.

Residents in the vicinity of the Company's former Philadelphia lead chemicals plant commenced a class action allegedly comprised of over 7,500 individuals seeking medical monitoring and damages allegedly caused by emissions from the plant. Wagner, et al. v. Anzon, Inc. and NL Industries, Inc., No. 87-4420, Court of Common Pleas, Philadelphia County. The complaint sought compensatory and punitive damages from the Company and the current owner of the plant, and alleged causes of action for, among other things, negligence, strict liability, and nuisance. A class was certified to include persons who resided, owned or rented property, or who work or have worked within up to approximately three-quarters of a mile from the plant from 1960 through the present. The Company answered the complaint, denying liability. In December 1994 the jury returned a verdict in favor of the Company. Plaintiffs appealed to the Pennsylvania Superior Court and in September 1996 the Superior Court affirmed the judgment in favor of the Company. In December 1996 plaintiffs filed a petition for allowance of appeal to the Pennsylvania Supreme Court, which was declined. Residents also filed consolidated actions in the United States District Court for the Eastern District of Pennsylvania, Shinozaki v. Anzon, Inc. and Wagner and Antczak v. Anzon and NL Industries, Inc. Nos. 87-3441, 87-3502, 87-4137 and 87-5150. The consolidated action is a putative class action seeking CERCLA response costs, including cleanup and medical monitoring, declaratory and injunctive relief and civil penalties for alleged violations of the RCRA, and also asserting pendent common law claims for strict liability, trespass, nuisance and punitive damages. The court dismissed the common law claims without prejudice, dismissed two of the three RCRA claims as against the Company with prejudice, and stayed the case pending the outcome of the state court litigation.

In 2000 the Company reached an agreement with the other PRPs at the Batavia Landfill Superfund Site in Batavia, New York to resolve the Company's liability. The Batavia Landfill is a former industrial waste disposal site. Under the agreement, the Company agreed to pay 40% of the future remedial construction costs, which the U.S. EPA has estimated to be approximately $11 million. Under the settlement, the Company is not responsible for costs associated with the operation and maintenance of the remedy. In connection with the settlement, the U.S. EPA waived approximately $4 million in past response costs. In addition, the Company received approximately $2 million from settling PRPs. The remedial design phase of the remedy is underway.

In October 2000 the Company was served with a complaint in Pulliam, et al. v. NL Industries, Inc., et al., No. 49DO20010CT001423, filed in superior court in Marion County, Indiana, on behalf of an alleged class of all persons and entities who own or have owned property or have resided within a one-mile radius of an industrial facility formerly owned by the Company in Indianapolis, Indiana. Plaintiffs allege that they and their property have been injured by lead dust and particulates from the facility and seek unspecified actual and punitive damages and a removal of all alleged lead contamination. In December 2000 the Company filed an answer denying all allegations of wrongdoing and liability. Discovery is proceeding.

See Item 1. "Business - Regulatory and Environmental Matters."

Other litigation

The Company has been named as a defendant in various lawsuits in a variety of jurisdictions alleging personal injuries as a result of occupational exposure to asbestos, silica and/or mixed dust in connection with formerly owned operations. Various of these actions remain pending, including the following matters.

In March 1997 the Company was served with a complaint in Ernest Hughes, et al. v. Owens-Corning Fiberglass, Corporation, et al., No. 97-C-051, filed in the Fifth Judicial District Court of Cass County, Texas, on behalf of approximately 4,000 plaintiffs and their spouses alleging injury due to exposure to asbestos and seeking compensatory and punitive damages. The Company has filed an answer denying the material allegations. The case has been inactive since 1998.

In February 1999 and October 2000 the Company was served with complaints in Cosey, et al. v. Bullard, et al., No. 95-0069, and Pierce, et al. v. GAF, et al., No. 2006-150, filed in the Circuit Court of Jefferson County, Mississippi, on behalf of approximately 1,600 plaintiffs and 275 plaintiffs, respectively, alleging injury due to exposure to asbestos and/or silica and seeking compensatory and punitive damages. The Cosey case was removed to federal court and has been transferred to the eastern district of Pennsylvania for consolidated proceedings. The Company has filed answers in both cases denying the material allegations of the complaint.

In addition, the Company is a defendant in various asbestos cases pending in Ohio, Indiana and West Virginia on behalf of approximately 4,600 personal injury claimants.

In August and September 2000 the Company and one of its subsidiaries, NLO, Inc. ("NLO"), were named as defendants in four lawsuits filed in federal court in the western district of Kentucky against the Department of Energy ("DOE") and a number of other defendants alleging that nuclear material supplied by, among others, the Feed Material Production Center ("FMPC") in Fernald, Ohio, owned by the DOE and formerly managed under contract by NLO, harmed employees and others at the DOE's Paducah, Kentucky Gaseous Diffusion Plant ("PGDP"). With respect to each of the cases listed below, the Company believes that the DOE is obligated to provide defense and indemnification pursuant to its contract with NLO, and pursuant to its statutory obligation to do so, as the DOE has in several previous cases relating to management of the FMPC, and the Company has so advised the DOE. Answers in the four cases have not been filed. The Company and NLO have moved to dismiss Rainer I. The Company and NLO intend to deny all allegations of wrongdoing and liability and to defend the cases vigorously.

* In Rainer, et al. v. E.I. du Pont de Nemours, et al., ("Rainer I") No. 5:00CV-223-J, plaintiffs purport to represent a class of former employees at the PGDP and members of their households and seek

actual and punitive damages of $5 billion each for alleged negligence, infliction of emotional distress, ultra-hazardous activity/strict liability and strict products liability.

* In Rainer, et al. v. Bill Richardson, et al., No. 5:00CV-220-J, plaintiffs purport to represent the same classes regarding the same matters alleged in Rainer I, and allege a violation of constitutional rights and seek the same recovery sought in Rainer I.

* In Dew, et al. v. Bill Richardson, et al., No. 5:00CV00221R, plaintiffs purport to represent classes of all PGDP employees who sustained pituitary tumors or cancer as a result of exposure to radiation and seek actual and punitive damages of $2 billion each for alleged violation of constitutional rights, assault and battery, fraud and misrepresentation, infliction of emotional distress, negligence, ultra-hazardous activity/strict liability, strict products liability, conspiracy, concert of action, joint venture and enterprise liability, and equitable estoppel.

* In Shaffer, et al. v. Atomic Energy Commission, et al., No. 5:00CV00307M, plaintiffs purport to represent classes of PGDP employees and household members, subcontractors at PGDP, and landowners near the PGDP and seek actual and punitive damages of $1 billion each and medical monitoring for the same counts alleged in Dew.

The Company is also involved in various other environmental, contractual, product liability and other claims and disputes incidental to its present and former businesses, and the disposition of past properties and former businesses.

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, 2000.

PART II

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

NL's common stock is listed and traded on the New York Stock Exchange and the Pacific Exchange under the symbol "NL." As of March 9, 2001, there were approximately 6,000 holders of record of NL common stock. The following table sets forth the high and low sales prices for NL common stock on the New York Stock Exchange ("NYSE") Composite Tape. On March 9, 2001, the closing price of NL common stock according to the NYSE Composite Tape was $19.63.

	High	Low	Dividends Declared
Year ended December 31, 1999:			
First quarter	$14-15/16	$ 8-3/4	$ .035
Second quarter	13-9/16	9-1/16	.035
Third quarter	13-5/16	11-1/8	.035
Fourth quarter	15-7/16	9-3/4	.035
Year ended December 31, 2000:			
First quarter	$ 16-3/8	$ 13	$ .15
Second quarter	19	13-1/8	.15
Third quarter	24-3/8	15-1/2	.15
Fourth quarter	25	18-15/16	.20

The Company's indenture to its Senior Notes limits the ability of the Company to pay dividends, acquire treasury shares and make other restricted payments, as defined. The aggregate amount of dividends and other restricted payments since October 1993 may not exceed 50% of the aggregate consolidated net income, as defined in the indenture, since October 1993. At December 31, 2000, $20 million was available for restricted payments including dividends, acquisition of treasury shares and affiliate stock purchases.

In October 2000 the Company increased the regular quarterly dividend to $.20 per share and subsequently paid a $.20 per share cash dividend in the fourth quarter of 2000. On February 7, 2001, the Company's Board of Directors declared a regular quarterly dividend of $.20 per share to shareholders of record as of March 14, 2001 to be paid on March 28, 2001. The declaration and payment of future dividends is discretionary, and the amount, if any, will be dependent upon the Company's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Company's Board of Directors.

Pursuant to its share repurchase program, the Company purchased 1,682,000 shares of its common stock at an aggregate cost of $30.9 million in 2000 and 552,000 shares of its common stock in the open market at an aggregate cost of $7.2 million in 1999. Approximately 766,000 additional shares are available for purchase under the Company's share repurchase program. The available shares may be purchased over an unspecified period of time, and are to be held as treasury shares available for general corporate purposes.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations." Certain amounts have been reclassified to conform with the current year's consolidated financial statement presentation.

	Years ended December 31,				
	2000	1999	1998	1997	1996
	(In millions, except per share amounts)				
INCOME STATEMENT DATA:					
Net sales	$ 922.3	$ 908.4	$ 894.7	$ 837.2	$ 851.2
Operating income	212.5	145.7	171.2	82.5	71.6
Income (loss) from continuing operations	155.3	159.8	89.9	(29.9)	(11.7)
Net income (loss)	154.6	159.8	366.7	(9.5)	10.8
Earnings per share:					
Basic:					
Income (loss) from continuing operations	$ 3.08	$ 3.09	$ 1.75	$ (.58)	$ (.23)
Net income (loss)	3.07	3.09	7.13	(.19)	.21
Diluted:					
Income (loss) from continuing operations	$ 3.06	$ 3.08	$ 1.73	$ (.58)	$ (.23)
Net income (loss)	3.05	3.08	7.05	(.19)	.21
Cash dividends	$ .65	$ .14	$ .09	$ --	$ .30
BALANCE SHEET DATA at year end:					
Cash, cash equivalents, current marketable securities, current and noncurrent restricted cash equivalents	$ 207.6	$ 151.8	$ 163.1	$ 106.1	$ 114.1
Current assets	553.8	506.4	546.8	454.9	500.2
Total assets	1,120.8	1,056.2	1,155.6	1,098.5	1,221.4
Current liabilities	298.0	264.8	310.7	276.7	290.3
Long-term debt including current maturities	196.1	244.5	357.6	744.2	829.0
Shareholders' equity (deficit)	344.5	271.1	152.3	(222.3)	(203.5)
CASH FLOW DATA:					
Operating activities	$ 139.7	$ 108.3	$ 45.1	$ 89.2	$ 16.5
Investing activities	(56.2)	(38.4)	417.3	(11.1)	(68.4)
Financing activities	(95.7)	(88.0)	(396.2)	(82.6)	26.6
Operating, investing and financing activities	(12.2)	(18.1)	66.2	(4.5)	(25.3)
OTHER NON-GAAP FINANCIAL DATA:					
EBITDA (1)	$ 286.3	$ 162.5	$ 187.4	$ 67.6	$ 90.7
OTHER DATA:					
Net debt at year end (2)	$ 58.5	$ 149.8	$ 226.7	$ 652.0	$ 740.7
Interest expense, net (3)	22.9	30.3	43.1	63.0	64.6
Cash interest expense, net (4)	23.8	28.6	24.8	39.9	44.2
Capital expenditures	31.1	35.6	22.4	28.2	64.2

	Years ended December 31,				
	2000	1999	1998	1997	1996
	(In millions, except per share amounts)				
TiO2 OPERATING STATISTICS:					
Average selling price in billing currencies index (1983=100)	162	153	154	133	139
Sales volumes (metric tons in thousands)	436	427	408	427	388
Production volume (metric tons in thousands) ...	441	411	434	408	373
Production capacity at beginning of year (metric tons in thousands)	440	440	420	400	390
Production rate as a percentage of capacity	Full	93%	Full	Full	95%

(1) EBITDA, as presented, represents operating income less corporate expense, plus (i) litigation settlement gains, net, (ii) other corporate income and (iii) depreciation, depletion and amortization. EBITDA is presented as a supplement to the Company's operating income and cash flow from operations because the Company believes that EBITDA is a widely accepted financial indicator of cash flows and the ability to service debt. EBITDA should not be considered as an alternative to, or more meaningful than, operating income or net income determined under generally accepted accounting principles ("GAAP") as an indicator of the Company's operating performance, or cash flows from operating, investing and financing activities determined under GAAP as a measure of liquidity. EBITDA is not intended to depict funds available for reinvestment or other discretionary uses, as the Company has significant debt requirements and other commitments. Investors should consider certain factors in evaluating the Company's EBITDA, including interest expense, income taxes, noncash income and expense items, changes in assets and liabilities, capital expenditures, investments in joint ventures and other items included in GAAP cash flows as well as future debt repayment requirements and other commitments, including those described in Notes 9, 12 and 17 to the Consolidated Financial Statements. The Company believes that the trend of its EBITDA is consistent with the trend of its GAAP operating income, except in (i) 1997 when EBITDA decreased and operating income increased from 1996 amounts due to a $30 million noncash charge related to the Company's adoption of SOP 96-1, "Environmental Remediation Liabilities" and (ii) 2000 when $70 million of net litigation settlement gains are included in EBITDA and excluded from operating income, which treatment results in a higher percentage increase over 1999 for EBITDA as compared to the percentage increase over 1999 for operating income. See "Management's Discussion and Analysis" for a discussion of operating income and cash flows during the last three years and the Company's outlook. EBITDA as a measure of a company's performance may not be comparable to other companies, unless substantially all companies and analysts determine EBITDA as computed and presented herein.

(2) Net debt represents notes payable and long-term debt less cash, cash equivalents, current marketable securities and current and noncurrent restricted cash equivalents.

(3) Interest expense, net represents interest expense less general corporate interest and dividend income.

(4) Cash interest expense, net represents interest expense, net as defined in (3) above less noncash interest expense plus noncash interest income. Noncash interest expense includes deferred interest expense on the Senior Secured Discount Notes in 1996 through 1998 and amortization of deferred financing costs. Noncash interest income includes interest income on restricted cash in 2000.

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

RESULTS OF OPERATIONS

General

The Company's continuing operations are conducted by Kronos in the TiO2 business segment. As discussed below, average TiO2 selling prices in billing currencies increased in 2000 and slightly decreased in 1999 compared to the prior year. Kronos' operating income increased $66.8 million in 2000 and declined $25.5 million in 1999. Gross profit margins were 34% in 2000, 27% in 1999 and 31% in 1998.

Many factors influence TiO2 pricing levels, including (i) industry capacity, (ii) worldwide demand growth, (iii) customer inventory levels and purchasing decisions and (iv) relative changes in foreign currency exchange rates. Kronos believes that the TiO2 industry has long-term growth potential, as discussed in "Item 1. Business - Industry" and "- Competition."

	Years ended December 31,			% Change	
	2000	1999	1998	2000-99	1999-98
	(In millions)				
Net sales and operating income					
Net sales	$922.3	$908.4	$894.7	+2%	+2%
Operating income	$212.5	$145.7	$171.2	+46%	-15%
Operating income margin percentage	23%	16%	19%		
TiO2 operating statistics					
Percent change in average selling prices (in billing currencies)				+6%	-1%
Sales volume (metric tons in thousands)	436	427	408	+2%	+5%
Production volume (metric tons in thousands).	441	411	434	+7%	-5%
Production rate as a percent of capacity	Full	93%	Full		

Kronos' operating income for 2000 was higher than 1999 due to higher average TiO2 selling prices in billing currencies and higher production and sales volumes. Kronos' operating income in 1999 was lower than 1998, primarily due to lower average TiO2 selling prices and lower production volume, partially offset by higher sales volume.

Average TiO2 selling prices in billing currencies (which excludes the effects of foreign currency translation) during 2000 were 6% higher than in 1999 with higher prices in all major regions with the greatest improvement being realized in the European and export markets. Pigment prices increased from the preceding quarter during each quarter of 2000, continuing the upward trend that began in the fourth quarter of 1999. The rate of price increases slowed in the fourth quarter to 1% over the third quarter of 2000, and prices at the end of the fourth quarter of 2000 were slightly lower than the average for the quarter. Since prices began to increase in the fourth quarter of 1999, prices have increased an aggregate of 16% in Europe and 3% in North America over the five-quarter period. Average TiO2 selling prices in 1999 were 1% lower than 1998 with higher prices in North America offset by lower prices in Europe and export markets.

Record sales volume of 436,000 metric tons of TiO2 in 2000 was 2% higher than 1999, primarily due to higher sales in Europe and North America. Kronos' sales volume in the fourth quarter of 2000 decreased 16% from the record fourth quarter of 1999. Approximately one-half of Kronos' 2000 TiO2 sales volume was attributable to markets in Europe with approximately 37% attributable to North America, and the balance to other regions. Sales volume in 1999 was 5% higher than 1998 with growth in all major regions. Industry-wide demand was strong for the first half of 1998, before moderating in the second half of 1998 and early 1999. Demand in the second half of 1999 and the first three quarters of 2000 was stronger than comparable year-earlier periods as a result of, among other things, customers buying in advance of anticipated price increases. Demand softened in the fourth quarter of 2000.

The Company's record production volume of 441,000 metric tons in 2000 was 7% higher than the 411,000 metric tons produced in 1999. Operating rates were near full capacity in 2000 compared to 93% in 1999. Kronos' production volume in 1999 was 5% lower than the 434,000 metric tons produced in 1998 with operating rates near full capacity in 1998. Production volume was curtailed in the beginning of the first quarter of 1999 in order to manage inventory levels. Finished goods inventory levels increased in the fourth quarter of 2000 and at the end of 2000 represent about two months of sales.

The Company's efforts to debottleneck Kronos' production facilities to meet long-term demand continue to prove successful. The Company expects Kronos' production capacity of 450,000 metric tons at the end of 2000 will be increased to approximately 465,000 metric tons during 2002, primarily at its chloride facilities, with moderate capital expenditures.

Industry demand in 2001 is expected to heavily depend upon worldwide economic conditions. The Company believes 2001 sales and production volumes should approximate 2000 levels. The price increase that was originally scheduled for October 2000 in North America has not been implemented due to market conditions. The Company recently announced a European price increase of euro 140 per metric ton scheduled to be implemented late in the first quarter and early in the second quarter of 2001. The Company believes that its average 2001 prices will approximate its average 2000 prices. The extent to which Kronos can realize these or other price increases in 2001 will depend on market conditions.

Kronos expects its operating income in the first quarter of 2001 will be comparable to the first quarter of 2000. Operating income for the balance of 2001 will depend on worldwide economic conditions. If the economy continues to soften, selling prices and sales volume could be lower than expected and full year 2001 operating income would likely be below 2000 levels factoring in higher anticipated costs, particularly energy. However, if demand strengthens later in the year the Company should be able to realize price increases. Kronos believes this would put its operating income closer to or above the 2000 level. The Company's expectations as to the future prospects of the Company and the TiO_2 industry are based upon a number of factors beyond the Company's control, including continued worldwide growth of gross domestic product, competition in the market place, unexpected or earlier-than-expected capacity additions and technological advances. If actual developments differ from the Company's expectations, the Company's performance could be unfavorably affected.

Excluding the effects of foreign currency translation, which reduced the Company's expenses in both 2000 and 1999 compared to the year-earlier periods, Kronos' cost of sales in 2000 was lower than 1999 primarily due to lower unit costs, which resulted primarily from higher production levels. Kronos' cost of sales in 1999 was higher than 1998 due to higher sales volume and higher unit costs, which resulted primarily from lower production levels. Cost of sales, as a percentage of net sales, decreased in 2000 primarily due to the

impact on net sales of higher average selling prices and lower unit costs, and increased in 1999 primarily due to the impact on net sales of lower average selling prices and higher unit costs.

Excluding the effects of foreign currency translation, which reduced the Company's expense in both 2000 and 1999 compared to the year-earlier periods, selling, general and administrative expenses ("SG&A"), excluding corporate expenses, increased in 2000 from the year-earlier period primarily due to higher variable compensation expense and higher selling and distribution expenses associated with higher 2000 sales volumes. SG&A, excluding corporate expenses, increased in 1999 from the year-earlier period due to higher selling and distribution expenses associated with higher 1999 sales volume. SG&A, excluding corporate expenses, as a percentage of net sales, was 12% in each of 2000, 1999 and 1998. See discussion of corporate expenses below.

The Company has substantial operations and assets located outside the United States (principally Germany, Norway, Belgium and Canada). The Company's non-U.S. sales and operating costs are subject to currency exchange rate fluctuations which may impact reported earnings and may affect the comparability of period-to-period revenues and expenses expressed in U.S. dollars. A significant amount of the Company's sales (59% in 2000) are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. Certain purchases of raw materials, primarily titanium-containing feedstocks, are denominated in U.S. dollars, while labor and other production costs are primarily denominated in local currencies. Fluctuations in the value of the U.S. dollar relative to other currencies, primarily a stronger U.S. dollar compared to the euro, decreased sales by $68 million and $15 million during 2000 and 1999, respectively, compared to the year-earlier period. When translated to U.S. dollars using currency exchange rates prevailing during the respective periods, Kronos' average selling prices for 2000 decreased 1% from 1999. Kronos' average selling prices in U.S. dollars for 1999 decreased 3% from 1998. The effect of the stronger U.S. dollar on Kronos' operating costs that are not denominated in U.S. dollars reduced operating costs in 2000 and 1999 compared to the respective prior year. In addition, sales to export markets are typically denominated in U.S. dollars and a stronger U.S. dollar improves margins on these sales at the Company's non-U.S. subsidiaries. The favorable margin on export sales tends to offset the unfavorable effect of translating local currency profits to U.S. dollars when the dollar is stronger. As a result, the net impact of currency exchange rate fluctuations on operating income in 2000 and 1999, excluding the 1999 $5.3 million foreign currency transaction gain, was not significant when compared to the year-earlier periods.

General corporate

The following table sets forth certain information regarding general corporate income (expense).

	Years ended December 31,			Change	
	2000	1999	1998	2000-99	1999-98
			(In millions)		
Securities earnings:					
Interest and dividends	$ 8.3	$ 6.6	$ 14.9	$ 1.7	$ (8.3)
Securities gains, net	2.5	--	--	2.5	--
Corporate income	73.7	4.6	4.4	69.1	.2
Corporate expense	(29.6)	(21.5)	(22.7)	(8.1)	1.2
Interest expense	(31.2)	(36.9)	(58.1)	5.7	21.2
	$ 23.7	$ (47.2)	$ (61.5)	$ 70.9	$ 14.3

Corporate interest and dividend income, including noncash interest income on restricted cash balances, fluctuate in part based upon the amount of funds invested and yields thereon. Average funds invested in 2000 were higher than 1999 primarily due to the increase in restricted cash related to the $43.0 million litigation settlement in July 2000. Average funds invested in 1999 were lower than 1998 primarily due to the repayment of certain of the Company's debt in the last half of 1998.

Securities gains, net in 2000 includes a second-quarter $5.6 million securities gain related to common stock received from the demutualization of an insurance company from which the Company had purchased certain insurance policies and a fourth-quarter $3.1 million noncash securities loss related to an other-than-temporary decline in value of certain available-for-sale securities held by the Company. See Note 4 to the Consolidated Financial Statements.

Corporate income in 2000 includes a $69.5 million net gain from settlements with former insurance carriers. In January 2001 the Company reached a $10 million settlement with the remaining group of its principal former insurance carriers and expects to report the gain in the first quarter of 2001. No further material settlements relating to litigation concerning environmental remediation coverage are expected. See Note 14 to the Consolidated Financial Statements. The Company recognized $4.0 million in both 2000 and 1999 and $3.7 million in 1998 of income related to the straight-line, five-year amortization of $20 million of proceeds received in conjunction with the sale of its specialty chemicals business attributable to a five-year agreement by the Company not to compete in the rheological products business.

Corporate expense in 2000 was higher than 1999, primarily as a result of higher legal and environmental expenses. The Company expects corporate expense in 2001 will be slightly lower than 2000 primarily due to lower legal and environmental expenses.

Interest expense in 2000 declined compared to 1999 primarily due to reduced levels of outstanding euro-denominated debt. Interest expense in 1999 declined compared to 1998 due to the prepayment of the Company's former Deutsche mark bank credit facility in 1999 and prepayments of outstanding indebtedness in 1998, principally the Senior Secured Discount Notes, a joint venture term loan and a portion of the Company's former DM bank credit facility. Assuming no significant change in interest rates, interest expense in 2001 is expected to be lower compared to 2000 due to (i) lower levels of outstanding indebtedness and

(ii) lower average interest rates as a result of the December 2000 refinancing of $50 million of the Company's high fixed-rate public debt with lower variable-rate bank debt.

Provision for income taxes

The principal reasons for the difference between the U.S. federal statutory income tax rates and the Company's effective income tax rates are explained in Note 12 to the Consolidated Financial Statements. The Company's operations are conducted on a worldwide basis and the geographic mix of income can significantly impact the Company's effective income tax rate. In 2000 the Company's effective income tax rate varied from the normally expected rate primarily due to the geographic mix of income, changes in the German income tax "base" rate and the recognition of certain deductible tax assets which previously did not meet the "more-likely-than-not" recognition criteria. In 1999 and 1998 the Company's effective tax rate varied from the normally expected rate due predominantly to the recognition of certain deductible tax attributes which previously did not meet the "more-likely-than-not" recognition criteria. Also in 2000, 1999 and 1998, the Company recognized certain one-time benefits related to German tax settlements.

Effective January 1, 2001, the Company and its qualifying subsidiaries will be included in the consolidated United States federal tax return of Contran (the "Contran Tax Group"). As a member of the Contran Tax Group, the Company is a party to a tax sharing agreement (the "Contran Tax Agreement"). The Contran Tax Agreement provides that the Company compute its provision for U.S. income taxes on a separate company basis using the tax elections made by Contran. Pursuant to the Contran Tax Agreement, and using the tax elections made by Contran, the Company will make payments to or receive payments from Valhi in amounts it would have paid to or received from the Internal Revenue Service had it not been a member of the Contran Tax Group. Refunds are limited to amounts previously paid under the Contran Tax Agreement.

Other

Minority interest primarily relates to the Company's majority-owned environmental management subsidiary, NL Environmental Management Services, Inc. ("EMS"). EMS was established in 1998, at which time EMS contractually assumed certain of the Company's environmental liabilities. EMS' earnings are based, in part, upon its ability to favorably resolve these liabilities on an aggregate basis. The minority interest shareholders of EMS actively manage the environmental liabilities and share in 39% of EMS' cumulative earnings, as defined in the formation documents. The Company includes liabilities contractually assumed by EMS in its consolidated balance sheet.

Discontinued operations in 1998 represent the Company's former specialty chemicals operation which was sold in January 1998. The extraordinary items in 2000 and 1998 resulted from early extinguishment of debt.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows, including certain discontinued operations in 1998, for each of the past three years are presented below.

	Years ended December 31,		
	2000	1999	1998
	(In millions)		
Net cash provided (used) by:			
Operating activities:			
Before changes in assets and liabilities	$ 153.1	$ 115.7	$ 137.0
Changes in assets and liabilities	(13.4)	(7.4)	(91.9)
	139.7	108.3	45.1
Investing activities	(56.2)	(38.4)	417.3
Financing activities	(95.7)	(88.0)	(396.2)
Net cash provided (used) by operating, investing and financing activities	$ (12.2)	$ (18.1)	$ 66.2

Operating cash flows

Certain items included in the determination of net income do not represent current inflows or outflows of cash. For example, the $3.1 million security transaction loss recognized in 2000 for an other-than-temporary decline in value of certain marketable securities held by the Company, did not result in a current outflow of cash. Depreciation, depletion and amortization is another noncash expense item. Noncash interest expense consists of amortization of original issue discount on certain indebtedness and amortization of deferred financing costs. Certain other items included in the determination of net income have an impact on cash flows from operating activities, but the impact of such items on cash will differ from their impact on net income. For example, the amount of income or expense recorded for pension and OPEB assets and obligations (which depend upon a number of factors, including actuarial assumptions used to value obligations) will generally differ from the outflows of cash for such benefits. See Note 10 to the Consolidated Financial Statements.

The TiO2 industry is cyclical and changes in economic conditions within the industry significantly impact the earnings and operating cash flows of the Company. Cash flow from operations, before changes in assets and liabilities increased $37.4 million in 2000 and decreased $21.3 million in 1999 from the preceding year.

Operating cash flows in 2000 compared to 1999 were favorably affected by $66.8 million higher operating income and $4.8 million of lower cash interest expense, net, partially offset by $5.3 million of higher payments to fund the Company's pension plans, $8.2 million of higher corporate expenses, $16.1 million of higher current tax expense, and $6.1 million of lower distributions from the TiO2 manufacturing joint venture.

Operating cash flows in 1999 compared to 1998 were unfavorably affected by $25.5 million of lower operating income, $7.4 million of higher current tax expense and $3.8 million of higher cash interest expense, net, partially offset by $13.7 million of distribution from the joint venture.

Changes in the Company's assets and liabilities (excluding the effect of currency translation) used cash in 2000, 1999 and 1998 primarily due to increases in inventory levels in 2000 and 1998 and increases in receivable levels in 1999 due to high year-end demand.

Investing cash flows

The Company's capital expenditures were $31 million, $36 million and $22 million in 2000, 1999 and 1998, respectively. Capital expenditures in 1999 were higher due to $6 million of expenditures for a landfill expansion for the Company's Belgian facility. Capital expenditures of the 50%-owned manufacturing joint venture were $4 million in each of 2000, 1999 and 1998 and are not included in the Company's capital expenditures.

The Company's capital expenditures during the past three years include an aggregate of $24 million ($8 million in 2000) for the Company's ongoing environmental protection and compliance programs. The Company's estimated 2001 and 2002 capital expenditures are $37 million for each year, and include $6 million and $5 million, respectively, in the area of environmental protection and compliance.

During 2000 the Company purchased 1,000,000 shares of Tremont's common stock in market transactions for an aggregate of $26 million. See Notes 1 and 4 to the Consolidated Financial Statements. Tremont owns 10.2 million shares, or 20%, of NL's outstanding common stock.

In February 2001 NL Environmental Management Services, Inc., a majority-owned subsidiary of the Company, loaned $13.4 million to Tremont. The loan bears interest at prime plus 2%, is due March 31, 2003 and is collateralized by 10.2 million shares of NL common stock owned by Tremont.

The Company sold the net assets of its specialty chemicals business in January 1998 for $465 million and recognized an after-tax gain of approximately $286 million on the sale of this business segment.

Financing cash flows

In the second and third quarters of 2000 the Company repaid euro 17.9 million ($16.7 million when paid) and euro 13.0 million ($12.2 million when paid), respectively, of its euro-denominated short-term debt with cash flow from operations. In December 2000 the Company borrowed $43 million of short-term non-U.S. dollar-denominated bank debt and used the proceeds along with cash on hand to redeem $50 million (par value) of the Company's 11.75% Senior Secured Notes.

In the first quarter of 1999 the Company prepaid the remaining balance of DM 107 million ($60 million when paid) of a term loan that was part of the Company's previous DM bank credit facility, principally by drawing DM 100 million ($56 million when drawn) on the revolving portion of the DM credit facility. In the second and third quarters of 1999, the Company repaid DM 60 million ($33 million when paid) of the DM revolving credit facility with cash provided from operations. The revolver's outstanding balance of DM 120 million was further reduced in October 1999 by DM 20 million ($11 million when paid). In December 1999 the Company borrowed $26 million of short-term unsecured euro-denominated bank debt and used the proceeds along with cash on hand to prepay the remaining balance of DM 100 million ($52 million when paid) of the revolving portion of the DM credit facility. The DM credit facility was then terminated, which released collateral and eliminated certain restrictive loan covenants.

Borrowings in 1998 included DM 35 million ($19 million when borrowed) under the Company's short-term non-U.S. credit facilities and DM 20 million ($11 million when borrowed) under the Company's DM revolving credit facility. Repayments in 1998 included DM 40 million ($23 million when paid) of the DM revolving credit facility and DM 81 million ($44 million when paid) of its DM term loan. The Company's borrowings and principal repayments excludes activity related to the Company's discontinued operations.

With a majority of the $380 million after-tax net proceeds from the sale of its specialty chemicals business, the Company (i) prepaid $118 million of the Rheox term loan (included as Discontinued operations, net, on the Company's Consolidated Statements of Cash Flows), (ii) prepaid $42 million of Kronos' tranche of the LPC joint venture term loan, (iii) made $65 million of open-market purchases of the Company's 13% Senior Secured Discount Notes at prices ranging from $101.25 to $105.19 per $100 of their principal amounts, (iv) purchased $6 million of the Senior Secured Notes and $61,000 of the Senior Secured Discount Notes at a price of $100 and $96.03 per $100 of their principal amounts, respectively, pursuant to a June 1998 pro rata tender offer to Note holders as required under the terms of the indenture, and (v) redeemed $121 million of 13% Senior Secured Discount Notes outstanding on October 15, 1998 at the redemption price of 106% of the principal amount, in accordance with the terms of the Senior Secured Discount Notes indenture.

Dividends paid during 2000, 1999 and 1998 totaled $32.7 million, $7.2 million and $4.6 million, respectively. At December 31, 2000, the Company had $20 million available for payment of dividends, acquisition of treasury shares, acquisition of affiliate stock and other restricted payments as defined in the Senior Secured Notes indenture. On February 7, 2001, the Company's Board of Directors declared a regular quarterly dividend of $.20 per share to shareholders of record as of March 14, 2001 to be paid on March 28, 2001.

Pursuant to its share repurchase program, the Company purchased 1,682,000 shares of its common stock at an aggregate cost of $30.9 million in 2000 and 552,000 shares of its common stock in the open market at an aggregate cost of $7.2 million in 1999. Approximately 766,000 additional shares are available for purchase under the Company's share repurchase program. The available shares may be purchased over an unspecified period of time, and are to be held as treasury shares available for general corporate purposes.

In 1998, as a result of the settlement of a shareholder derivative lawsuit on behalf of the Company, Valhi transferred $14.4 million in cash to the Company, and the Company paid plaintiffs' attorneys' fees and expenses of $3.2 million.

Cash, cash equivalents, restricted cash and borrowing availability

At December 31, 2000, the Company had cash and cash equivalents aggregating $120 million (38% held by non-U.S. subsidiaries) and $87 million of restricted cash equivalents held by U.S. subsidiaries, of which $18 million was classified as a noncurrent asset. At December 31, 2000, the Company's subsidiaries had $16 million available for borrowing under non-U.S. credit facilities. At December 31, 2000, the Company had complied with all financial covenants governing its debt agreements.

Based upon the Company's expectations for the TiO2 industry and anticipated demands on the Company's cash resources as discussed herein, the Company expects to have sufficient liquidity to meet its near-term obligations including operations, capital expenditures, debt service and current dividend policy. To the extent that actual developments differ from Company's expectations, the Company's liquidity could be adversely affected.

Income taxes

A reduction in the German "base" income tax rate from 30% to 25%, enacted in October 2000, became effective January 1, 2001. The reduction in the German income tax rate resulted in $5.7 million of additional deferred income tax expense in the fourth quarter of 2000 due to a reduction of the Company's deferred income tax asset related to certain German tax attributes. The Company does not expect its future current income tax expense to be affected by the rate change in Germany.

Certain of the Company's tax returns in various U.S. and non-U.S. jurisdictions are being examined and tax authorities have proposed or may propose tax deficiencies, including interest.

The Company has received tax assessments from the Norwegian tax authorities proposing tax deficiencies including related interest of approximately NOK 38 million ($4.3 million at December 31, 2000) relating to 1994 and 1996. The Company is currently litigating the primary issue related to the 1994 assessment and in February 2001 the Norwegian Appeals Court ruled in favor of the Norwegian tax authorities. The Company has appealed the case to the Norwegian Supreme Court and believes that the outcome of the 1996 case is dependent on the eventual outcome of the 1994 case. The Company has granted a lien for the 1994 and 1996 tax assessments on its Fredrikstad, Norway TiO_2 plant in favor of the Norwegian tax authorities.

The Company has received preliminary tax assessments for the years 1991 to 1997 from the Belgian tax authorities proposing tax deficiencies, including related interest, of approximately euro 12.7 million ($11.8 million at December 31, 2000). The Company has filed protests to the assessments for the years 1991 to 1996 and expects to file a protest for 1997. The Company is in discussions with the Belgian tax authorities and believes that a significant portion of the assessments are without merit.

No assurance can be given that the Company's tax matters will be favorably resolved due to the inherent uncertainties involved in court and tax proceedings. The Company believes that it has provided adequate accruals for additional taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

At December 31, 2000, the Company had net deferred tax liabilities of $136 million. The Company operates in numerous tax jurisdictions, in certain of which it has temporary differences that net to deferred tax assets (before valuation allowance). The Company has provided a deferred tax valuation allowance of $190 million at December 31, 2000, principally related to Germany, partially offsetting deferred tax assets which the Company believes do not currently meet the "more-likely-than-not" recognition criteria.

Environmental matters and litigation

The Company has been named as a defendant, PRP, or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites, mining locations and facilities currently or previously owned, operated or used by the Company, certain of which are on the U.S. EPA's Superfund National Priorities List or similar state lists. On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant, including sites for which EMS has contractually assumed the Company's obligation. The Company believes it has adequate accruals for reasonably estimable costs of such matters, but the Company's ultimate liability may be affected

by a number of factors, including changes in remedial alternatives and costs and the allocation of such costs among PRPs.

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising out of the sale of lead pigments and lead-based paints. There is no assurance that the Company will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings in pending and possible future cases. However, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment and paint litigation is without merit. The Company has not accrued any amounts for such pending litigation. Liability that may result, if any, cannot reasonably be estimated. The Company currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future. See Item 3. "Legal Proceedings" and Note 17 to the Consolidated Financial Statements.

Foreign operations

As discussed above, the Company has substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amount of the Company's assets and liabilities related to its non-U.S. operations, and therefore the Company's consolidated net assets, will fluctuate based upon changes in currency exchange rates. At December 31, 2000, the Company had substantial net assets denominated in the euro, Canadian dollar, Norwegian kroner and United Kingdom pound sterling.

Euro currency

Beginning January 1, 1999, certain members of the European Union ("EU"), including Germany, Belgium, the Netherlands and France, adopted a new European currency unit (the "euro") as their common legal currency. Following the introduction of the euro, the participating countries' national currencies remain legal tender as denominations of the euro from January 1, 1999 through January 1, 2002, and the exchange rates between the euro and such national currency units are fixed.

The Company conducts substantial operations in Europe. As of January 1, 2001, the functional currency of the Company's German, Belgian, Dutch and French operations have been converted to the euro from their respective national currencies. The Company has assessed and evaluated the impact of the euro conversion on its business and made the necessary system conversions. The euro conversion may impact the Company's operations including, among other things, changes in product pricing decisions necessitated by cross-border price transparencies. Such changes in product pricing decisions could impact both selling prices and purchasing costs and, consequently, favorably or unfavorably impact results of operations, financial condition or liquidity.

Other

The Company periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, the Company in the past has sought, and in the future may seek, to reduce, refinance, repurchase or restructure indebtedness; raise

additional capital; issue additional securities; repurchase shares of its common stock; modify its dividend policy; restructure ownership interests; sell interests in subsidiaries or other assets; or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of its business, the Company may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals or other industries, as well as the acquisition of interests in related companies. In the event of any acquisition or joint venture transaction, the Company may consider using available cash, issuing equity securities or increasing its indebtedness to the extent permitted by the agreements governing the Company's existing debt. See Note 9 to the Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

The Company is exposed to market risk from changes in currency exchange rates, interest rates and equity security prices. In the past, the Company has periodically entered into interest rate swaps or other types of contracts in order to manage a portion of its interest rate market risk. Otherwise, the Company has not generally entered into forward or option contracts to manage such market risks, nor has the Company entered into any such contract or other type of derivative instrument for trading purposes. The Company was not a party to any forward or derivative option contracts related to currency exchange rates, interest rates or equity security prices at December 31, 2000 or 1999. See Notes 2 and 18 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, 2000, the Company's aggregate indebtedness was split between 73% of fixed-rate instruments and 27% of variable-rate borrowings (1999 -81% fixed-rate and 19% variable-rate). The large percentage of fixed-rate debt instruments minimizes earnings volatility which would result from changes in interest rates. The following table presents principal amounts and weighted-average interest rates, by contractual maturity dates, for the Company's aggregate indebtedness at December 31, 2000 and 1999. At December 31, 2000 and 1999, all outstanding fixed-rate indebtedness was denominated in U.S. dollars, and all outstanding variable-rate indebtedness was denominated in either euros or Norwegian kroner. Information shown below for such euro- and kronor-denominated indebtedness is presented in its U.S. dollar equivalent at December 31, 2000 using that date's exchange rate of 1.08 euro per U.S. dollar (1999 - .99 euro per U.S. dollar) and 8.90 kroner per U.S. dollar (1999-n/a). Certain kroner-denominated capital leases totaling $2.1 million in 2000 and $.5 million in 1999 have been excluded from the table below.

	Contractual Maturity Date					Fair Value at December 31,
December 31, 1999:	2000	2001	2002	2003	Total	1999
				(In millions)		
Fixed-rate debt (U.S. dollar- denominated):						
Principal amount	$ --	$ --	$ --	$ 244.0	$ 244.0	$ 253.2
Weighted-average interest rate	--	--	--	11.75%	11.75%	
Variable-rate debt (euro- denominated):						
Principal amount	$57.1	$ --	$ --	$ --	$ 57.1	$ 57.1
Weighted-average interest rate	3.6%	--	--	--	3.6%	

December 31, 2000:	N/A	2001	2002	2003	Total	2000
				(In millions)		
Fixed-rate debt (U.S. dollar-denominated):						
Principal amount		$ --	$ --	$ 194.0	$ 194.0	$ 195.9
Weighted-average interest rate		--	--	11.75%	11.75%	
Variable-rate debt (Non-U.S .... dollar-denominated):						
Principal amount		$70.0	$ --	$ --	$ 70.0	$ 70.0
Weighted-average interest rate		6.3%	--	--	6.3%	

Currency exchange rates

The Company is exposed to market risk arising from changes in currency exchange rates as a result of manufacturing and selling its products worldwide. Earnings are primarily affected by fluctuations in the value of the U.S. dollar relative to the euro, Canadian dollar, Norwegian kroner and the United Kingdom pound sterling. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of risks and uncertainties related to the conversion of certain of these currencies to the euro.

At December 31, 2000, the Company had $48 million of indebtedness denominated in euros (1999 - $58 million) and $24 million of indebtedness denominated in Norwegian kroner (1999-$.5 million) The potential increase in the U.S. dollar equivalent of the principal amount outstanding resulting from a hypothetical 10% adverse change in exchange rates would be approximately $7 million (1999 - $6 million).

Marketable equity security prices

The Company is exposed to market risk due to changes in prices of the marketable securities which are held. The fair value of such equity securities at December 31, 2000 and 1999 was $47 million and $15 million, respectively. The potential change in the aggregate fair value of these investments, assuming a 10% change in prices, would be $4.7 million and $1.5 million, respectively.

Other

The Company believes there are certain shortcomings in the sensitivity analyses presented above, which analyses are required under the Securities and Exchange Commission's regulations. For example, the hypothetical affect of changes in interest rates discussed above ignores the potential effect on other variables which affect the Company's results of operations and cash flows, such as demand for the Company's products, sales volumes and selling prices and operating expenses. Contrary to the above assumptions, changes in interest rates rarely result in simultaneous parallel shifts along the yield curve. Accordingly, the amounts presented above are not necessarily an accurate reflection of the potential losses the Company would incur assuming the hypothetical changes in market prices were actually to occur.

The above discussion and estimated sensitivity analysis amounts include 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, gains or losses.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is contained in a separate section of this Annual Report. See "Index of Financial Statements and Schedules" on page F-1.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item is incorporated by reference to the Company'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 "NL Proxy Statement").

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the NL Proxy Statement. See also Note 16 to the Consolidated Financial Statements.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES, AND REPORTS ON FORM 8-K

(a) and (d) Financial Statements and Schedules

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

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended December 31, 2000 and thereafter through the date of this report.

October 18, 2000 - reported Items 5 and 7.

(c) Exhibits

Included as exhibits are the items listed in the Exhibit Index. NL will furnish a copy of any of the exhibits listed below upon payment of $4.00 per exhibit to cover the costs to NL of furnishing the exhibits. Instruments defining the rights of holders of debt issues which do not exceed 10% of consolidated total assets will be furnished to the Securities and Exchange Commission upon request.

Item No.	Exhibit Index
3.1	By-Laws, as amended on June 28, 1990 - incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990.
3.2	Certificate of Amended and Restated Certificate of Incorporation dated June 28, 1990 - incorporated by reference to Exhibit 1 to the Registrant's Proxy Statement on Schedule 14A for the annual meeting held on June 28, 1990.
4.1	Registration Rights Agreement dated October 30, 1991, by and between the Registrant and Tremont Corporation - incorporated by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
4.2	Indenture dated October 20, 1993 governing the Registrant's 11.75% Senior Secured Notes due 2003, including form of Senior Note - incorporated by reference to Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.3	Senior Mirror Notes dated October 20, 1993 - incorporated by reference to Exhibit 4.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.4	Senior Note Subsidiary Pledge Agreement dated October 20, 1993 between Registrant and Kronos, Inc. - incorporated by reference to Exhibit 4.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
4.5	Third Party Pledge and Intercreditor Agreement dated October 20, 1993 between Registrant, Chase Manhattan Bank (National Association) and Chemical Bank - incorporated by reference to

Exhibit 4.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.1	Lease Contract dated June 21, 1952, between Farbenfabrieken Bayer Aktiengesellschaft and Titangesellschaft mit beschrankter Haftung (German language version and English translation thereof) - incorporated by reference to Exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1985.
10.2	Contract on Supplies and Services among Bayer AG, Kronos Titan-GmbH and Kronos International, Inc. dated June 30, 1995 (English translation from German language document) - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
10.3**	Richards Bay Slag Sales Agreement dated May 1, 1995 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10.4**	Amendment to Richards Bay Slag Sales Agreement dated May 1, 1999 between Richards Bay Iron and Titanium (Proprietary) Limited and Kronos, Inc. - incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999.

10.5	Formation Agreement dated as of October 18, 1993 among Tioxide Americas Inc., Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
10.6	Joint Venture Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
10.7	Kronos Offtake Agreement dated as of October 18, 1993 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
10.8	Amendment No. 1 to Kronos Offtake Agreement dated as of December 20, 1995 between Kronos Louisiana, Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10.9	Tioxide Americas Offtake Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.
10.10	Amendment No. 1 to Tioxide Americas Offtake Agreement dated as of December 20, 1995 between Tioxide Americas Inc. and Louisiana Pigment Company, L.P. - incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1995.
10.11	TCI/KCI Output Purchase Agreement dated as of October 18, 1993 between Tioxide Canada Inc. and Kronos Canada, Inc. - incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.12 TAI/KLA Output Purchase Agreement dated as of October 18, 1993 between Tioxide Americas Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.13 Master Technology Exchange Agreement dated as of October 18, 1993 among Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Tioxide Group Limited and Tioxide Group Services Limited - incorporated by reference to Exhibit 10.8 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.14 Parents' Undertaking dated as of October 18, 1993 between ICI American Holdings Inc. and Kronos, Inc. - incorporated by reference to Exhibit 10.9 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.15 Allocation Agreement dated as of October 18, 1993 between Tioxide Americas Inc., ICI American Holdings, Inc., Kronos, Inc. and Kronos Louisiana, Inc. - incorporated by reference to Exhibit 10.10 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

10.16 Form of Director's Indemnity Agreement between NL and the independent members of the Board of Directors of NL - incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1987.

10.17* 1989 Long Term Performance Incentive Plan of NL Industries, Inc. - incorporated by reference to Exhibit B to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held on May 8, 1996.

10.18* NL Industries, Inc. Variable Compensation Plan - incorporated by reference to Exhibit A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held on May 8, 1996.

10.19* NL Industries, Inc. Retirement Savings Plan, as amended and restated effective April 1, 1996 - incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996.

10.20* Amendment to NL Industries, Inc. Retirement Savings Plan effective as of January 1, 2000 - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000

10.21* NL Industries, Inc. 1992 Non-Employee Director Stock Option Plan, as adopted by the Board of Directors on February 13, 1992 - incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held April 30, 1992.

10.22* NL Industries, Inc. 1998 Long-Term Incentive Plan - incorporated by reference to Appendix A to the Registrant's Proxy Statement on Schedule 14A for the annual meeting of shareholders held on May 6, 1998.

10.23 Intercorporate Services Agreement by and between Valhi, Inc. and the Registrant effective as of January 1, 2000 - incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

10.24 Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 2000 - incorporated by reference to Exhibit 10.3 to the Registrant's

Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

10.25	Intercorporate Service Agreement by and between Titanium Metals Corporation and the Registrant effective as of January 1, 2000 - incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

10.26	Intercorporate Services Agreement by and between Tremont Corporation and the Registrant effective as of January 1, 2000 - incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.
10.27	Intercorporate Services Agreement by and between CompX International, Inc. and the Registrant effective as of January 1, 2000 - incorporated by reference to Exhibit 10.6 to the Registrant's Quarterly Report of Form 10-Q for the quarter ended June 30, 2000.
10.28	Insurance Sharing Agreement, effective January 1, 1990, by and between the Registrant, NL Insurance, Ltd. (an indirect subsidiary of Tremont Corporation) and Baroid Corporation - incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991.
10.29*	Executive severance agreement effective as of March 9, 1995 by and between the Registrant and Lawrence A. Wigdor - incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.
10.30*	Executive severance agreement effective as of July 24, 1996 by and between the Registrant and J. Landis Martin - incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997.
10.31*	Supplemental Executive Retirement Plan for Executives and Officers of NL Industries, Inc. effective as of January 1, 1991 - incorporated by reference to Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992.
10.32*	Agreement to Defer Bonus Payment dated February 20, 1998 between the Registrant and Lawrence A. Wigdor and related trust agreement - incorporated by reference to Exhibit 10.48 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 1997.
10.33*	Agreement to Defer Bonus Payment dated February 20, 1998 between the Registrant and J. Landis Martin and related trust agreement - incorporated by reference to Exhibit 10.49 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 1997.
10.34	Revolving Loan Note dated February 9, 2001 with Tremont Corporation as Maker and NL Environmental Management Services, Inc. as Payee.
10.35	Security Agreement dated February 9, 2001 by and between Tremont Corporation and NL Environmental Management Services, Inc.
10.36	Tax Agreement between Valhi, Inc. and NL Industries, Inc. effective as of January 1, 2001.
10.37	Subscription Agreement by and among Valhi, Inc., Tremont Holdings, LLC and Tremont Group, Inc. effective as of December 31, 2000.
21.1	Subsidiaries of the Registrant.

23.1	Consent of Independent Accountants.

99.1	Annual Report of NL Industries, Inc. Retirement Savings Plan (Form 11-K) to be filed under Form 10-K/A to the Registrant's Annual Report on Form 10-K within 180 days after December 31, 2000.

All documents in the Exhibit Index above that have been incorporated by reference were previously filed by the Registrant under SEC File Number 1-640.

* Management contract, compensatory plan or arrangement.

** Portions of the exhibit have been omitted pursuant to a request for confidential treatment.

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.

NL Industries, Inc.
(Registrant)

By /s/ J. Landis Martin
J. Landis Martin, March 9, 2001
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ J. Landis Martin J. Landis Martin, March 9, 2001 Director, President and Chief Executive Officer (Principal Executive Officer)	/s/ Harold C. Simmons Harold C. Simmons, March 9, 2001 Chairman of the Board
/s/ Glenn R. Simmons Glenn R. Simmons, March 9, 2001 Director	/s/ Steven L. Watson Steven L. Watson, March 9, 2001 Director
/s/ Kenneth R. Peak Kenneth R. Peak, March 9, 2001 Director	/s/ Dr. Lawrence A. Wigdor Dr. Lawrence A. Wigdor, March 9, 2001 Director, President and Chief Executive Officer of Kronos
/s/ General Thomas P. Stafford General Thomas P. Stafford, March 9, 2001 Director	/s/ Susan E. Alderton Susan E. Alderton, March 9, 2001 Vice President and Chief Financial Officer (Principal Financial Officer)

/s/ Robert D. Hardy

Robert D. Hardy, March 9, 2001
Vice President and Controller
(Principal Accounting Officer)

NL INDUSTRIES, INC.

ANNUAL REPORT ON FORM 10-K

Items 8, 14(a) and 14(d)

Index of Financial Statements and Schedules

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of NL Industries, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows present fairly, in all material respects, the consolidated financial position of NL Industries, Inc. at December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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.

PricewaterhouseCoopers LLP

Houston, Texas
February 28, 2001

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2000 and 1999

(In thousands, except per share data)

ASSETS	2000	1999
Current assets:		
Cash and cash equivalents	$ 120,378	$ 134,224
Restricted cash equivalents	69,242	17,565
Accounts and notes receivable, less allowance of $2,222 and $2,075	131,540	143,768
Receivable from affiliates	214	747
Refundable income taxes	12,302	4,473
Inventories	205,973	191,184
Prepaid expenses	2,458	2,492
Deferred income taxes	11,673	11,974
Total current assets	553,780	506,427
Other assets:		
Marketable securities	47,186	15,055
Investment in TiO2 manufacturing joint venture ...	150,002	157,552
Prepaid pension cost	22,789	23,271

Restricted cash equivalents	17,942	--
Other	4,707	5,410
Total other assets	242,626	201,288
Property and equipment:		
Land	24,978	23,678
Buildings	129,019	133,682
Machinery and equipment	530,920	550,842
Mining properties	67,134	71,952
Construction in progress	4,586	6,805
	756,637	786,959
Less accumulated depreciation and depletion	432,255	438,501
Net property and equipment	324,382	348,458
	$1,120,788	$1,056,173

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 2000 and 1999

(In thousands, except per share data)

LIABILITIES AND SHAREHOLDERS' EQUITY	2000	1999
Current liabilities:		
Notes payable	$ 69,970	$ 57,076
Current maturities of long-term debt	730	212
Accounts payable and accrued liabilities	147,877	143,132
Payable to affiliates	10,634	11,240
Accrued environmental costs	53,307	47,228
Income taxes	13,616	5,605
Deferred income taxes	1,822	326
Total current liabilities	297,956	264,819
Noncurrent liabilities:		
Long-term debt	195,363	244,266
Deferred income taxes	145,673	108,226
Accrued environmental costs	57,133	64,491
Accrued pension cost	21,220	32,946
Accrued postretirement benefits cost	29,404	37,105
Other	23,272	29,330

Total noncurrent liabilities	472,065	516,364
Minority interest	6,279	3,903
Shareholders' equity:		
Preferred stock - 5,000 shares authorized, no shares issued or outstanding	--	--
Common stock - $.125 par value; 150,000 shares authorized; 66,839 shares issued	8,355	8,355
Additional paid-in capital	777,528	774,304
Retained earnings	141,073	19,150
Accumulated other comprehensive income (loss):		
Currency translation	(190,757)	(160,022)
Marketable securities	8,885	2,857
Pension liabilities	--	(1,756)
Treasury stock, at cost (16,787 and 15,555 shares)	(400,596)	(371,801)
Total shareholders' equity	344,488	271,087
	$ 1,120,788	$ 1,056,173

Commitments and contingencies (Notes 12 and 17)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2000, 1999 and 1998

(In thousands, except per share data)

	2000	1999	1998
Revenues and other income:			
Net sales	$ 922,319	$ 908,387	$ 894,724
Litigation settlement gains, net	69,465	--	--
Other, net	23,283	23,646	25,453
	1,015,067	932,033	920,177
Costs and expenses:			
Cost of sales	610,449	662,315	618,447
Selling, general and administrative	137,178	134,342	133,970
Interest	31,243	36,884	58,070
	778,870	833,541	810,487
Income from continuing operations before income taxes and minority interest	236,197	98,492	109,690
Income tax expense (benefit)	78,420	(64,601)	19,788
Income from continuing operations before			

minority interest	157,777	163,093	89,902
Minority interest	2,436	3,322	40
Income from continuing operations	155,341	159,771	89,862
Discontinued operations	--	--	287,396
Extraordinary items - early extinguishment of debt, net of tax benefit of $394 and $5,698	(732)	--	(10,580)
Net income	$ 154,609	$ 159,771	$ 366,678

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

Years ended December 31, 2000, 1999 and 1998

(In thousands, except per share data)

	2000	1999	1998
Basic earnings per share:			
Continuing operations	$ 3.08	$ 3.09	$ 1.75
Discontinued operations	--	--	5.59
Extraordinary items	(.01)	--	(.21)
Net income	$ 3.07	$ 3.09	$ 7.13
Diluted earnings per share:			
Continuing operations	$ 3.06	$ 3.08	$ 1.73
Discontinued operations	--	--	5.52
Extraordinary items	(.01)	--	(.20)
Net income	$ 3.05	$ 3.08	$ 7.05
Weighted average shares used in the calculation of earnings per share:			
Basic	50,415	51,774	51,460
Dilutive impact of stock options	334	93	540
Diluted	50,749	51,867	52,000

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2000, 1999 and 1998

(In thousands)

	2000	1999	1998
Net income	$ 154,609	$ 159,771	$ 366,678
Other comprehensive income (loss), net of tax:			
Marketable securities adjustment:			
Unrealized holding gains (losses) arising during the period	4,064	(1,641)	201
Add: reclassification adjustment for loss included in net income	1,964	--	--
	6,028	(1,641)	201
Minimum pension liabilities adjustment ...	1,756	1,431	(3,187)
Currency translation adjustment	(30,735)	(26,582)	370
Total other comprehensive loss	(22,951)	(26,792)	(2,616)
Comprehensive income	$ 131,658	$ 132,979	$ 364,062

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2000, 1999 and 1998

(In thousands)

				Accumulated other comprehensive income (loss)		
	Common Stock	Additional paid-in capital	Retained earnings (deficit)	Currency translation	Pension liabilities	Marketable securities
Balance at December 31, 1997	$ 8,355	$ 759,281	$(495,421)	$(133,810)	$ --	$ 4,297
Net income	--	--	366,678	--	--	--
Other comprehensive income (loss), net of tax	--	--	--	370	(3,187)	201
Common dividends declared - $.09 per share	--	--	(4,636)	--	--	--
Cash received upon settlement of shareholder derivative lawsuit, net of $3,198 in legal fees and expenses	--	11,211	--	--	--	--
Tax benefit of stock options exercised	--	3,796	--	--	--	--
Treasury stock reissued (544 shares)	--	--	--	--	--	--

Balance at December 31, 1998	8,355	774,288	(133,379)	(133,440)	(3,187)	4,498
Net income	--	--	159,771	--	--	--
Other comprehensive income (loss), net of tax	--	--	--	(26,582)	1,431	(1,641)
Common dividends declared - $.14 per share	--	--	(7,242)	--	--	--
Tax benefit of stock options exercised	--	16	--	--	--	--
Treasury stock:						
Acquired (552 shares)	--	--	--	--	--	--
Reissued (25 shares)	--	--	--	--	--	--
Balance at December 31, 1999	8,355	774,304	19,150	(160,022)	(1,756)	2,857
Net income	--	--	154,609	--	--	--
Other comprehensive income (loss), net of tax	--	--	--	(30,735)	1,756	6,028
Common dividends declared - $.65 per share	--	--	(32,686)	--	--	--
Tax benefit of stock options exercised	--	3,224	--	--	--	--
Treasury stock:						
Acquired (1,682 shares)	--	--	--	--	--	--
Reissued (450 shares)	--	--	--	--	--	--
Balance at December 31, 2000	$ 8,355	$ 777,528	$ 141,073	$(190,757)	$ --	$ 8,885

	Treasury stock	Total
Balance at December 31, 1997	$(364,971)	$(222,269)
Net income	--	366,678
Other comprehensive income (loss), net of tax	--	(2,616)
Common dividends declared - $.09 per share	--	(4,636)
Cash received upon settlement of shareholder derivative lawsuit, net of $3,198 in legal fees and expenses	--	11,211
Tax benefit of stock options exercised	--	3,796
Treasury stock reissued (544 shares)	170	170
Balance at December 31, 1998	(364,801)	152,334
Net income	--	159,771
Other comprehensive income (loss), net of tax	--	(26,792)
Common dividends declared - $.14 per share	--	(7,242)
Tax benefit of stock options exercised	--	16
Treasury stock:		
Acquired (552 shares)	(7,210)	(7,210)
Reissued (25 shares)	210	210
Balance at December 31, 1999	(371,801)	271,087
Net income	--	154,609
Other comprehensive income (loss), net of tax	--	(22,951)
Common dividends declared - $.65 per share	--	(32,686)
Tax benefit of stock options exercised	--	3,224
Treasury stock:		
Acquired (1,682 shares)	(30,886)	(30,886)
Reissued (450 shares)	2,091	2,091
Balance at December 31, 2000	$(400,596)	$ 344,488

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2000, 1999 and 1998

(In thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 154,609	$ 159,771	$ 366,678
Depreciation, depletion and amortization	29,733	33,730	34,545
Noncash interest income on restricted cash	(1,531)	--	--
Noncash interest expense	599	1,682	18,393
Deferred income taxes	40,186	(86,772)	4,988
Minority interest	2,436	3,322	40
Net (gains) losses from:			

Securities transactions	(2,531)	--	--
Disposition of property and equipment	1,562	429	768
Pension cost, net	(11,816)	(4,702)	(5,566)
Other postretirement benefits, net	1,062	(5,459)	(6,299)
Distributions from TiO2 manufacturing joint venture	7,550	13,650	--
Litigation settlement gains, net	(69,465)	--	--
Discontinued operations, net	--	--	(287,396)
Extraordinary items	732	--	10,580
Other, net	--	--	317
	153,126	115,651	137,048
Discontinued operations, net	--	--	(30,587)
Change in assets and liabilities:			
Accounts and notes receivable	1,417	(22,289)	(2,012)
Inventories	(23,395)	20,663	(49,839)
Prepaid expenses	(244)	(463)	436
Accounts payable and accrued liabilities	9,301	7,315	(2,741)
Income taxes	4,843	6,729	(12,976)
Accounts with affiliates	(123)	(3,572)	2,286
Other noncurrent assets	(168)	1,090	(178)
Other noncurrent liabilities	(5,002)	(16,816)	3,650
Net cash provided by operating activities ...	139,755	108,308	45,087

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 2000, 1999 and 1998

(In thousands)

	2000	1999	1998
Cash flows from investing activities:			
Capital expenditures	$ (31,089)	$ (35,559)	$ (22,392)
Purchase of Tremont Corporation common stock	(26,040)	--	--
Change in restricted cash equivalents, net	630	(5,176)	(2,638)
Proceeds from disposition of property and equipment.	139	2,344	769
Proceeds from disposition of marketable securities .	158	--	6,875
Other, net	(33)	--	(372)
Proceeds from sale of specialty chemicals business .	--	--	435,080
Discontinued operations, net	--	--	(26)
Net cash provided (used) by investing activities	(56,235)	(38,391)	417,296
Cash flows from financing activities:			
Indebtedness:			
Borrowings	44,923	82,038	30,491
Principal payments	(79,162)	(155,787)	(315,892)
Dividends paid	(32,686)	(7,242)	(4,636)
Treasury stock:			
Purchased	(30,886)	(7,210)	--
Reissued	2,091	210	170
Settlement of shareholder derivative lawsuit, net ..	--	--	11,211
Distributions to minority interests	(6)	(6)	(2)

Discontinued operations, net	--	--	(117,500)
Net cash used by financing activities	(95,726)	(87,997)	(396,158)
Net change during the year from operating investing and financing activities	$ (12,206)	$ (18,080)	$ 66,225

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended December 31, 2000, 1999 and 1998

(In thousands)

	2000	1999	1998
Cash and cash equivalents:			
Net change during the year from:			
Operating, investing and financing activities	$(12,206)	$ (18,080)	$ 66,225
Currency translation	(1,640)	(2,649)	(36)
Sale of discontinued operation	--	--	(7,630)
	(13,846)	(20,729)	58,559
Balance at beginning of year	134,224	154,953	96,394
Balance at end of year	$ 120,378	$ 134,224	$ 154,953
Supplemental disclosures - cash paid for:			
Interest, net of amounts capitalized	$ 32,354	$ 35,540	$ 37,965
Income taxes	33,398	14,963	54,230

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and basis of presentation:

NL Industries, Inc. conducts its titanium dioxide pigments ("TiO2") operations through its wholly owned subsidiary, Kronos, Inc. At December 31, 2000, Valhi, Inc. and Tremont Corporation, each affiliates of Contran

Corporation, held approximately 60% and 20%, respectively, of NL's outstanding common stock. At December 31, 2000, Contran and its subsidiaries held approximately 93% of Valhi's outstanding common stock, and a subsidiary of Valhi and NL held approximately 80% of Tremont's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons, of which Mr. Simmons is sole trustee. Mr. Simmons, the Chairman of the Board of NL and the Chairman of the Board and Chief Executive Officer of Contran and Valhi and a director of Tremont, may be deemed to control each of such companies.

Note 2 - Summary of significant accounting policies:

Principles of consolidation and management's estimates

The accompanying consolidated financial statements include the accounts of NL and its majority-owned subsidiaries (collectively, the "Company"). All material intercompany accounts and balances have been eliminated. Certain prior-year amounts have been reclassified to conform to the current year presentation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Ultimate actual results may in some instances differ from previously estimated amounts.

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 weighted average exchange rates prevailing during the year. Resulting translation adjustments are included in other comprehensive income (loss), net of related income taxes. Currency transaction gains and losses are recognized in income currently.

Cash equivalents

Cash equivalents include U.S. Treasury securities purchased under short-term agreements to resell and bank deposits with original maturities of three months or less.

Restricted cash equivalents

At December 31, 2000, restricted cash equivalents of approximately $17 million collateralized undrawn letters of credit, and restricted cash equivalents of approximately $70 million was held by special purpose trusts established to pay future environmental remediation obligations and other environmental expenditures of the Company. Restricted cash equivalents are primarily invested in U.S. government securities and money market funds that invest primarily in U.S. government securities. At December 31, 1999, restricted cash equivalents of approximately $18 million collateralized undrawn letters of credit. Restricted cash is classified as either a current or noncurrent asset depending upon the classification of the liability to which the restricted cash relates.

Marketable securities and securities transactions

Marketable securities are carried at market based on quoted market prices. Unrealized gains and losses on available-for-sale securities are included in other comprehensive income (loss), net of related deferred income taxes. See Note 4. Gains and losses on available-for-sale securities are recognized in income upon realization and are computed based on specific identification of the securities sold.

Inventories

Inventories are stated at the lower of cost (principally average cost) or market. Amounts are removed from inventories at average cost.

Investment in TiO_2 manufacturing joint venture

Investment in a 50%-owned manufacturing joint venture is accounted for by the equity method.

Intangible assets

Intangible assets, included in other noncurrent assets, are amortized by the straight-line method over the periods expected to be benefitted, not exceeding ten years. At December 31, 2000 and 1999, accumulated amortization of intangible assets was $20.4 million and $22.1 million, respectively.

Property, equipment, depreciation and depletion

Property and equipment are stated at cost. Interest costs related to major, long-term capital projects are capitalized as a component of construction costs. Expenditures for maintenance, repairs and minor renewals are expensed; expenditures for major improvements are capitalized.

Depreciation is computed principally by the straight-line method over the estimated useful lives of ten to forty years for buildings and three to twenty years for machinery and equipment. Depletion of mining properties is computed by the unit-of-production and straight-line methods.

Long-term debt

Long-term debt is stated net of unamortized original issue discount ("OID"). OID is amortized over the period during which cash interest payments are not required and deferred financing costs are amortized over the term of the applicable issue, both by the interest method.

Employee benefit plans

Accounting and funding policies for retirement plans and postretirement benefits other than pensions ("OPEB") are described in Note 10.

The Company accounts for stock-based employee compensation 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 not less than the market price on the grant date. Compensation cost recognized by the Company in accordance with APBO No. 25 was $1.7 million in 2000 and nil in each of 1999 and 1998.

Environmental remediation costs

Environmental remediation costs are accrued when estimated future expenditures are probable and reasonably estimable. The estimated future expenditures generally are not discounted to present value. Recoveries of remediation costs from other parties, if any, are reported as receivables when their receipt is deemed probable. At December 31, 2000 and 1999, no receivables for recoveries have been recognized.

Net sales

The Company adopted the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition," as amended, in 2000. Revenue generally is realized or realizable and earned when all of the requirements of SAB 101 are met, including when title and the risks and rewards of ownership passes to the customer. The impact of adopting SAB 101 was not material. Amounts charged to customers for shipping and handling are included in net sales.

Repair and maintenance costs

The Company performs planned major maintenance activities during the year. Repair and maintenance costs estimated to be incurred in connection with planned major maintenance activities are accrued in advance and are included in cost of goods sold.

Shipping and handling costs

Shipping and handling costs are included in selling, general and administrative expense and were $50 million in 2000 and $54 million in each of 1999 and 1998.

Income taxes

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 investments in subsidiaries and unconsolidated affiliates not included in the Company's U.S. tax group (the "NL Tax Group"). The Company periodically evaluates its deferred tax assets and adjusts any related valuation allowance. The Company's valuation allowance is equal to the amount of deferred tax assets which the Company believes do not meet the "more-likely-than-not" recognition criteria.

Effective January 1, 2001, the Company and its qualifying subsidiaries will be included in the consolidated United States federal tax return of Contran (the "Contran Tax Group"). As a member of the Contran Tax Group, the Company is a party to a tax sharing agreement (the "Contran Tax Agreement"). The Contran Tax Agreement provides that the Company compute its provision for U.S. income taxes on a separate-company basis using the tax elections made by Contran. Pursuant to the Contran Tax Agreement and using the tax elections made by Contran, the Company will make payments to or receive payments from Valhi in amounts it would have paid to or received from the Internal Revenue Service had it not been a member of the Contran Tax Group. Refunds are limited to amounts previously paid under the Contran Tax Agreement.

Interest rate swaps and contracts

The Company periodically uses interest rate swaps and contracts (such as caps and floors) to manage interest rate risk with respect to financial assets or liabilities. The Company has not entered into these contracts for speculative purposes in the past, nor does it currently anticipate doing so in the future. Any cost associated with the swap or contract designated as a hedge of assets or liabilities is deferred and amortized over the life of the agreement as an adjustment to interest income or expense. If the swap or contract is terminated, the resulting gain or loss is deferred and amortized over the remaining life of the underlying asset or liability. If the hedged instrument is disposed of, the swap or contract agreement is marked to market with any resulting gain or loss included with the gain or loss from the disposition. The Company was not a party to any such contracts at December 31, 2000 or 1999.

Earnings per share

Basic earnings per share is based on the weighted average number of common shares outstanding during each period. Diluted earnings per share is based on the weighted average number of common shares outstanding and the dilutive impact of outstanding stock options. The weighted average number of outstanding stock options which were excluded from the calculation of diluted earnings per share because their impact would have been antidilutive aggregated 222,000, 1,511,000 and 483,000 in 2000, 1999 and 1998, respectively. There were no adjustments to income from continuing operations or net income in the computation of the diluted earnings per share amounts.

New accounting principles not yet adopted

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, effective January 1, 2001. SFAS No. 133 establishes accounting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives will be

recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives will depend upon the intended use of the derivative, and such charges will be recognized either in net income or other comprehensive income. As permitted by the transition requirements of SFAS No. 133, as amended, the Company will exempt from the scope of SFAS No. 133 all host contracts containing embedded derivatives which were issued, acquired or not substantially modified prior to January 1, 1999. The Company is not a party to any significant derivative or hedging instrument covered by SFAS No. 133 at December 31, 2000. The adoption of SFAS No. 133 will not have a material effect on the Company's consolidated financial position, liquidity or results of operations.

Note 3 - Business and geographic segments:

The Company's operations are conducted by Kronos in one operating business segment - the production and sale of TiO_2. Titanium dioxide pigments are used to impart whiteness, brightness and opacity to a wide variety of products, including paints, plastics, paper, fibers and ceramics. Discontinued operations consists of the Company's former specialty chemicals business which was sold in January 1998. See Note 20. At December 31, 2000 and 1999, the net assets of non-U.S. subsidiaries included in consolidated net assets approximated $352 million and $375 million, respectively.

The Company evaluates its TiO_2 segment performance based on operating income. Operating income is defined as income from continuing operations before minority interest, income taxes, interest expense, certain nonrecurring items and certain general corporate items. Corporate items excluded from operating income include interest and dividend income not attributable to TiO_2 operations, litigation settlement gains and securities transaction gains and losses. The accounting policies of the TiO_2 segment are the same as those described in Note 2. Interest income included in the calculation of TiO_2 operating income is disclosed in Note 13 as "Trade interest income."

Segment assets are comprised of all assets attributable to the reportable operating segment. The Company's investment in the TiO_2 manufacturing joint venture (see Note 6) is included in TiO_2 business segment assets. Corporate assets are not attributable to the TiO_2 operating segment and consist principally of cash, cash equivalents, restricted cash equivalents and marketable securities. For geographic information, net sales are attributed to the place of manufacture (point of origin) and the location of the customer (point of destination); property and equipment are attributed to their physical location.

	Years ended December 31, 2000	1999	1998
	(In thousands)		
Business segment - TiO_2			
Net sales	$ 922,319	$ 908,387	$ 894,724
Other income, excluding corporate	8,167	12,484	6,110
	930,486	920,871	900,834
Cost of sales	610,449	662,315	618,447
Selling, general and administrative, excluding corporate	107,554	112,888	111,206

Operating income	212,483	145,668	171,181
General corporate income (expense):			
Securities earnings:			
Interest and dividends	8,346	6,597	14,921
Securities gains, net	2,531	--	--
Litigation settlement gains, net and other income	73,704	4,565	4,421
Corporate expense	(29,624)	(21,454)	(22,763)
Interest expense	(31,243)	(36,884)	(58,070)
	$ 236,197	$ 98,492	$ 109,690
Capital expenditures:			
Kronos	$ 31,066	$ 32,703	$ 22,310
General corporate	23	2,856	82
	$ 31,089	$ 35,559	$ 22,392
Depreciation, depletion and amortization:			
Kronos	$ 28,989	$ 33,047	$ 34,341
General corporate	744	683	204
	$ 29,733	$ 33,730	$ 34,545

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Geographic areas			
Net sales - point of origin:			
Germany	$ 444,050	$ 459,467	$ 451,061
United States	313,426	299,520	289,701
Canada	154,579	162,746	158,967
Belgium	137,829	138,671	159,558
Norway	98,300	88,277	91,112
Other	92,691	90,442	96,912
Eliminations	(318,556)	(330,736)	(352,587)
	$ 922,319	$ 908,387	$ 894,724
Net sales - point of destination:			
Europe	$ 480,388	$ 478,652	$ 493,942
United States	283,327	268,037	246,209
Canada	53,060	60,834	66,843
Latin America	27,104	35,308	35,281
Asia	45,922	41,612	21,042
Other	32,518	23,944	31,407
	$ 922,319	$ 908,387	$ 894,724

	December 31,		
	2000	1999	1998
	(In thousands)		
Identifiable assets			
Net property and equipment:			
Germany	$ 173,385	$ 190,292	$ 223,605
Canada	57,929	62,334	60,574
Belgium	46,778	49,146	51,683
Norway	38,361	39,845	42,336
Other	7,929	6,841	3,961
	$ 324,382	$ 348,458	$ 382,159
Total assets:			
Kronos	$ 893,340	$ 972,549	$ 997,893
General corporate	227,448	83,624	157,752
	$1,120,788	$1,056,173	$1,155,645

Note 4 - Marketable securities and securities transactions:

	December 31,	
	2000	1999
	(In thousands)	
Available-for-sale marketable equity securities:		
Unrealized gains	$ 14,912	$ 6,700
Unrealized losses	(1,244)	(2,304)
Cost	33,518	10,659
Aggregate fair value	$ 47,186	$ 15,055

During 2000 the Company purchased 1,000,000 shares of Tremont's common stock in market transactions for an aggregate of $26 million. Before the close of business on December 31, 2000, the Company held 16% of Tremont's outstanding common stock, including approximately 36,000 shares previously held by the Company, and Valhi held an additional 64% of Tremont's outstanding common stock. Effective with the close of business on December 31, 2000, the Company contributed substantially all of its Tremont shares, and Valhi contributed all of its Tremont shares, to a newly formed company, Tremont Group, Inc., in return for a 20% and 80% respective ownership interest in Tremont Group. After the contributions, Tremont Group held the 80% of Tremont previously owned by the Company and Valhi.

The Company's stock of Tremont Group is redeemable at the option of the Company for fair value based upon the value of the underlying Tremont shares, and the Company accounts for its investment in Tremont Group as an available-for-sale marketable security. The Company also held approximately 1% of Valhi's outstanding common stock at December 31, 2000 and 1999. The Company accounts for investments in its parent companies as "available-for-sale" marketable securities carried at fair value. See Note 1.

In 2000 the Company received approximately 390,000 shares of common stock pursuant to the demutualization of an insurance company from which the Company had purchased certain insurance policies. The Company recognized a $5.6 million securities gain based on the insurance company's initial public offering price of $14-1/4 per share. The shares were placed in a Voluntary Employees' Beneficiary Association ("VEBA") trust, the assets of which may only be used to pay for certain retiree benefits. The Company accounted for the $5.6 million contribution of the insurance company's common stock to the trust as a reduction of its accrued postretirement benefits cost liability. The shares were sold by the trust in 2000 for $7.8 million or $20 per share. See Notes 10 and 13.

In 2000 the Company recognized a $3.1 million noncash securities loss related to an other-than-temporary decline in value of certain available-for-sale securities held by the Company. See Note 13.

Note 5 - Inventories:

	December 31, 2000	December 31, 1999
	(In thousands)	
Raw materials	$ 66,061	$ 54,861
Work in process	7,117	8,065
Finished products	107,120	100,824
Supplies	25,675	27,434
	$205,973	$191,184

Note 6 - Investment in TiO2 manufacturing joint venture:

Kronos Louisiana, Inc. ("KLA"), a wholly owned subsidiary of Kronos, owns a 50% interest in Louisiana Pigment Company, L.P. ("LPC"). LPC is a manufacturing joint venture that is also 50%-owned by Tioxide Americas Inc. ("Tioxide"), a subsidiary of Huntsman ICI Holdings, a 70%-owned subsidiary of Huntsman Corporation. LPC owns and operates a chloride-process TiO2 plant in Lake Charles, Louisiana.

KLA is required to purchase one-half of the TiO2 produced by LPC. LPC operates on a break-even basis and, accordingly, the Company reports no equity in earnings of LPC. Kronos' cost for its share of the TiO2 produced is equal to its share of LPC's costs. Kronos' share of LPC's interest expense in 1998 was reported as a component of interest expense. Kronos' share of all other net costs is reported as cost of sales as the related TiO2 acquired from LPC is sold.

LPC made cash distributions of $15.1 million in 2000 and $27.3 million in 1999, equally split between the partners.

Summary balance sheets of LPC are shown below.

December 31,

	2000	1999
	(In thousands)	
ASSETS		
Current assets	$ 56,063	$ 55,999
Property and equipment, net	264,918	279,567
	$320,981	$335,566
LIABILITIES AND PARTNERS' EQUITY		
Other liabilities, primarily current	$ 18,749	$ 18,234
Partners' equity	302,232	317,332
	$320,981	$335,566

Summary income statements of LPC are shown below.

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Revenues and other income:			
Kronos	$ 92,530	$ 85,304	$ 90,392
Tioxide	93,366	86,309	89,879
Interest	578	569	753
	186,474	172,182	181,024
Cost and expenses:			
Cost of sales	186,045	171,829	178,803
General and administrative	429	353	348
Interest	--	--	1,873
	186,474	172,182	181,024
Net income	$ --	$ --	$ --

Note 7 - Accounts payable and accrued liabilities:

December 31,

	2000	1999
	(In thousands)	
Accounts payable	$ 64,553	$ 56,597
Accrued liabilities:		
Employee benefits	34,160	35,243
Interest	5,019	6,761
Deferred income	4,000	4,000
Other	40,145	40,531
	83,324	86,535
	$147,877	$143,132

Note 8 - Other noncurrent liabilities:

	December 31, 2000	December 31, 1999
	(In thousands)	
Insurance claims expense	$10,314	$11,688
Employee benefits	7,721	7,816
Deferred income	4,333	8,333
Other	904	1,493
	$23,272	$29,330

Note 9 - Notes payable and long-term debt:

	December 31, 2000	December 31, 1999
	(In thousands)	
Notes payable	$ 69,970	$ 57,076
Long-term debt:		
NL Industries - 11.75% Senior Secured Notes	$194,000	$244,000
Kronos	2,093	478
	196,093	244,478
Less current maturities	730	212

	$195,363	$244,266

The Company's $194 million of 11.75% Senior Secured Notes due 2003 (the "Notes") are collateralized by a series of intercompany notes from Kronos International, Inc. ("KII"), a wholly owned subsidiary of Kronos, to NL, the interest rate and payment terms of which mirror those of the respective Notes (the "Mirror Notes"). The Notes are also collateralized by a first priority lien on the stock of Kronos.

In the event of foreclosure, the holders of the Notes would have access to the consolidated assets, earnings and equity of the Company. The Company believes the collateralization of the Notes, as described above, is the functional economic equivalent of a full and unconditional guarantee of the Notes by Kronos. In lieu of providing separate audited financial statements of Kronos, the Company has included condensed consolidating financial information in accordance with Rule 3-10 (e) of the SEC's Regulation S-X. See Note 21.

The Company redeemed $50 million (par value) of the Notes on December 29, 2000 at 101.5%. The remaining Notes are redeemable, at the Company's option, at a redemption price of 101.5% of the principal amount, declining to 100% in October 2001. In the event of a Change of Control, as defined in the indenture, the Company would be required to make an offer to purchase the Notes at 101% of the principal amount of the Notes. The Notes are issued pursuant to an indenture which contains a number of covenants and restrictions which, among others, restrict the ability of the Company and its subsidiaries to incur debt, incur liens, pay dividends, merge or consolidate with, or sell or transfer all or substantially all of their assets to another entity. At December 31, 2000, $20 million was available for payment of dividends pursuant to

the terms of the indenture. The quoted market price of the Notes per $100 principal amount was $101 and $103.75 at December 31, 2000 and 1999, respectively.

Notes payable consist of short-term borrowings denominated in non-U.S. currencies due within one year from non-U.S. banks. Borrowings total $70 million (euro 51 million and NOK 200 million) at December 31, 2000 and $57million (euro 57 million) at December 31, 1999. Interest rates on notes payable ranged from 5.33% to 7.92% at December 31, 2000 and from 3.03% to 4.30% at December 31, 1999.

Unused lines of credit available for borrowing under the Company's non-U.S. credit facilities approximated $16 million at December 31, 2000.

During 1998 the Company redeemed (i) $6 million principal amount of its Senior Secured Notes at par value pursuant to a tender offer; and (ii) the entire issue of its 13% Senior Secured Discount Notes ($187.5 million principal amount at maturity) with premiums ranging between 1.25% and 6% in market transactions or pursuant to a tender offer.

The aggregate maturities of long-term debt at December 31, 2000 are shown in the table below.

Years ending December 31,	Amount (In thousands)
2001	$ 730
2002	627
2003	194,549
2004	61
2005	66
2006	60

$196,093
========

Note 10 - Employee benefit plans:

Company-sponsored pension plans

The Company maintains various defined benefit and defined contribution pension plans covering substantially all employees. Non-U.S. employees are covered by plans in their respective countries and a majority of U.S. employees are eligible to participate in a contributory savings plan.

The Company contributes to eligible U.S. employees' accounts an amount equal to approximately 4% (3% in 1999 and 1998) of the employee's annual eligible earnings and partially matches employee contributions to the U.S. contributory savings plan. The Company also has an unfunded, nonqualified defined contribution plan covering certain executives, and participants' account balances are credited based on a formula involving eligible earnings. The Company's expense related to these plans included in continuing operations was $1.6 million in 2000, $1.1 million in 1999 and $1.3 million in 1998. Expense related to these plans included in discontinued operations was nil in 1998.

Certain actuarial assumptions used in measuring the defined benefit pension assets, liabilities and expenses are presented below.

	December 31,		
	2000	1999	1998
	(Percentages)		
Discount rate	6.0 to 7.8	5.8 to 7.5	5.5 to 8.5
Rate of increase in future compensation levels.	3.0 to 4.5	2.5 to 4.5	2.5 to 6.0
Long-term rate of return on plan assets	7.0 to 9.0	6.0 to 9.0	6.0 to 9.0

During 1998 the Company curtailed certain U.S. employee pension benefits and recognized a gain of $1.5 million, which is included in discontinued operations. Plan assets are comprised primarily of investments in U.S. and non-U.S. corporate equity and debt securities, short-term investments, mutual funds and group annuity contracts.

SFAS No. 87, "Employers' Accounting for Pension Costs" requires that an additional pension liability be recognized when the unfunded accumulated pension benefit obligation exceeds the unfunded accrued pension liability. Variances from actuarially assumed rates will change the actuarial valuation of accrued pension liabilities, pension expense and funding requirements in future periods.

The components of the net periodic defined benefit pension cost, excluding curtailment (gain) loss and discontinued operations, are set forth below.

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		

Net periodic pension cost:			
Service cost benefits	$ 4,063	$ 3,942	$ 3,835
Interest cost on projected benefit obligation ("PBO")	15,088	16,170	15,669
Expected return on plan assets	(15,403)	(15,567)	(15,172)
Amortization of prior service cost	238	267	332
Amortization of net transition obligation	530	578	173
Recognized actuarial losses	226	1,144	385
	$ 4,742	$ 6,534	$ 5,222

The funded status of the Company's defined benefit pension plans is set forth below.

	December 31,	
	2000	1999
	(In thousands)	
Change in PBO:		
Beginning of year	$ 260,186	$ 296,013
Service cost	4,063	3,942
Interest	15,088	16,170
Participant contributions	1,027	939
Actuarial (gain) loss	1,022	(14,303)
Benefits paid	(16,993)	(16,345)
Change in currency exchange rates	(16,038)	(26,230)
End of year	248,355	260,186
Change in fair value of plan assets:		
Beginning of year	218,942	221,035
Actual return on plan assets	11,762	21,444
Employer contributions	16,558	11,236
Participant contributions	1,027	939
Benefits paid	(16,993)	(16,345)
Change in currency exchange rates	(14,312)	(19,367)
End of year	216,984	218,942
Funded status at year end:		
Plan assets less than PBO	(31,371)	(41,244)
Unrecognized actuarial loss	24,191	21,603
Unrecognized prior service cost	1,693	2,137
Unrecognized net transition obligation	786	514
	$ (4,701)	$ (16,990)
Amounts recognized in the balance sheet:		
Prepaid pension cost	$ 22,789	$ 23,271
Accrued pension cost:		
Current	(6,270)	(9,071)
Noncurrent	(21,220)	(32,946)
Accumulated other comprehensive income (loss)	--	1,756

	$ (4,701)	$ (16,990)

Selected information related to the Company's defined benefit pension plans that have accumulated benefit obligations in excess of fair value of plan assets is presented below. At December 31, 2000, 76% of the projected benefit obligations of such plans relate to non-U.S. plans (1999 - 75%).

	December 31, 2000	December 31, 1999
	(In thousands)	
Projected benefit obligation	$190,141	$194,204
Accumulated benefit obligation	169,077	164,262
Fair value of plan assets	149,767	146,435

Incentive bonus programs

Certain employees are eligible to participate in the Company's various incentive bonus programs. The programs provide for annual payments, which may be in the form of cash or NL common stock. The amount of the annual payment paid to an employee, if any, is based on formulas involving the profitability of Kronos in relation to the annual operating plan and, for most of these employees, individual performance.

Postretirement benefits other than pensions

In addition to providing pension benefits, the Company currently provides certain health care and life insurance benefits for eligible retired employees. Certain of the Company's Canadian employees may become eligible for such postretirement health care and life insurance benefits if they reach retirement age while working for the Company. In 1989 the Company began phasing out such benefits for currently active U.S. employees over a ten-year period and U.S. employees retiring after 1998 are not entitled to any such benefits. The majority of all retirees are required to contribute a portion of the cost of their benefits and certain current and future retirees are eligible for reduced health care benefits at age 65. With the exception of the $5.6 million contributed to the VEBA trust discussed in Note 4, the Company's policy is to fund medical claims as they are incurred, net of any contributions by the retirees.

For measuring the OPEB liability at December 31, 2000, the expected rate of increase in health care costs is 8.5% in 2001 decreasing to 5.5% in 2007. Other weighted-average assumptions used to measure the liability and expense are presented below.

	December 31, 2000	December 31, 1999	December 31, 1998
	(Percentages)		
Discount rate	7.3	7.5	6.5
Long-term rate for compensation increases	6.0	6.0	6.0

Long-term rate of return on plan assets	7.7	9.0	9.0

Variances from actuarially assumed rates will change accrued OPEB liabilities, net periodic OPEB expense and funding requirements in future periods. If the health care cost trend rate was increased (decreased) by one percentage point for each year, postretirement benefit expense would have increased approximately $.1 million (decreased by $.1 million) in 2000, and the projected benefit obligation at December 31, 2000 would have increased by approximately $1.7 million (decreased by $1.5 million). During 1998, as a result of the sale of Rheox, the Company settled certain U.S. employee OPEB benefits and recognized a $3.2 million gain, all of which is included in discontinued operations.

The components of the Company's net periodic postretirement benefit cost, excluding curtailment and settlement gains and discontinued operations, are set forth below. The net periodic postretirement benefit costs included in discontinued operations excluding the settlement gain was nil in 1998.

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Net periodic OPEB cost (benefit):			
Service cost benefits	$ 84	$ 40	$ 43
Interest cost on PBO	2,646	2,069	2,393
Expected return on plan assets	(521)	(526)	(583)
Amortization of prior service cost	(2,075)	(2,075)	(2,075)
Recognized actuarial losses (gains)	24	(573)	(811)
	$ 158	$(1,065)	$(1,033)

	December 31,	
	2000	1999
	(In thousands)	
Change in PBO:		
Beginning of year	$ 37,354	$ 33,812
Service cost	84	40
Interest cost	2,646	2,069
Actuarial losses	1,672	5,714
Benefits paid from:		
Company funds	(1,790)	(3,316)
Plan assets	(2,859)	(1,078)
Change in currency exchange rates	(67)	113
End of year	37,040	37,354
Change in fair value of plan assets:		
Beginning of year	5,968	6,365

Actual return on plan assets	2,705	206
Employer contributions	6,028	475
Benefits paid	(2,859)	(1,078)
End of year	11,842	5,968
Funded status at year end:		
Plan assets less than PBO	(25,198)	(31,386)
Unrecognized actuarial gain	(1,135)	(575)
Unrecognized prior service cost	(7,858)	(9,933)
	$(34,191)	$(41,894)
Amounts recognized in the balance sheet:		
Current	$ (4,787)	$ (4,789)
Noncurrent	(29,404)	(37,105)
	$(34,191)	$(41,894)

Note 11 - Shareholders' equity:

Common stock

	Shares of common stock		
	Issued	Treasury stock	Outstanding
		(In thousands)	
Balance at December 31, 1997	66,839	15,572	51,267
Treasury shares reissued	--	(544)	544
Balance at December 31, 1998	66,839	15,028	51,811
Treasury shares acquired	--	552	(552)
Treasury shares reissued	--	(25)	25
Balance at December 31, 1999	66,839	15,555	51,284
Treasury shares acquired	--	1,682	(1,682)
Treasury shares reissued	--	(450)	450
Balance at December 31, 2000	66,839	16,787	50,052

Pursuant to its share repurchase program, the Company purchased 1,682,000 shares of its common stock at an aggregate cost of $30.9 million in 2000 and 552,000 shares of its common stock in the open market at an aggregate cost of $7.2 million in 1999. Approximately 766,000 additional shares are available for purchase under the Company's share repurchase program. The available shares may be purchased over an unspecified period of time, and are to be held as treasury shares available for general corporate purposes.

The Company reinstated a regular quarterly dividend in June 1998 and subsequently paid three quarterly $.03 per share cash dividends in 1998. In February 1999 the Company increased the regular quarterly dividend to $.035 per share and subsequently paid four quarterly $.035 per share cash dividends in 1999. In February 2000 the Company increased the regular quarterly dividend to $.15 per share and subsequently paid three quarterly $.15 per share cash dividends in the first nine months of 2000. In October 2000 the Company increased the regular quarterly dividend to $.20 per share and subsequently paid a quarterly $.20 per share cash dividend in the fourth quarter of 2000. On February 7, 2001, the Company's Board of Directors declared a regular quarterly dividend of $.20 per share to shareholders of record as of March 14, 2001 to be paid on March 28, 2001.

Common stock options

The NL Industries, Inc. 1998 Long-Term Incentive Plan (the "NL Option Plan") provides for the discretionary grant of restricted common stock, stock options, stock appreciation rights ("SARs") and other incentive compensation to officers and other key employees of the Company. Although certain stock options granted pursuant to a similar plan which preceded the NL Option Plan ("the Predecessor Option Plan") remain outstanding at December 31, 2000, no additional options may be granted under the Predecessor Option Plan.

Up to five million shares of NL common stock may be issued pursuant to the NL Option Plan and, at December 31, 2000, 4,147,000 shares were available for future grants. The NL Option Plan provides for the grant of options that qualify as incentive options and for options which are not so qualified. Generally, stock options and SARs (collectively, "options") are granted at a price equal to or greater than 100% of the

market price at the date of grant, vest over a five year period and expire ten years from the date of grant. Restricted stock, forfeitable unless certain periods of employment are completed, is held in escrow in the name of the grantee until the restriction period expires. No SARs have been granted under the NL Option Plan.

In addition to the NL Option Plan, the Company had a stock option plan for its nonemployee directors that expired in 1998. At December 31, 2000, there were options to acquire 2,000 shares of common stock outstanding under this plan, all of which were fully vested. Future grants to directors are expected to be granted from the NL Option Plan.

Changes in outstanding options granted pursuant to the NL Option Plan, the Predecessor Option Plan and the nonemployee director plan are summarized in the table below.

	Shares	Exercise price per share Low	Exercise price per share High	Amount payable upon exercise
	(In thousands, except per share amounts)			
Outstanding at December 31, 1997	2,845	$ 4.81	$ 24.19	$ 34,761
Granted	474	17.97	21.97	9,334
Exercised	(960)	4.81	17.25	(8,740)
Forfeited	(240)	5.00	19.97	(4,336)
Outstanding at December 31, 1998	2,119	5.00	24.19	31,019
Granted	410	11.28	15.19	5,377
Exercised	(25)	5.00	11.81	(209)
Forfeited	(67)	8.69	22.63	(1,244)
Outstanding at December 31, 1999	2,437	5.00	24.19	34,943

Granted	432	14.25	14.44	6,165
Exercised	(918)	5.00	17.97	(9,508)
Forfeited	(349)	8.69	24.19	(7,237)
Outstanding at December 31, 2000	1,602	$ 5.00	$ 21.97	$ 24,363

At December 31, 2000, 1999 and 1998 options to purchase 363,480, 1,255,901 and 957,861 shares, respectively, were exercisable and options to purchase 340,800 shares become exercisable in 2001. All of the exercisable options at December 31, 2000 had exercise prices less than the Company's December 31, 2000 quoted market price of $24.25 per share. Outstanding options at December 31, 2000 expire at various dates through 2010, with a weighted-average remaining life of eight years.

The pro forma information required by SFAS No. 123, "Accounting for Stock-Based Compensation," is based on an estimation of the fair value of options issued subsequent to January 1, 1995. The weighted-average fair values of options granted during 2000, 1999 and 1998 were $4.83, $6.94 and $9.78 per share, respectively. The fair values of employee stock options were calculated using the Black-Scholes stock option valuation model with the following weighted average assumptions for grants in 2000, 1999 and 1998: stock price volatility of 48%, 50% and 51% in 2000, 1999 and 1998, respectively; risk-free rate of return of

5% in 2000, 6% in 1999 and 4% in 1998; dividend yield of 4.9% in 2000, 1.2% in 1999 and .9% in 1998; and an expected term of 9 years in 2000 and 1999 and 8 years in 1998. For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

The Company's pro forma net income and basic net income per common share were as follows. The pro forma impact on earnings per common share for 2000, 1999 and 1998 is not necessarily indicative of future effects on earnings per share.

	Years ended December 31,		
	2000	1999	1998
	(In thousands except per share amounts)		
Net income - as reported	$ 154,609	$ 159,771	$ 366,678
Net income - pro forma	$ 152,201	$ 156,868	$ 363,843
Net income per basic common share - as reported	$ 3.07	$ 3.09	$ 7.13
Net income per basic common share - pro forma .	$ 3.02	$ 3.03	$ 7.07

Preferred stock

The Company is authorized to issue a total of five million shares of preferred stock. The rights of preferred stock as to dividends, redemption, liquidation and conversion are determined upon issuance.

Note 12 - Income taxes:

The components of (i) income from continuing operations before income taxes and minority interest ("pretax income"), (ii) the difference between the provision for income taxes attributable to pretax income and the amounts that would be expected using the U.S. federal statutory income tax rate of 35%, (iii) the provision for income taxes and (iv) the comprehensive tax provision are presented below.

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Pretax income:			
U.S	$ 73,646	$ 23,642	$ 57,638
Non-U.S	162,551	74,850	52,052
	$236,197	$ 98,492	$109,690

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Expected tax expense	$ 82,669	$ 34,472	$ 38,391
Non-U.S. tax rates	(6,445)	6,119	2,507
Resolution of German income tax audits	(5,500)	(36,490)	--
Change in valuation allowance:			
Corporate restructuring in Germany and other	--	(77,580)	--
Change in German income tax law	--	24,070	--
Recognition of certain deductible tax attributes which previously did not meet the "more-likely-than-not" . recognition criteria	(2,600)	(15,807)	(19,143)
Incremental tax on income of companies not included in the NL Tax Group	1,943	2,747	4,277
German rate change adjustment of deferred taxes	5,695	--	--
Refund of prior-year German dividend withholding taxes ...	--	--	(8,219)
U.S. state income taxes	1,348	(680)	307
Other, net	1,310	(1,452)	1,668
Income tax expense (benefit)	$ 78,420	$(64,601)	$ 19,788
Provision for income taxes:			
Current income tax expense (benefit):			
U.S. federal	$ (8,255)	$ 193	$ 850
U.S. state	622	(2,489)	307
Non-U.S	45,867	24,467	13,643
	38,234	22,171	14,800
Deferred income tax expense (benefit):			
U.S. federal	32,128	(47,426)	2,112
U.S. state	726	1,809	--
Non-U.S	7,332	(41,155)	2,876
	40,186	(86,772)	4,988
	$ 78,420	$(64,601)	$ 19,788
Comprehensive provision (benefit) for income taxes allocable to:			
Pretax income	$ 78,420	$(64,601)	$ 19,788
Discontinued operations	--	--	87,000

Extraordinary item	(394)	--	(5,698)
Additional paid-in capital	(3,224)	(16)	(3,796)
Other comprehensive income - marketable securities	3,244	(883)	108
	$ 78,046	$(65,500)	$ 97,402

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

	December 31,			
	2000		1999	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
	(In thousands)			
Tax effect of temporary differences relating to:				
Inventories	$ 4,027	$ (2,966)	$ 4,025	$ (2,086)
Property and equipment	61,738	(53,753)	96,548	(53,313)
Accrued postretirement benefits cost	13,145	--	14,575	--
Accrued (prepaid) pension cost	4,348	(22,928)	6,288	(24,830)
Accrued environmental costs	37,761	--	37,439	--
Noncompete agreement	2,917	--	4,317	--
Other accrued liabilities and deductible differences	18,327	--	16,878	--
Other taxable differences	--	(122,561)	--	(87,041)
Tax on unremitted earnings of non-U.S subsidiaries	--	(4,396)	--	(20,727)
Tax loss and tax credit carryforwards	119,064	--	144,985	--
Valuation allowance	(190,312)	--	(233,595)	--
Gross deferred tax assets (liabilities)	71,015	(206,604)	91,460	(187,997)
Reclassification, principally netting by tax jurisdiction	(59,109)	59,109	(79,445)	79,445
Net total deferred tax assets (liabilities)	11,906	(147,495)	12,015	(108,552)
Net current deferred tax assets (liabilities)	11,673	(1,822)	11,974	(326)
Net noncurrent deferred tax assets (liabilities)	$ 233	$(145,673)	$ 41	$(108,226)

Changes in the Company's deferred income tax valuation allowance are summarized below. The deductible temporary differences in 1998 include items that have been reported as discontinued operations.

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Balance at the beginning of year	$ 233,595	$ 134,477	$ 188,585
Recognition of certain deductible tax attributes which previously did not meet the "more-likely-than-not" recognition criteria	(2,600)	(70,946)	(64,274)
Increase in certain deductible temporary differences which the Company believes do not meet the "more-likely-than-not" recognition criteria	--	1,629	6,964
Offset to the change in gross deferred income tax assets due principally to redeterminations of certain tax attributes and implementation of certain tax planning strategies	(24,955)	183,150	(3,734)
Foreign currency translation	(15,728)	(14,715)	6,936
Balance at the end of year	$ 190,312	$ 233,595	$ 134,477

========= ========= =========

A reduction in the German "base" income tax rate from 30% to 25%, enacted in October 2000, became effective January 1, 2001. The reduction in the German income tax rate resulted in $5.7 million of additional deferred income tax expense in the fourth quarter of 2000 due to a reduction of the Company's deferred income tax asset related to certain German tax attributes. The Company does not expect its future current income tax expense to be affected by the rate change in Germany.

Certain of the Company's tax returns in various U.S. and non-U.S. jurisdictions are being examined and tax authorities have proposed or may propose tax deficiencies, including interest.

The Company has received tax assessments from the Norwegian tax authorities proposing tax deficiencies including related interest of approximately NOK 38 million ($4.3 million at December 31, 2000) relating to 1994 and 1996. The Company is currently litigating the primary issue related to the 1994 assessment and in February 2001 the Norwegian Appeals Court ruled in favor of the Norwegian tax authorities. The Company has appealed the case to the Norwegian Supreme Court and believes that the outcome of the 1996 case is dependent on the eventual outcome of the 1994 case. The Company has granted a lien for the 1994 and 1996 tax assessments on its Fredrikstad, Norway TiO_2 plant in favor of the Norwegian tax authorities.

The Company has received preliminary tax assessments for the years 1991 to 1997 from the Belgian tax authorities proposing tax deficiencies, including related interest, of approximately euro 12.7 million ($11.8 million at December 31, 2000). The Company has filed protests to the assessments for the years 1991 to 1996 and expects to file a protest for 1997. The Company is in discussions with the Belgian tax authorities and believes that a significant portion of the assessments are without merit.

No assurance can be given that the Company's tax matters will be favorably resolved due to the inherent uncertainties involved in tax proceedings. The Company believes that it has provided adequate accruals for additional taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

The Company recognized a $90 million noncash income tax benefit in 1999 related to (i) a favorable resolution of the Company's previously reported tax contingency in Germany ($36 million) and (ii) a net reduction in the Company's deferred income tax valuation allowance due to a change in estimate of the Company's ability to utilize certain income tax attributes under the "more-likely-than-not" recognition criteria ($54 million).

The $54 million net reduction in the Company's deferred income tax valuation allowance is comprised of (i) a $78 million decrease in the valuation allowance to recognize the benefit of certain deductible income tax attributes which the Company now believes meets the recognition criteria as a result of, among other things, a corporate restructuring of the Company's German subsidiaries offset by (ii) a $24 million increase in the valuation allowance to reduce the previously recognized benefit of certain other deductible income tax attributes which the Company now believes do not meet the recognition criteria due to a change in German tax law.

At December 31, 2000, the Company had, for U.S. federal income tax purposes, a net operating loss carryforward of approximately $3 million which expires in 2019. The Company also has approximately $315 million of income tax loss carryforwards in Germany with no expiration date. In 1998 the Company utilized $13 million of alternative minimum tax credit carryforwards (the benefit of which was recognized in discontinued operations) to reduce U.S. federal income tax expense. Unutilized foreign tax credit carryovers of $2 million and $6 million expired in 1999 and 1998, respectively.

Note 13 - Other income, net:

	Years ended December 31,		
	2000	1999	1998
	(In thousands)		
Securities earnings:			
Interest and dividends	$ 8,346	$ 6,597	$ 14,921
Securities gains, net	2,531	--	--
	10,877	6,597	14,921
Currency transaction gains, net	6,499	10,161	4,157
Noncompete agreement income	4,000	4,000	3,667
Trade interest income	2,333	2,365	2,115
Disposition of property and equipment	(1,562)	(429)	(768)
Other, net	1,136	952	1,361
	$ 23,283	$ 23,646	$ 25,453

The Company received a $20 million fee as part of the sale of Rheox in January 1998 in payment for entering into a five-year covenant not to compete in the rheological products business. The Company is amortizing the fee to income using the straight-line method over the five-year noncompete period beginning January 30, 1998.

Note 14 - Litigation settlement gains, net:

In June 2000 the Company recognized a $43 million net gain from a settlement with one of its two principal former insurance carriers, and in December 2000 the Company recognized a $26.5 million net gain from a settlement with certain members of the other principal former insurance carrier. The settlement gains are stated net of $3.1 million in commissions, and the gross settlement proceeds of $72.6 million were transferred by the carriers to special purpose trusts established to pay future remediation and other environmental expenditures of the Company. A settlement with remaining members of the second carrier group was reached in January 2001, and the Company expects to recognize a $10 million gain in the first quarter of 2001. The settlements resolved court proceedings that the Company initiated to seek reimbursement for legal defense expenditures and indemnity coverage for certain of its environmental remediation expenditures.

Note 15 - Other items:

Advertising expense included in continuing operations is expensed as incurred and was $1 million in each of 2000, 1999 and 1998.

Research, development and certain sales technical support costs included in continuing operations is expensed as incurred and approximated $6 million in 2000 and $7 million in each of 1999 and 1998.

Interest capitalized related to continuing operations in connection with long-term capital projects was nil in each of 2000 and 1999 and $1 million in 1998.

Note 16 - Related party transactions:

The Company may be deemed to be controlled by Harold C. Simmons. 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, tax sharing agreements, 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. While no transactions of the type described above are planned or proposed with respect to the Company other than as set forth in this Annual Report on Form 10-K, the Company from time to time considers, reviews and evaluates and understands that Contran, Valhi and related entities consider, review and evaluate, such transactions. Depending upon the business, tax and other objectives then relevant, and restrictions under the indentures and other agreements, it is possible that the Company might be a party to one or more such transactions in the future.

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

The Company is a party to an intercorporate services agreement with Contran (the "Contran ISA") whereby Contran provides certain management services to the Company on a fee basis. Intercorporate services fee expense related to the Contran ISA was and $1.0 million in each of 2000, 1999 and 1998.

The Company is a party to an intercorporate services agreement with Valhi (the "Valhi ISA") whereby Valhi and the Company provide certain management, financial and administrative services to each other on a fee basis. Net intercorporate services fee expense related to the Valhi ISA was $.2 million in 2000, $.1 million in 1999 and nil in 1998.

The Company is party to an intercorporate services agreement with Tremont (the "Tremont ISA"). Under the terms of the contract, the Company provides certain management and financial services to Tremont on a fee basis. Intercorporate services fee income related to the Tremont ISA was $.1 million in each of 2000, 1999 and 1998.

The Company is party to an intercorporate services agreement (the "Timet ISA") with Titanium Metals Corporation ("Timet"), approximately 47% of the outstanding common stock of which is currently held by Tremont and another entity related to Harold C. Simmons. Under the terms of the contract, the Company provides certain management and financial services to Timet on a fee basis. Intercorporate services fee income related to the Timet ISA was $.3 million in each of 2000, 1999 and 1998.

The Company is party to an intercorporate services agreement (the "CompX ISA") with CompX International, Inc. ("CompX"), a subsidiary of Valhi. Under the terms of the contract, the Company provides certain management and administrative services to CompX on a fee basis. Intercorporate services fee income related to the CompX ISA was $.2 million in 2000 and $.1 million in each of 1999 and 1998.

Purchases of TiO_2 from LPC were $92.5 in 2000, $85.3 million in 1999 and $89.0 million in 1998.

The Company and Tall Pines Insurance Company ("Tall Pines") (formerly NL Insurance, Ltd. of Vermont), a wholly owned subsidiary of Tremont, are parties to an Insurance Sharing Agreement with respect to certain loss payments and reserves established by Tall Pines that (i) arise out of claims against other entities for which the Company is contractually responsible and (ii) are subject to payment by Tall Pines under certain reinsurance contracts. Also, Tall Pines will credit the Company with respect to certain underwriting profits or credit recoveries that Tall Pines receives from independent reinsurers that relate to retained liabilities. At December 31, 2000, the Company has $9.7 million of restricted cash that collateralizes certain of Tall Pines' outstanding letters of credit.

Tall Pines, Valmont and EWI RE, Inc. ("EWI") provide for or broker certain of the Company's, its joint venture's and its affiliates' insurance policies. Valmont is a wholly owned insurance company of Valhi. Parties related to Contran own all of the outstanding common stock of EWI. Through December 31, 2000, a son-in-law of Harold C. Simmons managed the operations of EWI. Subsequent to December 31, 2000, such son-in-law provides advisory services to EWI as requested by EWI. Consistent with insurance industry practices, Tall Pines, Valmont and EWI receive commissions from the insurance and reinsurance underwriters for the policies that they provide or broker. The Company and its joint venture paid approximately $5.7 million, $3.7 million and $3.0 million in 2000, 1999 and 1998, respectively, for policies provided or brokered by Tall Pines, Valmont and EWI. These amounts principally included payments for reinsurance and insurance premiums paid to unrelated third parties, but also included commissions paid to Tall Pines, Valmont and EWI. In the Company's opinion, the amounts that the Company paid for these insurance policies and the allocation among the Company and its affiliates of relative insurance premiums are reasonable and similar to those they could have obtained through unrelated insurance companies and/or brokers. The Company expects that these relationships with Tall Pines, Valmont and EWI will continue in 2001.

In February 2001 NL Environmental Management Services, Inc., a majority-owned subsidiary of the Company, loaned $13.4 million to Tremont. The loan bears interest at prime plus 2%, is due March 31, 2003 and is collateralized by 10.2 million shares of NL common stock owned by Tremont.

During 2000 the Company purchased 414,000 shares of its common stock from officers and directors of the Company for an aggregate of $9.4 million. Such purchases were at market prices on the respective dates of purchase.

Amounts receivable from and payable to affiliates are summarized in the following table.

	December 31, 2000	December 31, 1999
	(In thousands)	
Receivable from affiliates:		
Timet	$ 1	$ 310
CompX	82	176
Other	131	261
	$ 214	$ 747
Payable to affiliates:		
Tremont Corporation	$ 1,923	$ 2,859
LPC	8,711	8,381
	$10,634	$11,240

Amounts payable to LPC are generally for the purchase of TiO2 (see Note 6), and amounts payable to Tremont principally relate to the Company's Insurance Sharing Agreement described above.

Note 17 - Commitments and contingencies:

Leases

The Company leases, pursuant to operating leases, various manufacturing and office space and transportation equipment. Most of the leases contain purchase and/or various term renewal options at fair market and fair rental values, respectively. In most cases management expects that, in the normal course of business, leases will be renewed or replaced by other leases.

Kronos' principal German operating subsidiary leases the land under its Leverkusen TiO_2 production facility pursuant to a lease expiring in 2050. The Leverkusen facility, with approximately one-third of Kronos' current TiO_2 production capacity, is located within the lessor's extensive manufacturing complex, and Kronos is the only unrelated party so situated. Under a separate supplies and services agreement expiring in 2011, the lessor provides some raw materials, auxiliary and operating materials and utilities services necessary to operate the Leverkusen facility. Both the lease and the supplies and services agreements restrict the Company's ability to transfer ownership or use of the Leverkusen facility.

Net rent expense included in continuing operations aggregated $9 million in each of 2000 and 1999 and $7 million in 1998. At December 31, 2000, minimum rental commitments under the terms of noncancellable operating leases, excluding discontinued operations, were as follows:

Years ending December 31,	Real Estate	Equipment
	(In thousands)	
2001	$ 1,985	$ 1,496
2002	1,780	808
2003	1,630	464
2004	1,243	295
2005	1,094	77
2006 and thereafter	18,886	20
	$26,618	$ 3,160

Capital expenditures

At December 31, 2000, the estimated cost to complete capital projects in process approximated $16 million, including $4 million to complete an expansion project increasing finishing capacity at the Company's Belgian facility.

Purchase commitments

The Company has long-term supply contracts that provide for the Company's chloride feedstock requirements through 2003. The agreements require the Company purchase certain minimum quantities of feedstock with average minimum annual purchase commitments aggregating approximately $155 million.

Legal proceedings

Lead pigment litigation. Since 1987 the Company, other former manufacturers of lead pigments for use in paint and lead-based paint, and the Lead Industries Association have been named as defendants in various legal proceedings seeking damages for personal injury and property damage allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of states, large United States cities or their public housing authorities and certain others have been asserted as class actions. These legal proceedings seek recovery under a variety of theories, including negligent product design, failure to warn, strict liability, breach of warranty, conspiracy/concert of action, enterprise liability, market share liability, intentional tort, and fraud and misrepresentation.

The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and asserted health concerns associated with the use of lead-based paints, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. Most of these legal proceedings are in various pre-trial stages; some are on appeal.

The Company believes that these actions are without merit, intends to continue to deny all allegations of wrongdoing and liability and to defend all actions vigorously. The Company has not accrued any amounts for the pending lead pigment litigation. Considering the Company's previous involvement in the lead and lead pigment businesses, there can be no assurance that additional litigation similar to that currently pending will not be filed.

Environmental matters and litigation. Some of the Company's current and former facilities, including several divested secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or investigations arising under federal and state environmental laws. Additionally, in connection with past disposal practices, the Company has been named a potential responsible party ("PRP") pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA") in approximately 75 governmental and private actions associated with hazardous waste sites and former mining locations, certain of which are on the U.S. Environmental Protection Agency's Superfund National Priorities List. These actions seek cleanup costs, damages for personal injury or property damage and/or damages for injury to natural resources. While the Company may be jointly and severally liable for such costs, in most cases it is only one of a number of PRPs who are also jointly and severally liable. In addition, the Company is a party to a number of lawsuits filed in various jurisdictions alleging CERCLA or other environmental claims.

At December 31, 2000, the Company had accrued $110 million for those environmental matters which are reasonably estimable. It is not possible to estimate the range of costs for certain sites. The upper end of the range of reasonably possible costs to the Company for sites which it is possible to estimate costs is approximately $170 million. The Company's estimates of such liabilities have not been discounted to present value, and the Company has not recognized any potential insurance recoveries other than the settlements in 2000 discussed in Note 14.

The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes respecting site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

Certain of the Company's businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws. As with other companies engaged in similar businesses, certain past and current operations and products of the Company have the potential to cause environmental or other damage. The Company has implemented and continues to implement various policies and programs in an effort to minimize these risks. The policy of the Company is to maintain compliance with applicable environmental laws and regulations at all of its facilities and to strive to improve its environmental performance. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could adversely affect the Company's production, handling, use, storage, transportation, sale or disposal of such substances as well as the Company's consolidated financial position, results of operations or liquidity.

Other litigation. The Company is also involved in various other environmental, contractual, product liability and other claims and disputes incidental to its present and former businesses.

The Company currently believes 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.

Concentrations of credit risk

Sales of TiO_2 accounted for more than 90% of net sales from continuing operations during each of the past three years. The remaining sales result from the mining and sale of ilmenite ore (a raw material used in the sulfate pigment production process), and the manufacture and sale of iron-based water treatment chemicals (derived from co-products of the TiO_2 production processes). TiO_2 is generally sold to the paint, plastics and paper industries. Such markets are generally considered "quality-of-life" markets whose demand for TiO_2 is influenced by the relative economic well-being of the various geographic regions. TiO_2 is sold to over 4,000 customers, with the top ten customers approximating 25% of net sales in each of the last three years. Approximately one-half of the Company's TiO_2 sales by volume were to Europe in each of the past three years and approximately 37% in each of 1998, 1999 and 2000 of sales were attributable to North America.

Consolidated cash, cash equivalents, current and noncurrent restricted cash equivalents includes $159 million and $78 million invested in U.S. Treasury securities purchased under short-term agreements to resell at December 31, 2000 and 1999, respectively, of which $67 million and $58 million, respectively, of such securities are held in trust for the Company by a single U.S. bank.

Note 18 - Financial instruments:

Summarized below is the estimated fair value and related net carrying value of the Company's financial instruments.

	December 31, 2000		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Cash, cash equivalents, current and noncurrent restricted cash equivalents	$ 207.6	$ 207.6	$ 151.8	$ 151.8
Marketable securities - classified as available-for-sale	47.2	47.2	15.1	15.1
Notes payable and long-term debt:				
Fixed rate with market quotes - Senior Secured Notes	$ 194.0	$ 195.9	$ 244.0	$ 253.2
Variable rate debt	72.1	72.1	57.6	57.6
Common shareholders' equity	$ 344.5	$ 1,213.8	$ 271.1	$ 774.1

Fair value of the Company's marketable securities and Notes are based upon quoted market prices and the fair value of the Company's common shareholder's equity is based upon quoted market prices for NL's common stock at the end of the year. The Company held no derivative financial instruments at

December 31, 2000 or 1999.

Note 19 - Quarterly financial data (unaudited):

	Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In thousands, except per share amounts)			
Year ended December 31, 2000:				
Net sales	$231,009	$251,126	$242,309	$197,875
Cost of sales	159,265	164,033	159,021	128,130
Operating income	46,235	62,743	57,511	45,994
Income from continuing operations	23,708	63,438	30,169	38,026(a)
Net income	23,708	63,438	30,169	37,294(a)
Earnings per share:				
Basic:				
Income from continuing operations	$ .47	$ 1.26	$ .60	$ .76(a)
Net income	$ .47	$ 1.26	$ .60	$ .75(a)
Diluted:				
Income from continuing operations	$ .46	$ 1.25	$ .60	$ .75(a)
Net income	$ .46	$ 1.25	$ .60	$ .74(a)
Weighted average common shares and potential common shares outstanding:				
Basic	50,920	50,499	50,203	50,045
Diluted	51,154	50,850	50,606	50,385
Year ended December 31, 1999:				
Net sales	$201,569	$232,568	$242,621	$231,629
Cost of sales	147,040	167,779	181,745	165,751
Operating income	30,961	44,136	34,759	35,812
Net income	13,940	111,823	17,146	16,862
Earnings per share - net income:				
Basic	$ .27	$ 2.16	$ .33	$ .33
Diluted	$ .27	$ 2.16	$ .33	$ .33
Weighted average common shares and potential common shares outstanding:				
Basic	51,819	51,826	51,835	51,614
Diluted	51,870	51,883	51,943	51,758

(a) Income from continuing operations in the fourth quarter of 2000 includes a $26.5 million pretax net litigation settlement gain (see Note 14) and a $3.1 million noncash securities loss (see Note 4). Net income in the fourth quarter of 2000 also includes a $.7 million extraordinary item for early extinguishment of debt, net of tax.

Note 20 - Discontinued operations:

The Company sold the net assets of its Rheox specialty chemical business to Elementis plc for $465 million cash (before fees and expenses) in January 1998, including $20 million attributable to a five-year agreement by the Company not to compete in the rheological products business. The Company recognized an after-tax gain of approximately $286 million on the sale of this business segment. As a result of the sale, the Company has presented the results of this business segment as discontinued operations.

Condensed income statement related to discontinued operations for the month ended January 31, 1998 is as follows. Interest expense has been allocated to discontinued operations based on the amount of debt specifically attributed to Rheox's operations.

	Month ended January 31, 1998
	(In thousands)
Net sales	$ 12,630
Other expense, net	(50)
	12,580
Cost of sales	6,969
Selling, general and administrative	2,737
Interest expense	771
	10,477
Income before income taxes	2,103
Income tax expense	778
	1,325
Gain from sale of Rheox, net of tax expense of $86,222	286,071
	$ 287,396

Condensed cash flow data for Rheox (excluding dividends paid to, contributions received from and intercompany loans with NL) is presented below.

	Month ended January 31, 1998
	(In thousands)
Cash flows from:	
Operating activities	$ (30,587)
Investing activities - capital expenditures	(26)
Financing activities - indebtedness, net	(117,500)
Net change from operating, investing and	

financing activities	$(148,113)
	=========

Note 21 - Condensed consolidating financial information:

The Company's 11.75% Senior Secured Notes are collateralized by a series of intercompany notes to NL (the "Parent Issuer"). The Notes are also collateralized by a first priority lien on the stock of Kronos. A second priority lien on the stock of NL Capital Corporation ("NLCC") collateralized the notes until February 2000, at such time it was merged into KII and became included in the first priority lien on the stock of Kronos.

In the event of foreclosure, the holders of the Notes would have access to the consolidated assets, earnings and equity of the Company. The Company believes the collateralization of the Notes, as described above, is the functional economic equivalent of a joint and several, full and unconditional guarantee of the Notes by Kronos and, prior to its merger into KII, NLCC.

Management believes that separate audited financial statements would not provide additional material information that would be useful in assessing the financial position of Kronos and NLCC (the "Guarantor Subsidiaries"). In lieu of providing separate audited financial statements of the Guarantor Subsidiaries, the Company has included condensed consolidating financial information of the Parent Issuer, Guarantor Subsidiaries and non-guarantor subsidiaries in accordance with Rule 3-10 (e) of the SEC's Regulation S-X. The Guarantor Subsidiaries and the non-guarantor subsidiaries comprise all of the direct and indirect subsidiaries of the Parent Issuer.

Investments in subsidiaries are accounted for by NL under the equity method, wherein the parent company's share of earnings is included in net income. The elimination entries eliminate the parent's investment in subsidiaries and the equity in earnings of subsidiaries, intercompany payables and receivables and other transactions between subsidiaries.

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
December 31, 2000
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ 3,632	$ 52,979	$ 63,767	$ --	$ 120,378
Restricted cash equivalents	69,242	--	--	--	69,242
Accounts and notes receivable ..	172	131,295	73	--	131,540
Receivable from affiliates	6,189	--	216	(6,191)	214
Refundable income taxes	10,512	1,790	--	--	12,302
Inventories	--	205,973	--	--	205,973
Prepaid expenses	347	2,111	--	--	2,458
Deferred income taxes	6,394	5,279	--	--	11,673
Total current assets	96,488	399,427	64,056	(6,191)	553,780
Other assets:					
Investment in subsidiaries	687,300	--	285	(687,585)	--
Marketable securities	452	--	46,734	--	47,186
Notes receivable from affiliates	194,000	301,695	23,000	(518,695)	--
Investment in joint venture	--	150,002	--	--	150,002

Prepaid pension cost	1,772	21,017	--	--	22,789
Restricted cash equivalents	17,942	--	--	--	17,942
Other	1,739	2,968	--	--	4,707
Total other assets	903,205	475,682	70,019	(1,206,280)	242,626
Property and equipment, net	4,425	319,957	--	--	324,382
	$ 1,004,118	$ 1,195,066	$ 134,075	$(1,212,471)	$ 1,120,788

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet, (Continued)
December 31, 2000
(In thousands)

	NL Industries, Inc.	Kronos, Inc.	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Notes payable	$ --	$ 69,970	$ --	$ --	$ 69,970
Current maturities of long-term debt	--	730	--	--	730
Accounts payable and accrued liabilities	29,144	123,555	48,485	--	201,184
Payable to affiliates	2,140	14,073	612	(6,191)	10,634
Income taxes	--	13,604	12	--	13,616
Deferred income taxes	--	1,822	--	--	1,822
Total current liabilities	31,284	223,754	49,109	(6,191)	297,956
Noncurrent liabilities:					
Long-term debt	194,000	1,363	--	--	195,363
Notes payable to affiliate	324,695	194,000	--	(518,695)	--
Deferred income taxes	70,985	73,699	989	--	145,673
Accrued pension cost	1,438	19,782	--	--	21,220
Accrued postretirement benefits cost	15,039	14,365	--	--	29,404
Other	22,189	16,511	41,705	--	80,405
Total noncurrent liabilities	628,346	319,720	42,694	(518,695)	472,065
Minority interest	--	299	5,980	--	6,279
Shareholders' equity	344,488	651,293	36,292	(687,585)	344,488
	$ 1,004,118	$ 1,195,066	$ 134,075	$(1,212,471)	$ 1,120,788

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet
December 31, 1999
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					

Current assets:					
Cash and cash equivalents	$ 13,415	$ 113,062	$ 7,747	$ --	$ 134,224
Restricted cash equivalents	17,565	--	--	--	17,565
Accounts and notes receivable ..	61	143,647	60	--	143,768
Receivable from affiliates	11,668	--	562	(11,483)	747
Refundable income taxes	317	4,155	1	--	4,473
Inventories	--	191,184	--	--	191,184
Prepaid expenses	227	2,265	--	--	2,492
Deferred income taxes	5,774	6,200	--	--	11,974
Total current assets	49,027	460,513	8,370	(11,483)	506,427
Other assets:					
Investment in subsidiaries	558,898	--	285	(559,183)	--
Marketable securities	2,600	--	12,455	--	15,055
Notes receivable from affiliates	244,000	185,839	78,000	(507,839)	--
Investment in joint venture	--	157,552	--	--	157,552
Prepaid pension cost	--	24,127	--	(856)	23,271
Deferred income taxes	3,992	41	--	(3,992)	41
Other	2,620	2,749	--	--	5,369
Total other assets	812,110	370,308	90,740	(1,071,870)	201,288
Property and equipment, net	5,174	343,284	--	--	348,458
	$ 866,311	$ 1,174,105	$ 99,110	$(1,083,353)	$ 1,056,173

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Balance Sheet, (Continued)
December 31, 1999
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Notes payable	$ --	$ 57,076	$ --	$ --	$ 57,076
Current maturities of long-term debt ...	--	212	--	--	212
Accounts payable and accrued liabilities	30,397	114,512	45,451	--	190,360
Payable to affiliates	3,444	20,368	614	(13,186)	11,240
Income taxes	1,470	4,135	--	--	5,605
Deferred income taxes	--	326	--	--	326
Total current liabilities	35,311	196,629	46,065	(13,186)	264,819
Noncurrent liabilities:					
Long-term debt	244,000	266	--	--	244,266
Notes payable to affiliate	263,839	244,000	--	(507,839)	--
Deferred income taxes	--	111,932	286	(3,992)	108,226
Accrued pension cost	8,410	25,392	--	(856)	32,946
Accrued postretirement benefits cost ...	21,625	15,480	--	--	37,105
Other	22,039	21,076	50,706	--	93,821
Total noncurrent liabilities	559,913	418,146	50,992	(512,687)	516,364
Minority interest	--	312	3,591	--	3,903
Shareholders' equity (deficit)	271,087	559,018	(1,538)	(557,480)	271,087
	$ 866,311	$ 1,174,105	$ 99,110	$(1,083,353)	$ 1,056,173

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Income
Year ended December 31, 2000
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues and other income:					
Net sales	$ --	$ 922,319	$ --	$ --	$ 922,319
Interest and dividends	31,598	25,587	5,937	(52,443)	10,679
Equity in income of subsidiaries	173,620	--	--	(173,620)	--
Litigation settlement gains, net	69,465	--	--	--	69,465
Other income, net	12,595	5,834	--	(5,825)	12,604
	287,278	953,740	5,937	(231,888)	1,015,067
Costs and expenses:					
Cost of sales	--	610,449	--	--	610,449
Selling, general and administrative	25,381	112,429	(632)	--	137,178
Interest	52,701	30,985	--	(52,443)	31,243
	78,082	753,863	(632)	(52,443)	778,870
Income before income taxes, minority interest and extraordinary item	209,196	199,877	6,569	(179,445)	236,197
Income tax expense	53,855	22,850	12	1,703	78,420
Income before minority interest and extraordinary item	155,341	177,027	6,557	(181,148)	157,777
Minority interest	--	47	2,389	--	2,436
Income before extraordinary item	155,341	176,980	4,168	(181,148)	155,341
Extraordinary item-early extinguishment of debt, net of tax benefit of $394	(732)	--	--	--	(732)
Net income	$ 154,609	$ 176,980	$ 4,168	$ (181,148)	$ 154,609

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Income
Year ended December 31, 1999
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues and other income:					
Net sales	$ --	$ 908,387	$ --	$ --	$ 908,387
Interest and dividends	30,843	24,425	6,823	(53,129)	8,962
Equity in income of subsidiaries	154,625	--	--	(154,625)	--
Other income, net	4,565	10,119	--	--	14,684
	190,033	942,931	6,823	(207,754)	932,033

Costs and expenses:					
Cost of sales	--	662,315	--	--	662,315
Selling, general and administrative	16,037	116,138	2,167	--	134,342
Interest	49,872	40,141	--	(53,129)	36,884
	65,909	818,594	2,167	(53,129)	833,541
Income before income taxes and minority interest	124,124	124,337	4,656	(154,625)	98,492
Income tax benefit	35,647	26,955	1,999	--	64,601
Income before minority interest	159,771	151,292	6,655	(154,625)	163,093
Minority interest	--	48	3,274	--	3,322
Net income	$ 159,771	$ 151,244	$ 3,381	$(154,625)	$ 159,771

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Income
Year ended December 31, 1998
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Revenues and other income:					
Net sales	$ --	$ 894,724	$ --	$ --	$ 894,724
Interest and dividends	57,901	18,481	3,559	(62,905)	17,036
Equity in income of subsidiaries	73,839	--	--	(73,839)	--
Other income, net	10,056	4,069	(1,997)	(3,711)	8,417
	141,796	917,274	1,562	(140,455)	920,177
Costs and expenses:					
Cost of sales	--	618,754	--	(307)	618,447
Selling, general and administrative	10,756	122,523	691	--	133,970
Interest	55,078	70,762	--	(67,770)	58,070
	65,834	812,039	691	(68,077)	810,487
Income from continuing operations before income taxes and minority interest	75,962	105,235	871	(72,378)	109,690
Income tax expense (benefit)	(13,900)	33,601	--	87	19,788
Income from continuing operations before minority interest	89,862	71,634	871	(72,465)	89,902
Minority interest	--	40	--	--	40
Income from continuing operations	89,862	71,594	871	(72,465)	89,862
Discontinued operations	287,396	285,385	--	(285,385)	287,396
Extraordinary item - early extinguishment of debt, net of tax benefit of $5,698	(10,580)	999	--	(999)	(10,580)
Net income	$ 366,678	$ 357,978	$ 871	$(358,849)	$ 366,678

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Cash Flows
Year ended December 31, 2000
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ 12,318	$ 177,642	$ 4,795	$ (55,000)	$ 139,755
Cash flows from investing activities:					
Capital expenditures	(23)	(31,066)	--	--	(31,089)
Purchase of Tremont Corporation common stock	(26,040)	--	--	--	(26,040)
Change in restricted cash	4,480	--	(3,850)	--	630
Loans to affiliates	50,000	(115,856)	55,000	10,856	--
Other, net	107	77	--	80	264
Net cash provided (used) by investing activities	28,524	(146,845)	51,150	10,936	(56,235)
Cash flows from financing activities:					
Indebtedness:					
Borrowings	--	44,923	--	--	44,923
Principal payments	(50,000)	(29,162)	--	--	(79,162)
Treasury stock:					
Purchased	(30,886)	--	--	--	(30,886)
Reissued	2,091	--	--	--	2,091
Dividends, net	(32,686)	(55,000)	--	55,000	(32,686)
Loans from affiliates	60,856	(50,000)	--	(10,856)	--
Other, net	--	(6)	80	(80)	(6)
Net cash provided (used) by financing activities	(50,625)	(89,245)	80	44,064	(95,726)
Cash and cash equivalents:					
Net change from:					
Operating, investing and financing activities ..	(9,783)	(58,448)	56,025	--	(12,206)
Currency translation	--	(1,635)	(5)	--	(1,640)
	(9,783)	(60,083)	56,020	--	(13,846)
Balance at beginning of year	13,415	113,062	7,747	--	134,224
Balance at end of year	$ 3,632	$ 52,979	$ 63,767	$ --	$ 120,378

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Cash Flows
Year ended December 31, 1999
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ 28,742	$ 134,937	$ (5,371)	$ (50,000)	$ 108,308
Cash flows from investing activities:					
Capital expenditures	(2,856)	(32,703)	--	--	(35,559)
Change in restricted cash	(12,065)	--	6,889	--	(5,176)
Other, net	(17)	2,334	--	27	2,344
Net cash provided (used) by investing activities	(14,938)	(30,369)	6,889	27	(38,391)
Cash flows from financing activities:					
Indebtedness:					
Borrowings	--	82,038	--	--	82,038
Principal payments	--	(155,787)	--	--	(155,787)
Treasury stock purchased	(7,000)	--	--	--	(7,000)
Dividends, net	(7,242)	(50,030)	30	50,000	(7,242)
Other, net	--	(6)	27	(27)	(6)

Net cash provided (used) by financing activities	(14,242)	(123,785)	57	49,973	(87,997)
Cash and cash equivalents:					
Net change from:					
Operating, investing and financing activities ..	(438)	(19,217)	1,575	--	(18,080)
Currency translation	--	(2,649)	--	--	(2,649)
	(438)	(21,866)	1,575	--	(20,729)
Balance at beginning of year	13,853	134,928	6,172	--	154,953
Balance at end of year	$ 13,415	$ 113,062	$ 7,747	$ --	$ 134,224

NL INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidating Statement of Cash Flows
Year ended December 31, 1998
(In thousands)

	NL Industries, Inc.	Combined Guarantor Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	$ 92,846	$ 35,899	$ (68,658)	$ (15,000)	$ 45,087
Cash flows from investing activities:					
Capital expenditures	(82)	(22,310)	--	--	(22,392)
Proceeds from disposition of securities	6,875	--	--	--	6,875
Change in restricted cash	(566)	4,817	(6,889)	--	(2,638)
Loans to affiliates	--	(224,660)	--	224,660	--
Proceeds from sale of specialty chemicals business	--	435,080	--	--	435,080
Other, net	87	284	--	--	371
Net cash provided (used) by investing activities	6,314	193,211	(6,889)	224,660	417,296
Cash flows from financing activities:					
Indebtedness:					
Borrowings	--	30,491	--	--	30,491
Principal payments	(193,498)	(108,113)	(14,281)	--	(315,892)
Settlement of shareholder derivative lawsuit, net	11,211	--	--	--	11,211
Dividends, net	(4,636)	(15,000)	--	15,000	(4,636)
Loans from affiliates	89,839	38,821	96,000	(224,660)	--
Discontinued operations, net	--	(117,500)	--	--	(117,500)
Other, net	170	(2)	--	--	168
Net cash provided (used) by financing activities	(96,914)	(171,303)	81,719	(209,660)	(396,158)
Cash and cash equivalents:					
Net change from:					
Operating, investing and financing activities	2,246	57,807	6,172	--	66,225
Currency translation	--	(36)	--	--	(36)
Sale of discontinued operation	--	(7,630)	--	--	(7,630)
	2,246	50,141	6,172	--	58,559
Balance at beginning of year	11,607	84,787	--	--	96,394
Balance at end of year	$ 13,853	$ 134,928	$ 6,172	$ --	$ 154,953

REPORT OF INDEPENDENT ACCOUNTANTS
ON FINANCIAL STATEMENT SCHEDULES

To the Board of Directors of NL Industries, Inc.:

Our audits of the consolidated financial statements referred to in our report dated February 28, 2001 appearing on page F-2 in the 2000 Annual Report to Shareholders on Form 10-K of NL Industries, Inc. (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 14(a) and (d) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP

Houston, Texas
February 28, 2001

NL INDUSTRIES, INC. AND SUBSIDIARIES
SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT
Condensed Balance Sheets
December 31, 2000 and 1999
(In thousands)

	2000	1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,632	$ 13,415
Restricted cash equivalents	69,242	17,565
Accounts and notes receivable	172	61
Receivable from subsidiaries	6,189	11,668
Refundable income taxes	10,512	317
Prepaid expenses	347	227
Deferred income taxes	6,394	5,774
Total current assets	96,488	49,027
Other assets:		
Marketable securities	452	2,600
Notes receivable from subsidiary	194,000	244,000
Investment in subsidiaries	687,300	558,898
Deferred income taxes	--	3,992
Restricted cash equivalents	17,942	--
Prepaid pension cost	1,772	--
Other	1,739	2,620
Total other assets	903,205	812,110
Property and equipment, net	4,425	5,174
	$1,004,118	$ 866,311
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 29,144	$ 30,397
Payable to affiliates	2,140	3,444
Income taxes	--	1,470
Total current liabilities	31,284	35,311
Noncurrent liabilities:		
Long-term debt	194,000	244,000
Notes payable to affiliates	324,695	263,839
Deferred income taxes	70,985	--
Accrued pension cost	1,438	8,410
Accrued postretirement benefits cost	15,039	21,625
Other	22,189	22,039
Total noncurrent liabilities	628,346	559,913
Shareholders' equity	344,488	271,087

	$1,004,118	$ 866,311

Contingencies (Note 4)

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Income

Years ended December 31, 2000, 1999 and 1998

(In thousands)

	2000	1999	1998
Revenues and other income:			
Equity in income from continuing operations of subsidiaries	$ 173,620	$ 154,625	$ 73,839
Interest and dividends	2,961	1,184	1,812
Interest income from subsidiaries ...	28,637	29,659	56,089
Securities gains, net	8,356	--	5,635
Litigation settlement gains, net	69,465	--	--
Other income, net	4,239	4,565	4,421
	287,278	190,033	141,796
Costs and expenses:			
General and administrative	25,381	16,037	10,756
Interest	52,701	49,872	55,078
	78,082	65,909	65,834
Income from continuing operations before income taxes	209,196	124,124	75,962
Income tax expense (benefit)	53,855	(35,647)	(13,900)
Income from continuing operations	155,341	159,771	89,862
Discontinued operations	--	--	287,396
Extraordinary items	(732)	--	(10,580)
Net income	$ 154,609	$ 159,771	$ 366,678

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I-CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Condensed Statements of Cash Flows

Years ended December 31, 2000, 1999 and 1998

(In thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net income	$ 154,609	$ 159,771	$ 366,678
Equity in income of subsidiaries:			
Continuing	(173,620)	(154,625)	(73,839)
Discontinued	--	--	(287,396)
Distributions from subsidiaries	55,000	50,000	15,000
Noncash interest income, net	(932)	(390)	(8,660)
Deferred income taxes	71,837	(18,071)	(3,862)
Securities gains, net	(8,356)	--	(3,711)
Litigation settlement gains, net	(69,465)	--	--
Other, net	(4,399)	(3,164)	(3,382)
	24,674	33,521	828
Change in assets and liabilities, net	(12,356)	(4,779)	92,018
Net cash provided by operating activities	12,318	28,742	92,846
Cash flows from investing activities:			
Change in restricted cash equivalents, net	4,480	(12,065)	(566)
Capital expenditures	(23)	(2,856)	(82)
Purchase of Tremont Corporation common stock	(26,040)	--	--
Loans to affiliates	50,000	--	--
Investments in subsidiaries	(80)	(27)	--
Proceeds from disposition of marketable securities	158	--	6,875
Other, net	29	10	87
Net cash provided (used) by investing activities	28,524	(14,938)	6,314

	2000	1999	1998
Cash flows from financing activities:			
Dividends	$ (32,686)	$ (7,242)	$ (4,636)
Treasury stock:			
Purchased	(30,886)	(7,210)	--
Reissued	2,091	210	170

Indebtedness - principal payments	(50,000)	--	(193,498)
Loans from affiliates	60,856	--	89,839
Settlement of shareholder derivative lawsuit, net	--	--	11,211
Net cash used by financing activities	(50,625)	(14,242)	(96,914)
Net change from operating, investing and financing activities	(9,783)	(438)	2,246
Balance at beginning of year	13,415	13,853	11,607
Balance at end of year	$ 3,632	$ 13,415	$ 13,853

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

Notes to Condensed Financial Information

Note 1 - Basis of presentation:

The Consolidated Financial Statements of NL Industries, Inc. (the "Company") and the related Notes to Consolidated Financial Statements are incorporated herein by reference.

Note 2 - Net receivable from (payable to) subsidiaries and affiliates:

	December 31,	
	2000	1999
	(In thousands)	
Current:		
Receivable from:		
Kronos:		
Income taxes	$ 1,260	$ 3,790
Other, net	4,103	6,507
Timet	1	310
CompX	82	176
Other	743	885
	$ 6,189	$ 11,668
Payable to:		
Tremont	$ (1,925)	$ (2,859)
NLEMS	(146)	(562)
Other	(69)	(23)
	$ (2,140)	$ (3,444)
Noncurrent:		
Notes receivable from Kronos	$ 194,000	$ 244,000

Notes payable to:

Kronos	$(301,695)	$(185,839)
NLEMS	(23,000)	(78,000)
	$(324,695)	$(263,839)

Note 3 - Long-term debt:

See Note 9 of the Consolidated Financial Statements for a description of the Notes. The Company's $194 million of Senior Secured Notes at December 31, 2000 are due October 2003. The Company has guaranteed Kronos' non-U.S. dollar-denominated notes payable of $70 million.

Note 4 - Contingencies:

See Legal proceedings in Note 17 to the Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance at beginning of year	Charges (credits) to costs and expenses	Deductions	Currency translation adjustments	Balance at end of year
Year ended December 31, 2000:					
Allowance for doubtful accounts and notes receivable	$ 2,075	$ 342	$ (67) (a)	$ (128)	$ 2,222
Amortization of intangibles	$ 22,095	$ 113	$ --	$ (1,779)	$ 20,429
Year ended December 31, 1999:					
Allowance for doubtful accounts and notes receivable	$ 2,377	$ 140	$ (180) (a)	$ (262)	$ 2,075
Amortization of intangibles	$ 23,704	$ 1,851	$ --	$ (3,460)	$ 22,095
Year ended December 31, 1998:					
Allowance for doubtful accounts and notes receivable	$ 2,828	$ (208)	$ (363) (a)(b)	$ 120	$ 2,377
Amortization of intangibles	$ 22,366	$ 2,438	$ (2,757) (b)	$ 1,657	$ 23,704

(a) Amounts written off, less recoveries.
(b) Sale of Rheox's assets.

Exhibit 10.34

REVOLVING LOAN NOTE

$13,400,000 February 9, 2001

FOR VALUE RECEIVED, the undersigned, Tremont Corporation, a Delaware corporation ("Maker"), promises to pay, on or before March 31, 2003 (the "Maturity Date"), to the order of NL Environmental Management Services, Inc., a New Jersey corporation ("Payee") or any subsequent holder, at its offices at 16825 Northchase Drive, Suite 1200, Houston TX 77060, or such other place designated by holder in writing, the principal sum of THIRTEEN MILLION FOUR HUNDRED THOUSAND DOLLARS ($13,400,000), or such lesser amount as shall equal the aggregate principal amount of all revolving loans made to Maker by Payee hereunder (the "Revolving Loans"), together with interest from the date hereof on the unpaid balance of this Note as it may exist from time to time at the rate (herein called the "Applicable Rate") of prime plus two percent per annum, determined at the beginning of each calendar quarter, and in no event shall the Applicable Rate exceed the maximum interest rate permitted to be charged from time to time under applicable law (herein called the "Maximum Rate"). The Applicable Rate shall be determined based upon the published prime rate. Accrued interest on the unpaid principal of this Note shall be computed on the basis of a 360-day year applied to the actual number of days in each calendar month payable on the last business day of each calendar quarter. Notwithstanding the foregoing, if at any time the Applicable Rate exceeds the Maximum Rate, the rate of interest payable under this Note shall be limited to the Maximum Rate as provided above.

Subject to the terms and conditions set forth in this Note, Payee shall make Revolving Loans to Maker at any time and from time to time from the date of this Note until the Maturity Date, in an aggregate principal amount not to exceed at any one time the Maximum Revolving Loan Amount (as defined below) at such time. Revolving Loans made under this Note shall be in an integral multiple of $200,000 and shall be wired by Payee to the account of Maker requested by Maker prior to 3:00 p.m., New York time, on the date proposed by Maker. Maker shall give Payee irrevocable written notice of all proposed Revolving Loans not later than three business days prior to the proposed borrowing (a "Borrowing Notice"). Such Borrowing Notice shall specify the aggregate principal amount of the Revolving Loan that Maker is requesting Payee to make and the requested effective date of the proposed Revolving Loan. Each Revolving Loan shall bear interest on the outstanding principal balance thereof from the date such Revolving Loan is made at the Applicable Rate. The "Maximum Revolving Loan Amount" shall mean Thirteen Million Four Hundred Thousand Dollars ($13,400,000), subject to reduction in accordance with the provisions of this Note.

The Maximum Revolving Loan Amount shall be permanently reduced by the amount of $250,000 on the last day of each calendar quarter beginning on June 30, 2001 (a "Reduction Date") and any principal and accrued interest shall be due and payable on each Reduction Date to the extent that the Revolving Loans then outstanding would otherwise exceed the Maximum Revolving Loan Amount. Payee shall, and is hereby authorized by Maker to, endorse on the schedule attached hereto an appropriate notation evidencing the date and amount of each Revolving Loan from Payee and the

date and amount of each payment and prepayment with respect thereto; provided that the failure of the Payee to make such a notation on this Note or any error in such notation shall not affect the obligations of Maker under this Note.

Maker shall pay Payee on each Reduction Date, in immediately available funds, a revolving loan commitment fee (the "Fee") equal to 1/2 of 1% per annum on the average unused amount of the Maximum Revolving Loan Amount for each quarter ending on a Reduction Date. Such Fee shall be computed on the basis of the actual number of days elapsed over a year of 360 days. Such Fee shall commence on the date of this Note and cease to accrue on the earlier of the Maturity Date or any termination of Payee's commitment to make Revolving Loans.

Maker shall have the right at any time, in its sole discretion and upon not less than 10 days written notice to Payee, to further permanently reduce or terminate the Maximum Revolving Loan Amount, provided, however, that each partial reduction thereof shall be in an integral multiple of $250,000. Any reduction of the Maximum Revolving Loan Amount shall be accompanied by payment in full of any principal over the Maximum Revolving Loan Amount plus accrued interest and accrued Fee computed as provided in the previous paragraph.

The principal balance of this Note may be prepaid and discharged in whole or in part by Maker at any time and from time to time, without premium, penalty or fee. Notwithstanding the prior sentence, all interest that is accrued and unpaid with respect to the prepaid principal amount and the Fee accrued and unpaid with respect to the unpaid Maximum Revolving Loan Amount shall be paid at the time of the prepayment.

The Maker, signers, sureties, guarantors and endorsers of this Note, jointly and severally, except as otherwise expressly set forth herein, waive demand, presentment, notice of nonpayment or dishonor, diligence in collecting, grace, notice of any protest, and consent to all extensions for any periods of time and partial payments, before or after maturity.

If this Note is not paid at maturity, howsoever such maturity may be brought about, and the same is placed in the hands of an attorney for collection, or if this Note is collected by suit or through bankruptcy, probate or other legal proceedings, Maker agrees to pay holder's costs of collection, when incurred, including reasonable attorney's fees.

No delay in the payments to holder or in the exercise of any power or right under this Note, or under any instrument securing payment hereof or executed in connection herewith, shall operate as a waiver thereof, nor shall a single or partial exercise of any power or right preclude other or further exercise thereof or exercise of any other power or right.

Payment of the indebtedness evidenced by this Note is secured by the security interests established by the following documents (the "Security Documents"), to wit:

A Security Agreement dated as of February 9, 2001 executed by the Maker and Payee covering certain securities owned by Maker.

If at any time the Payee shall notify the Maker that a Collateral Deficiency (as hereinafter defined) exits, then within 5 days of its receipt of such notice, the Maker shall, at its option, do one of the following:

(a) prepay principal amounts outstanding under this Note, together with accrued and unpaid interest on such principal amount to the date of prepayment, so that immediately following such prepayment no Collateral Deficiency exists, or

(b) provide the Payee with additional collateral under the Security Documents reasonably acceptable to the Payee so that immediately following delivery of such additional collateral no Collateral Deficiency exists.

In the event a Collateral Deficiency occurs, Payee's commitment to make further Revolving Loans shall be terminated without notice, at the option of the Payee, until such time as no Collateral Deficiency shall exist.

For purposes of this Note,

(a) a Collateral Deficiency exists at any time when the outstanding principal amount together with accrued and unpaid interest on the Note and the Fee exceeds 20% of the Collateral Value,

(b) Collateral Value is defined as the Current Market Value of all securities pledged under the Security Documents, and

(c) Current Market Value is defined as, with respect to any security, the most recent closing price of such security on the New York Stock Exchange or any other nationally recognized securities exchange, or if such security is not listed on a national securities exchange, the closing price of such security as reported on the National Association of Securities Dealers Automated Quotation System ("NASDAQ"), or, if applicable, the average of the closing bid and ask quotation for such security as reported on the NASDAQ.

The term default shall include any or all of the following:

(a) The assignment, voluntary or involuntary conveyance of legal or beneficial interest, mortgage, pledge or grant of a security interest in any of the Collateral (as defined in the Security Agreement); or

(b) The filing or issuance of a notice of any lien, warrant for distraint or notice of levy for taxes or assessment against the Collateral (except for those which are being contested in good faith and for which adequate reserves have been created); or

(c) Maker's nonpayment of any installment of principal, interest or the Fee under this Note; or

(d) The adjudication of Maker as bankrupt, or the taking of any voluntary action by Maker or any involuntary action against Maker seeking an adjudication of Maker as bankrupt, or seeking relief by or against Maker under any provision of the Bankruptcy Code;

(e) Maker failing to comply with any other covenant in this Note or in the Security Documents;

(f) Maker's default in any payment (regardless of amount) of principal of or interest on any other indebtedness for borrowed money; or

(g) Maker's default in the observance or performance of any other agreement or condition relating to any such other indebtedness for borrowed money or contained in any instrument 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 of the indebtedness to cause, such other indebtedness for borrowed money to become due prior to its stated maturity.

An "Event of Default" shall be deemed to have occurred immediately upon any default described in clause (d) or (g) above, if any default described in clauses (c) or (f) above is not cured within 5 days, and if any default described in clauses (a), (b), or (e) is not cured within 30 days after written notice from Payee to Maker.

If an Event of Default has occurred and is continuing, the entire principal balance and accrued interest owing hereof shall at once become due and payable and the commitment to make Revolving Loans shall be terminated without notice, at the option of the Payee, and the property covered by the Security Documents shall be subject to foreclosure under applicable law. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event any payment, including interest or principal, required to be made under this Note is not made when due, interest on the overdue sum shall accrue at a rate of prime plus four percent.

So long as the Note shall remain unpaid, the Maker shall furnish to the Payee:

(a) as soon as available and in any event not later than 45 days after the end of each of the first three quarters of each fiscal year of the Maker, the consolidated balance sheet of the Maker as of the end of such quarter and the consolidated statements of income and retained earnings and cash flows of the Maker for the period commencing at the end of the previous year and ending with the end of such quarter, all in reasonable detail and duly certified with respect to such consolidated statements (subject to year-end adjustments) by an officer of the Maker as having been prepared in accordance with generally accepted accounting principles;

(b) as soon as available and in any event not later than 90 days after the end of each fiscal year of the Maker, a copy of the annual audit report for such year for the Maker, including therein consolidated balance sheets of the Maker as of the end of such fiscal year and consolidated statements of income and retained earnings

and of cash flows of the Maker for such fiscal year, in each case certified by PricewaterhouseCoopers LLP or other independent certified public accountants of recognized standing reasonably acceptable to Payee.

This Note shall be construed in accordance with the laws of the State of New Jersey and the laws of the United States applicable to transactions in New Jersey.

IN WITNESS WHEREOF, the undersigned Maker has executed this Note as of the 9th day of February, 2001.

Tremont Corporation

By: /s/ Robert E. Musgraves

Robert E. Musgraves

Its: Vice President

Acknowledged and agreed to by the undersigned solely with respect to its obligations in the second and third paragraph of this Note:

NL Environmental Management Services, Inc.

By: /s/ Robert D. Hardy

Robert D. Hardy

Its: Assistant Treasurer

SCHEDULE OF REVOLVING LOANS

Type of Transaction (Loan or Payment)	Date	Amount

Exhibit 10.35

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (the "Agreement"), dated this 9th day of February, 2001, by and between Tremont Corporation, a Delaware Corporation (hereinafter called "Pledgor"), whose principal office is at 1999 Broadway, Suite 4300, Denver, Colorado 80202 and NL Environmental Management Services, Inc., a New Jersey Corporation (the "Secured Party"), in its capacity as the holder of the Note (as defined below).

Section 1. Security Interest. For value received, Pledgor hereby grants to Secured Party, upon the terms and conditions of this Agreement, a security interest in and to any and all present or future rights of Pledgor in and to all of the following rights, interests and property (all of the following being herein sometimes called the "Pledged Shares"):

10,215,541 shares of NYSE-traded NL Industries, Inc. ("NL") common stock, par value of $1.25 per share.

As used in this Agreement, the "Collateral" shall include the Pledged Shares together with any and all products and proceeds of the Pledged Shares, including, without limitation, all dividends, cash, instruments, subscriptions, warrants and any other rights and options and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares.

Section 2. Loan Agreement. This Agreement is being executed and delivered pursuant to the terms, conditions and requirements of that certain revolving note, dated as of February 9, 2001 ("Revolving Note"), pursuant to which Secured Party has loaned monies to Tremont Corporation ("Tremont"). The security interests herein granted ("Security Interests") shall secure full payment and performance of: (a) that certain Revolving Note of even date herewith in the principal amount of $13,400,000, made by Tremont and payable to the order of Secured Party (such note and any notes given in modification, renewal, extension or substitution thereof being herein sometimes collectively referred to as the "Notes" and individually as the "Note"); and (b) the due and punctual observance and performance of each and every agreement, covenant and condition on Pledgor's part to be observed or performed under this Agreement or the Note (all of which debts, duties, liabilities and obligations hereinbefore described and covered by this Agreement and the Note are hereinafter referred to as the "Obligation").

Section 3. Priority. Pledgor represents and warrants that the Security Interests are first and prior security interests in and to all of the Collateral, subject to the following liens thereon or security interests therein in existence prior to the Pledgor's acquisition of the Collateral:

[NONE]

Section 4. Title to Collateral. Pledgor represents and warrants to Secured Party that: (a) Pledgor is the owner of the Collateral; (b) no dispute, right of offset, counterclaim, or defense to the Security Interests exists with respect to all or any part of the Collateral; and (c) Pledgor will defend the Collateral against the claims and demands of all persons other than any subordinate claims or liens acknowledged by Secured Party.

Section 5. Pledgor's Obligations. So long as the Note is outstanding, Pledgor covenants and agrees with Secured Party: (a) not to permit any material part of the Collateral to be levied upon under any legal process; (b) not to dispose of any of the Collateral without the prior written consent of Secured Party; (c) to comply with all applicable federal, state and local statutes, laws, rules and regulations, the noncompliance with which could have a material and adverse effect on the value of the Collateral; and (d) to pay all taxes accruing after the Closing Date which constitute, or may constitute, a lien against the Collateral, prior to the date when penalties or interest would attach to such taxes; provided, that Pledgor may contest any such tax claim if done diligently and in good faith.

Section 6. Event of Default. As used herein, the term default shall include any or all of the following:

(a) The assignment, voluntary or involuntary conveyance of legal or beneficial interest, mortgage, pledge or grant of a security interest in any of the Collateral; or

(b) The filing or issuance of a notice of any lien, warrant for distraint or notice of levy for taxes or assessment against the Collateral (except for those which are being contested in good faith and for which adequate reserves have been created); or

(c) Nonpayment of any installment of principal or interest under the Notes; or

(d) The adjudication of Tremont as bankrupt, or the taking of any voluntary action by Tremont or any involuntary action against Tremont seeking an adjudication of Tremont as bankrupt, or seeking relief by or against Tremont under any provision of the Bankruptcy Code; or

(e) Pledgor failing to comply with any other covenant contained in the Notes or this Agreement; or

(f) Pledgor's default in any payment (regardless of amount) of principal of or interest on any other indebtedness for borrowed money; or

(g) Pledgor's default in the observance or performance of any other agreement or condition relating to any such other indebtedness for borrowed money or contained in any instrument 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 of the indebtedness to cause, such other indebtedness for borrowed money to become due prior to its stated maturity.

An "Event of Default" shall be deemed to have occurred immediately upon any default described in clause (d) or (g) above, if any default described in clauses (c) or (f) above is not cured within 5 days, and if any default described in clauses (a), (b), or (e) is not cured within 30 days after written notice from Secured Party to Pledgor.

Section 7. Remedies. Upon the occurrence and during the continuation of an Event of Default as defined herein, in addition to any and all other rights and remedies which Secured Party may then have hereunder or under the Note, under the Uniform Commercial Code of the State of New Jersey or of any other pertinent jurisdiction (the "Code"), or otherwise, Secured Party may, at its option: (a) reduce its claim to judgment or foreclosure or otherwise enforce the Security Interests, in whole or in part, by any available judicial procedure; (b) sell, or otherwise dispose of, at the office of Secured Party, or elsewhere, all or any part of the Collateral, and any such sale or other disposition may be as a unit or in parcels, by public or private proceedings, and by way of one or more contracts (it being agreed that the sale of any part of the Collateral shall not exhaust the Secured Party's power of sale, but sales may be made from time to time, and at any time, until all of the Collateral has been sold or until the Obligation has been paid and performed in full); (c) at its discretion, retain the Collateral in satisfaction of the Obligation whenever the circumstances are such that Secured Party is entitled to do so under the Code or otherwise; and (d) exercise any and all other rights, remedies and privileges he may have under the Note and the other documents defining the Obligation.

Section 8. Application of Proceeds by Secured Party. Any and all proceeds ever received by Secured Party from any sale or other disposition of the Collateral, or any part thereof, or the exercise of any other remedy pursuant hereto shall be applied by Secured Party to the Obligation in such order and manner as Secured Party, in its sole discretion, may deem appropriate, notwithstanding any directions or instructions to the contrary by Pledgor; provided that the proceeds and/or accounts shall be applied toward satisfaction of the Obligation. Any proceeds received by Secured Party under this Agreement in excess of those necessary to fully and completely satisfy the Obligation shall be distributed to Pledgor.

Section 9. Notice of Sale. Reasonable notification of the time and place of any public sale of the Collateral, or reasonable notification of the time after which any private sale or other intended disposition of the Collateral is to be made, shall be sent to Pledgor and to any other persons entitled under the Code to notice; provided, that if any of the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Secured Party may sell, pledge, assign or otherwise dispose of the Collateral without notification, advertisement or other notice of any kind. It is agreed that notice sent or given not less than ten (10) calendar days prior to the taking of the action to which the notice relates is reasonable notification and notice for the purposes of this paragraph.

Section 10. Right to Vote Collateral; Receipt of Dividends, Etc.

(a) Unless an Event of Default shall have occurred and be continuing, the Pledgor shall have the right, from time to time, to vote and to give consents, ratifications and waivers with respect to the Collateral, and the Secured Party shall, upon receiving a written request from the Pledgor, which request shall be deemed to be a representation and warranty by the Pledgor that no Event of Default has occurred and is continuing, deliver to the Pledgor or, as specified in such request, such proxies, powers of attorney, consents, ratifications and waivers in respect of any Collateral which are registered in the name of the Secured Party or a nominee as shall be specified in such request and be in form and substance satisfactory to the Secured Party.

(b) If an Event of Default shall have occurred and be continuing, all rights of the Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 10 (a) above shall end upon five days' notice from the Secured Party to the Pledgor and thereafter the Secured Party shall have the right to the extent permitted by law, and the Pledgor shall take all such action as may be necessary or appropriate to give effect to such right, to vote and to give consents, ratifications and waivers, and take any other action with respect to all Collateral with the same force and effect as if the Secured Party were the absolute and sole owner thereof.

(c) Unless an Event of Default shall have occurred and be continuing, the Pledgor shall be entitled to receive all regular quarterly cash dividends. Any other dividends or distributions or proceeds therefrom on account of the Collateral shall, if received by the Pledgor, be received in trust for the benefit of the Secured Party, be segregated from the other property or funds of the Pledgor, and be forthwith delivered to the Secured Party as collateral in the same form as so received (with any necessary endorsement).

Section 11. Delivery of Notices. Any notice or demand required to be given hereunder shall be in writing and shall be deemed to have been duly given and received, if given by hand, when a writing containing such notice is received by the person to whom addressed or, if given by mail, two (2) business days after a certified or registered letter containing such notice, with postage prepaid, is deposited in the United States mails, addressed to:

If to Secured Party:

NL Environmental Management Services, Inc.
16825 Northchase Drive
Suite 1200
Houston TX 77060
Attn: Vice President and Secretary

If to Pledgor:

Tremont Corporation
1999 Broadway
Suite 4300
Denver, Colorado 80202
Attn: General Counsel

Any such address may be changed from time to time by serving notice to the other party as above provided. A business day shall mean a day of the week which is not a Saturday or Sunday or a holiday recognized by national banking associations.

Section 12. Binding Effect. This Agreement shall be binding upon Pledgor, its successors and assigns, and shall inure to the benefit of Secured Party, its heirs, successors, assigns, executors, administrators, and personal or legal representatives.

Section 13. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the state of New Jersey.

Section 14. Severability. In the event that any one or more of the provisions contained in this Agreement are held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement.

EXECUTED as of the day and year first herein set forth.

SECURED PARTY:

NL Environmental Management Services, Inc.

By: /s/ Robert D. Hardy

Robert D. Hardy

Title: Assistant Treasurer

PLEDGOR:

Tremont Corporation

By: /s/ Robert E. Musgraves

Robert E. Musgraves

Title: Vice President

Exhibit 10.36

TAX AGREEMENT
between
VALHI, INC.
and
NL INDUSTRIES, INC.

AGREEMENT dated as of January 1, 2001 by and among Valhi, Inc. ("VHI"), a Delaware corporation having its principal executive offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Contran Corporation ("Contran"), a Delaware corporation having its principal executive offices at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, TX 75240 and NL Industries, Inc. ("NL"), a New Jersey corporation having its principal executive offices at 16825 Northchase Drive, Suite 1200, Houston, Texas 77060.

WHEREAS, VHI and NL are eligible to file consolidated returns of federal income taxes and, subject to certain jurisdictional limitations, will be subject to combined state and local tax reporting effective January 1, 2001;

WHEREAS, VHI and NL wish to provide for the allocation of liabilities, and procedures to be followed, with respect to federal income taxes of NL and any subsidiaries of NL and with respect to certain combined state and local taxes on the terms of this Agreement.

NOW, THEREFORE, in consideration of the promises and agreements herein contained, the parties hereto agree as follows:

1. Definitions. As used in this Agreement, the following terms have the meanings set forth below:

(a) Code: The Internal Revenue Code of 1986, as amended, and with respect to any section thereof any successor provisions under such Code or any successor Code.

(b) Combined Foreign, State and Local Taxes: For a taxable period, the amount of all foreign, state and local taxes, together with all interest and penalties with respect thereto, for which liability is computed (1) on the basis of a combined, unitary or consolidated return (whether at the initiative of the tax authority or of the taxpayer) and (2) by reference to one or more members of the NL Group and one or more members of the VHI Group not included in the NL Group.

(c) Contran Corporation: A Delaware corporation that is the common parent of a group of corporations electing to file a consolidated federal income tax return.

(d) Federal Taxes: All federal income taxes, together with all interest and penalties with respect thereto.

(e) VHI Group: VHI and those of its direct and indirect subsidiaries which join in the filing of a consolidated federal income tax return with its common parent, Contran (the "Contran Tax Group"), as such Group is constituted from time to time. For purposes of this Agreement (to the extent related to Combined Foreign, State and Local Taxes), the term "VHI Group" shall include all direct and indirect subsidiaries of VHI with reference to which Combined Foreign, State and Local Taxes are determined.

(f) NL Group: NL Industries, Inc. and each direct or indirect subsidiary of NL which would be a member of an affiliated group, within the meaning of section 1504(a) of the Code, of which NL was the common parent, as such Group is constituted from time to time. For purposes of this Agreement (to the extent related to Combined Foreign, State and Local Taxes) , the term "NL Group" shall include all direct and indirect subsidiaries of NL with reference to which Combined, Foreign, State and Local taxes are determined.

(g) NL Group Tax Liability: For a taxable period, the liability for

Federal Taxes and Combined Foreign, State and Local taxes, as applicable, that the NL Group would have had if it were not a member of the VHI Group during such taxable period (or during any taxable period prior thereto), and instead filed a separate consolidated return for such taxable period (and during all prior taxable periods beginning after December 31, 2000); provided, however, that for purposes of determining such liability for a taxable period all tax elections shall be consistent with the tax elections made by Contran for such period. In making such tax elections it is understood the Contran Corporation will make those tax elections which are beneficial to the Contran Tax Group on a consolidated basis. Nevertheless, Contran will use its best efforts in the case of those elections which affect the computation of the NL Group Tax Liability, to make elections in a reasonable manner so as to minimize the NL Group Tax Liability.

2. Contran as Agent. Contran shall be the sole agent for the NL Group in all matters relating to the NL Group Tax Liability. The NL Group shall not (a) terminate such agency or (b) without the consent of Contran, participate, or attempt to participate, in any matters related to the NL Group Tax Liability, including, but not limited to, preparation or filing of, or resolution of disputes, protests or audits with the Internal Revenue Service, state or local taxing authorities concerning, the Contran Group's consolidated returns of Federal Taxes, returns of Combined Foreign, State and Local Taxes or the NL Group Tax Liability with respect thereto for any taxable period beginning after December 31, 2000. The NL Group shall cooperate fully in providing Contran with all information and documents necessary or desirable to enable Contran to perform its obligations under this Section, including completion of Internal Revenue Service and state or local tax audits in connection with such NL Group Tax Liability and determination of the proper liability for such NL Group Tax Liability.

3. Liability for Taxes; Refunds.

(a) VHI, as the common parent of the NL Group, shall be responsible for, and shall pay to Contran or a taxing authority, as applicable, the consolidated tax liability for the VHI Group and has the sole right to any refunds received from Contran or a taxing authority, as applicable, subject to the provisions of Sections 5 and 6 of this Agreement.

(b) Notwithstanding any other provision of this Agreement, NL and each subsidiary of NL which is a member of the NL Group shall be severally liable to VHI for the NL Group Tax Liability.

(c) NL shall indemnify VHI and hold it and the VHI Group other than the NL Group, harmless from and against any deficiency in the NL Group Tax Liability that may be due to VHI.

(d) VHI shall indemnify NL and hold it and the NL Group harmless from and against any Federal Taxes and Combined Foreign, State and Local Taxes attributable to the VHI Group or any other member of the Contran Tax Group, other than the NL Group, as such taxes are determined under this and other tax sharing agreements.

4. Tax Returns. VHI shall file on behalf of the NL Group any and all federal, foreign, state and local tax returns that are required as they pertain to the NL Group Tax Liability. The NL Group, at VHI's request, shall join in any applicable consolidated returns of Federal Taxes and any returns of Combined Foreign, State and Local Taxes (for which returns have not been theretofore filed) and execute its consent to each such filing on any form as may be prescribed for such consent if such consent is required. The decision of VHI's Senior Vice President (or any other officer so designated by VHI) with responsibility for tax matters shall, subject to the provisions of this Agreement, be binding in any dispute between VHI and the NL Group as to what tax position should be taken with respect to any item or transaction of the NL Group. The preceding sentence is limited to the tax positions that affect the NL Group Tax Liability and the combined VHI Group and Contran Tax Group. In addition, VHI and members of the VHI Group, including NL and members of the NL Group, shall provide each other with such cooperation, assistance and

information as each of them may request of the other with respect to the filing of any tax return, amended return, claim for refund or other document with any taxing authority. NL shall be solely responsible for all taxes due for the NL Group with respect to tax returns filed by NL or a member of the NL Group that are required to be filed on a separate company basis, independent of VHI.

5. Payment of NL Group Tax Liability for Federal Taxes. On or before each date, as determined under section 6655 of the Code, for payment of an installment of estimated Federal Taxes, NL shall pay to VHI an amount equal to the installment which the NL Group would have been required to pay as an estimated payment of Federal Taxes to the Internal Revenue Service if it were filing a separate consolidated return in respect of the NL Group Tax Liability. Any balance owed with

respect to the NL Group Tax Liability for such taxable period shall be paid to VHI on or before the 15th day of the third month after the close of such taxable period. If it is not possible to determine the amount of such balance on or before such day, (a) a reasonable estimate thereof shall be paid on or before such day, (b) the amount of such balance shall be finally determined on or before the earlier of; (i) the 15th day of the ninth month after the close of such taxable period and (ii) the date on which the consolidated tax return containing the NL Group for such period is filed with the Internal Revenue Service, and (c) any difference between the amount so determined and the estimated amount paid shall; (i) in the case of an underpayment, be promptly paid to VHI and (ii) in the case of an overpayment, be promptly refunded or applied against the estimated NL Group Tax Liability for the immediately following tax period, at the option of VHI. If the overpayment is not applied to the immediately following tax period, such overpayment shall be promptly refunded to the NL Group. As between the parties to this Agreement, the NL Group shall be solely responsible for the NL Group Tax Liability and shall have no responsibility for Federal Taxes of the VHI Group or the Contran Group other than payment of the NL Group Tax Liability in accordance with the terms of this Agreement.

6. Refunds for NL Group Losses and Credits for Federal Taxes. If the calculation with respect to the NL Group Tax Liability for Federal Taxes results in a net operating loss ("NOL") for the current tax period that, in the absence of a Code Section 172(b)(3) election made by Contran, is carried back under Code Sections 172 and 1502 to a prior taxable period or periods of the NL Group with respect to which the NL Group previously made payments to VHI, then, in that event, VHI shall pay (or credit) NL an amount equal to the tax refund to which the NL Group would have been entitled had the NL Group filed a separate consolidated federal income tax return for such year (but not in excess of the net aggregate amount of the NL Group Tax Liability paid to VHI with respect to the preceding two taxable periods). If the calculation with respect to the NL Group Tax Liability results in an NOL for the current tax period, that subject to the Code Section 172(b)(3) election made by Contran, is not carried back under Code Sections 172 and 1502 to a prior taxable period or periods of the NL Group with respect to which NL made payments to VHI or is not carried back because the Contran Tax Group does not have a consolidated net operating loss for the current tax period, then, in that event such NOL shall be an NOL carryover to be used in computing the NL Group Tax Liability for future taxable periods, under the law applicable to NOL carryovers in general, as such law applies to the relevant taxable period. Furthermore, if the NL Group would have been entitled to a refund of Federal Taxes for any year had the NL Group filed a separate consolidated federal income tax return for the loss year and the carryback year, VHI shall pay to NL the amount which NL would have received as a refund from the Internal Revenue Service. Payments made pursuant to this Section 6 shall be made on the date that Contran (or any successor common parent of a tax group to which the VHI Group is a member) files its consolidated federal income tax return for the taxable period involved. Principles similar to those discussed in this Section 6 shall apply in the case of the utilization of all NL Group loss and credit carrybacks and carryovers.

7. Payment of NL Group Tax Liability for Foreign, State and Local Taxes. The foregoing principles contained in Sections 5 and 6 shall apply in similar fashion to any consolidated or combined foreign, state or other local income tax returns, containing any member of the VHI Group and any member of the NL Group that is not also a member of the VHI Group, which may be filed.

8. Subsequent Adjustments. If any settlement with the Internal Revenue Service, foreign, state or local tax authority or court decision which has become final results in any adjustment to any item of income, deduction, loss or credit to the VHI Group in respect of any taxable period subject to this Agreement, which, in any such case, affects or relates to any member of the NL Group as constituted during such taxable period, the NL Tax Group Liability shall be redetermined to give effect to such adjustment as if it had been made as part of or reflected in the original computation of the NL Tax Group Liability and proper adjustment of amounts paid or owing hereunder in respect of such liability and allocation shall be promptly made in light thereof.

9. Amendments. This Agreement may be amended, modified, superseded or cancelled, and any of the terms, covenants, or conditions hereof may be waived, only by a written instrument specifically referring to this Agreement and executed by both parties (or, in the case of a waiver, by or on behalf of the party waiving compliance). The failure of either party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later time to enforce the same. No waiver by either party of any condition, or of any breach of any term or covenant, contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any breach of any other term or covenant.

10. Retention of Records. VHI shall retain all tax returns, tax reports, related workpapers and all schedules (along with all documents that pertain to any such tax returns, reports or workpapers) that relate to a taxable period in which the NL Group is included in a consolidated or combined tax return with VHI. VHI shall make such documents available to NL at NL's request. VHI shall not dispose of such documents without the permission of NL.

11. Headings. The headings of this Agreement are for convenience of reference only, and shall not in any way affect the meaning or interpretation of this Agreement.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware without regard to conflicts of laws provisions.

13. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be an original, but all of which shall constitute but one agreement.

14. Successors. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective subsidiaries, and their respective successors and assigns.

15. Effective Date. This Agreement shall be effective as of January 1, 2001.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

VALHI, INC.

By:

/s/ William J. Lindquist

William J. Lindquist
Senior Vice President

[Seal]

ATTEST:

CONTRAN CORPORATION

By:

/s/ William J. Lindquist

William J. Lindquist
Senior Vice President

[Seal]

ATTEST:

NL INDUSTRIES, INC.

By:

/s/ Robert D. Hardy

Robert D. Hardy
Vice President and Controller

ATTEST:

EXHIBIT 10.37

SUBSCRIPTION AGREEMENT

This Subscription Agreement (the "Agreement") is made and entered into as of December 31, 2000, among Valhi, Inc., a Delaware corporation ("Valhi"), Tremont Holdings, LLC, a Delaware limited liability company ("TRE Holdings" and together with Valhi, the "Purchasers"), and Tremont Group, Inc., a Delaware corporation ("TGI").

Recitals

A. The Purchasers are beneficial owners of shares (the "Tremont Shares") of the common stock, par value $1.00 per share, of Tremont Corporation, a Delaware corporation ("Tremont").

B. Each of the Purchasers wishes to subscribe for and purchase one thousandth of a share of common stock, par value $0.01 per share, of TGI (the "TGI Shares"), for each Tremont Share they contribute to TGI on the terms and subject to the conditions of this Agreement (each time a contribution is made shall be referred to as a "Transaction").

C. The certificate of incorporation and the bylaws of TGI, to which the Stockholders have agreed in connection with the transactions contemplated by this Agreement are attached as Exhibits A and B, respectively, to this Agreement.

Agreement

The parties agree as follows:

ARTICLE I.
THE TRANSACTION

Section 1.1. Initial Contribution of Tremont Shares for TGI Shares. In consideration of TGI's issuance of one thousandth of a TGI Share for each Tremont Share the Purchasers contribute to TGI on the date hereof, each of Valhi and TRE Holdings hereby sells, transfers, assigns and delivers to TGI 4,113,421 and 1,028,000 Tremont Shares, respectively. Certificates representing such Tremont Shares are hereby delivered accompanied by stock powers duly endorsed in blank.

Section 1.2. Subsequent Contributions of Tremont Shares for TGI Shares. In consideration of TGI's issuance of one thousandth of a TGI Share for each Tremont Share the Purchasers may contribute to TGI in the future, each of the Purchasers may in the future sell, transfer, assign and deliver Tremont Shares to TGI. Certificates representing such Tremont Shares shall be delivered accompanied by stock powers duly endorsed in blank on the date of the respective contribution.

Section 1.3. Voting Agreement. Each of the parties as a condition to all Transactions shall execute and deliver to the other parties a Voting Agreement substantially in the form of Exhibit C attached hereto (the "Voting Agreement").

ARTICLE II.
REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each of the Purchasers hereby individually represents and warrants to TGI as of the date of this Agreement, and each time a Purchaser subsequently contributes Tremont Shares to TGI as though made on the date of such contribution, as follows.

Section 2.1. Authority. It is validly existing and in good standing under the laws of the state of its incorporation or formation. It has the power and authority, without the consent or approval of any other person, to execute and deliver this Agreement and to consummate the respective Transaction. All action required to be taken by or on behalf of it to authorize the execution, delivery and performance of this Agreement and the respective Transaction has been duly and properly taken.

Section 2.2. Validity. This Agreement is duly executed and delivered by it and constitutes its lawful, valid and binding obligation, enforceable in accordance with its terms. The execution and delivery of this Agreement and the consummation of the respective Transaction by it are not prohibited by, do not violate or conflict with any provision of, and do not result in a default under (a) its charter, bylaws or company agreement, as applicable; (b) any material contract, agreement or other instrument to which it is a party or by which it is bound; (c) any order, writ, injunction, decree or judgment of any court or governmental agency applicable to it; or (d) any law, rule or regulation applicable to it, except in each case for such prohibitions, violations, conflicts or defaults that would not have a material adverse consequence to the respective Transaction.

Section 2.3. Ownership of Tremont Shares. It is the beneficial owner of the Tremont Shares it will contribute to TGI in the respective Transaction and upon consummation of the respective Transaction TGI will acquire good and marketable title to such Tremont Shares free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws.

Section 2.4. Purchase for Investment. It is purchasing the TGI Shares issued and delivered to it in the respective Transaction for investment solely for its own account and not with a view to, or for resale in connection with, the distribution thereof. It understands that such TGI Shares are restricted securities under the Securities Act of 1933, as amended (the "Securities Act"), and that such TGI Shares must be held indefinitely unless they are registered under the Securities Act and any applicable state securities or blue sky laws or an exemption from such registration is available.

Section 2.5. Nature of Purchaser. It has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the purchase of TGI Shares issued and delivered to it in the respective Transaction.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF TGI

TGI hereby represents and warrants to each of the Purchasers as of the date of this Agreement, and each time a Purchaser subsequently contributes Tremont Shares to TGI as though made on the date of such contribution, as follows.

Section 3.1. Authority. It is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation. It has the corporate power and authority, without the consent or approval of any other person, to execute and deliver this Agreement and to consummate the respective Transaction. All corporate action required to be taken by or on behalf of it to authorize the execution, delivery and performance of this Agreement and the respective Transaction has been duly and properly taken.

Section 3.2. Validity. This Agreement is duly executed and delivered by it and constitutes its lawful, valid and binding obligation, enforceable in accordance with its terms. The execution and delivery of this Agreement and the consummation of the respective Transaction by it are not prohibited by, do not violate or conflict with any provision of, and do not result in a default under (a) its charter or bylaws; (b) any material contract, agreement or other instrument to which it is a party or by which it is bound; (c) any order, writ, injunction, decree or judgment of any court or governmental agency applicable to it; or (d) any law, rule or regulation applicable to it, except in each case for such prohibitions, violations, conflicts or defaults that would not have a material adverse consequence to the respective Transaction.

Section 3.3. Issuance of TGI Shares. Upon the consummation of each Transaction, the TGI Shares issued in such Transaction will be validly issued, fully paid and non-assessable shares and the respective Purchaser receiving such shares will acquire good and marketable title to such shares free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws, except that Valhi's TGI Shares will be subject to the restrictions of the Voting Agreement.

Section 3.4. Purchase for Investment. It is purchasing the Tremont Shares sold and delivered to it in the respective Transaction for investment solely for its own account and not with a view to, or for resale in connection with, the distribution thereof. It understands that such Tremont Shares are restricted securities under the Securities Act and that such Tremont Shares must be held indefinitely unless they are registered under the Securities Act and any applicable state securities or blue sky laws or an exemption from such registration is available.

Section 3.5. Nature of TGI. It has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the purchase of the Tremont Shares sold and delivered to it in the respective Transaction.

ARTICLE IV.
GENERAL PROVISIONS

Section 4.1. Restricted Shares. Each of the Purchasers hereby consents to the placing of a legend on any stock certificates evidencing TGI Shares issued to it in a Transaction stating that such TGI Shares are restricted securities. Valhi agrees to the placing of a legend on any stock certificates evidencing its TGI Shares stating that such TGI Shares are subject to the Voting Agreement.

Section 4.2. Access to Information. Each of the Purchasers shall provide TGI and its representatives access to all information with respect to the business of Tremont possessed by such party and reasonably requested by TGI. TGI shall provide each of the Purchasers and its respective representatives access to all information with respect to the business of TGI possessed by TGI and reasonably requested by such Purchaser.

Section 4.3. Survival. The representations and warranties set forth in this Agreement shall survive the execution of this Agreement and the consummation of the transactions contemplated herein.

Section 4.4. Amendment and Waiver. No amendment or waiver of any provision of this Agreement shall in any event be effective unless the same shall be in a writing referring to this Agreement and signed by the parties hereto, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 4.5. Parties and Interest. This Agreement shall bind and inure to the benefit of the parties named herein and their respective successors and assigns.

Section 4.6. Entire Agreement. This Agreement contains the entire understanding among the parties with respect to the transactions contemplated hereby and supersedes all other agreements and understandings among the parties with respect to the subject matter of this Agreement.

Section 4.7. Applicable Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the state of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the state of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of Delaware.

Section 4.8. Severability. If any provision of this Agreement is found to violate any statute, regulation, rule, order or decree of any governmental authority, court, agency or exchange, such invalidity shall not be deemed to effect any other provision hereof or the validity of the remainder of this Agreement and such invalid provision shall be deemed deleted to the minimum extent necessary to cure such violation.

Section 4.9. Notice. All notices and other communications that are required to be or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered in person or transmitted by confirmed telecopy or upon receipt after dispatch by overnight courier or by certified or registered mail, postage prepaid, to the party to whom the notice is given. Notices shall be given to the address for the respective party appearing under the party's signature to this Agreement or to such other address as such party may designate by giving notice of such change of address to the other parties to this Agreement.

Section 4.10. Headings. The sections and other headings contained in this Agreement are for reference purposes only and shall not effect in any way the meaning or interpretation of this Agreement.

Section 4.11. Counterparts. This Agreement may be executed in counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement.

Section 4.12. Expenses. Except as otherwise expressly provided herein, each party to this Agreement shall pay its own costs and expenses in connection with the transactions contemplated hereby.

The parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

VALHI, INC.

By: /s/ Steven L. Watson

Steven L. Watson, President

Address: Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
FAX: 972.448.1445
Attention: General Counsel

TREMONT HOLDINGS, LLC

By: /s/ Robert D. Hardy

Robert D. Hardy, Vice President

Address: Two Greenspoint Plaza
16825 Northchase Drive
Suite 1200
Houston, Texas 77060-2544
FAX: 281.423.3333
Attention: General Counsel

TREMONT GROUP, INC.

By: /s/ Steven L. Watson

Steven L. Watson, President

Address: Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
FAX: 972.448.1445
Attention: General Counsel

EXHIBIT A

CERTIFICATE OF INCORPORATION

OF

TREMONT GROUP, INC.

ARTICLE I.
NAME

The name of the corporation is TREMONT GROUP, INC. (the "Corporation").

ARTICLE II.
REGISTERED OFFICE AND AGENT

The address of the Corporation's registered office in the state of Delaware is Corporation Service Company, 2711 Centerville Road, Suite 400, city of Wilmington, county of New Castle, state of Delaware 19808. The name of the Corporation's registered agent at such address is Corporation Service Company.

ARTICLE III.
PURPOSE

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful business, act or activity for which corporations may be organized under the General Corporation Law of the state of Delaware.

ARTICLE IV.
AUTHORIZED STOCK

The Corporation shall have authority to issue six thousand five hundred (6,500) shares of common stock having a par value of one cent ($0.01) per share (the "Common Stock"). The rights of the holders of common stock are set forth below.

Section 1. Voting Rights. The holders of Common Stock shall be entitled to one vote per share on all matters to be voted on by the stockholders of the Corporation.

Section 2. Dividends. The holders of Common Stock shall be entitled to participate in such dividends and other distributions or proceeds in cash, stock or property of the Corporation ratably on a per share basis as the board of directors may declare out of assets or funds legally available therefor.

Section 3. Liquidation. The holders of Common Stock shall be entitled to participate ratably on a per share basis in all distributions to the holders of Common Stock in any liquidation, dissolution or winding up of the Corporation.

Section 4. Redemption. The Corporation shall redeem shares of Common Stock on a date (the "Redemption Date") that is on or prior to the 45th day (if such 45th day is a business day, and if not, the next successive business day) after the date (the "Redemption Notice Date") that the Corporation and each other holder of shares of Common Stock receives written notice (a "Redemption Notice") from a holder of shares of Common Stock (the "Holder") setting forth the number of shares the Holder wants the Corporation to redeem (the "Redemption Shares"). After the Redemption Notice Date, the Holder shall only be entitled to receive from the Corporation on the Redemption Date the fair market value of the Redemption Shares on the Redemption Notice Date (the "Redemption Price").

In the Redemption Notice, the Holder may elect (a "Tremont Share Election") to receive as part of the Redemption Price such number of shares of the common stock, par value $1.00 per share, of Tremont Corporation, a Delaware Corporation (the "Tremont Common Stock"), equal to the product of 1,000 and the number of Redemption Shares.

After a Redemption Notice Date but before the Redemption Date, the board of directors shall determine in good faith and in its best business judgment the Redemption Price. In determining the Redemption Price, the board of directors shall value each share of Tremont Common Stock held by the Corporation on the Redemption Notice Date at the volume weighted average sales price of a share of Tremont Common Stock as reported on the New York Stock Exchange composite transactions reporting system for the ten trading days ending on the Redemption Notice Date, if such date is a trading day, and if not, on the immediately prior trading day (the "Tremont Common Stock Value").

If the Holder does not make a Tremont Share Election, on the Redemption Date the Corporation may pay the Redemption Price, in whole or in part, in cash, shares of Tremont Common Stock or other property, which other property the board of directors shall value in good faith and in its best business judgment. In determining the fair market value of securities traded on an exchange that are used to pay the Redemption Price, the board of directors shall value each such security on the Redemption Notice Date at the volume weighted average sales price of such security as reported on the applicable exchange for the ten trading days ending on the Redemption Notice Date, if such date is a trading day, and if not, on the immediately prior trading day.

If shares of Tremont Common Stock are used to pay all or part of the Redemption Price, on the Redemption Date:

(a) if the Tremont Common Stock Value for such shares is less than or equal to the Redemption Price, the Corporation shall transfer such shares to the Holder and such additional cash or property in an amount equal in value on the Redemption Notice Date, as the board of directors determines in good faith and in its best business judgment, to the excess, if any, of the Redemption Price over the Tremont Common Stock Value for such shares;

(b) if the Tremont Common Stock Value for such shares is greater than the Redemption Price, the Corporation shall transfer such shares to the Holder and the Holder shall pay in

cash to the Corporation an amount equal to the excess of the Tremont Common Stock Value for such shares over the Redemption Price; and

(c) the Corporation shall deliver to the holder a stock certificate representing the shares of Tremont Common Stock comprising the Redemption Price accompanied by a stock power duly endorsed in blank and the holder shall acquire good and marketable title to such shares free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws.

On the Redemption Date, the Holder shall deliver to the Corporation a stock certificate representing the Redemption Shares accompanied by a stock power duly endorsed in blank and the Corporation shall acquire good and marketable title to such shares free and clear of any liens, encumbrances, security interests, restrictive agreements, claims or imperfections of any nature whatsoever, other than restrictions on transfer imposed by applicable securities laws.

After the Redemption Notice Date, the Redemption Shares shall not be deemed to be outstanding and the Holder will only hold a contractual right from the Corporation to receive the Redemption Price.

Section 5. Protective Provision. The Corporation shall not amend this Article IV without obtaining the approval of the holders of 90% of the outstanding shares of Common Stock.

Section 6. Record Holders. The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

ARTICLE V.
EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE VI.
BYLAWS

In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to adopt, amend or repeal the bylaws or adopt new bylaws.

ARTICLE VII.
MEETINGS OF STOCKHOLDERS
BOOKS OF CORPORATION
ELECTION OF DIRECTORS

Meetings of stockholders may be held within or without the state of Delaware, as the bylaws of the Corporation may provide. The books of the Corporation may be kept outside the state of Delaware at such place or places as may be designated from time to time by the board of directors or in the bylaws of the Corporation. Election of directors need not by written ballot unless the bylaws of the Corporation so provide.

ARTICLE VIII.
BOARD OF DIRECTORS

The number of directors constituting the board of directors of the Corporation shall be five. The Corporation shall not change the number of directors on the board of directors from five members without obtaining the approval of the holders of 90% of the outstanding shares of Common Stock.

The name and address of each of the persons to serve as a director until the first annual meeting of the stockholders or until his successor has been duly elected and qualified or his earlier resignation, removal or death, is:

Name	Mailing Address
Harold C. Simmons	Three Lincoln Centre 5430 LBJ Freeway, Suite 1700 Dallas, Texas 75240-2697
Glenn R. Simmons	Three Lincoln Centre 5430 LBJ Freeway, Suite 1700 Dallas, Texas 75240-2697
Steven L. Watson	Three Lincoln Centre 5430 LBJ Freeway, Suite 1700 Dallas, Texas 75240-2697
William J. Lindquist	Three Lincoln Centre 5430 LBJ Freeway, Suite 1700 Dallas, Texas 75240-2697
J. Landis Martin	1999 Broadway, Suite 4300 Denver, Colorado 80202

ARTICLE IX.
INDEMNIFICATION

The Corporation shall, to the fullest extent permitted by law, indemnify any and all officers and directors of the Corporation, and may, to the fullest extent permitted by law or to such lesser extent as is determined in the discretion of the board of directors, indemnify all other persons from and against all expenses, liabilities or other matters and advance expenses to all persons whom it shall have the power to indemnify.

ARTICLE X.
DIRECTOR LIABILITY

A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for such liability as is expressly not subject to limitation under the Delaware General Corporation Law, as the same exists or may hereafter be amended to further limit or eliminate such liability. Any repeal or modification of this ARTICLE by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE XI.
CERTAIN BUSINESS COMBINATIONS

The Corporation expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

ARTICLE XII.
SETTLEMENTS WITH CREDITORS OR STOCKHOLDERS

Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the state of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

ARTICLE XIII.
AMENDMENT

The Corporation shall have the right, subject to any express provisions or restrictions contained in this certificate of incorporation or bylaws of the Corporation, from time to time, to amend this certificate of incorporation or any provision thereof in any manner now or hereafter provided by law, and all rights and powers of any kind conferred upon a director or stockholder of the Corporation by this certificate of incorporation or any amendment thereof are conferred subject to such right.

ARTICLE XIV.
INCORPORATOR

The name and mailing address of the sole incorporator of the Corporation is A. Andrew R. Louis, Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

THE UNDERSIGNED, being the sole incorporator of the Corporation, for the purpose of forming a corporation pursuant to the General Corporation Law of the state of Delaware, does make this certificate to acknowledge, declare and certify that this certificate of incorporation is his act and deed and the facts stated in this certificate of incorporation are true, and accordingly executes this certificate of incorporation this 21st day of December, 2000.

/s/ A. Andrew R. Louis

A. Andrew R. Louis, Sole Incorporator

EXHIBIT B

BYLAWS

OF

TREMONT GROUP, INC.
a Delaware Corporation
(Incorporated on December 21, 2000)

As of December 31, 2000

TABLE OF CONTENTS

BYLAWS

OF

TREMONT GROUP, INC.
a Delaware Corporation
(Incorporated on December 21, 2000)

As of December 31, 2000

ARTICLE I.
REGISTERED AGENT AND OFFICES

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

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

ARTICLE II.
MEETINGS OF STOCKHOLDERS

Section 2.1. Place and Time of Meetings. All meetings of the stockholders shall be held on such date and at such time and place, within or without the state of Delaware, as shall be determined from time to time, by the board of directors. The place at which a meeting of stockholders shall be held shall be stated in the notice and call of the meeting or a duly executed waiver of notice thereof. Special meetings of stockholders may be called by the chairman of the board, the president, the board of directors or the holders of at least ten percent of the shares of the corporation that would be entitled to vote at such a meeting.

Section 2.2. Notice. Notice of the time and place of an annual meeting of stockholders and notice of the time, place and purpose or purposes of a special meeting of the stockholders shall be given by mailing written or printed notice of the same not less than ten, nor more than sixty, days prior to the meeting, with postage prepaid, to each stockholder of record of the corporation entitled to vote at such meeting, and addressed to the stockholder's last known post office address or to the address appearing on the corporate books of the corporation.

Section 2.3. List of Stockholders. The officer or agent having charge of the stock transfer books of the corporation shall make, at least ten days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, specifying the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The original stock transfer books shall be the only evidence as to who are the stockholders entitled to examine such list or transfer book or to vote at any such meeting of stockholders.

Section 2.4. Quorum. The holders of a majority of the votes entitled to be cast at any meeting of stockholders, counted as a single class if there be more than one class of stock entitled to vote at such meeting, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders except as otherwise provided by statute or by the certificate of incorporation. Once a quorum is present at a meeting of the stockholders, the stockholders represented in person or by proxy at the meeting may conduct such business as may be properly brought before the meeting until it is adjourned, and the subsequent withdrawal from the meeting by any stockholder or the refusal of any stockholder represented in person or by proxy to vote shall not affect the presence of a quorum at the meeting. If a quorum is not present, the holders of the shares present in person or represented by proxy at the meeting, and entitled to vote thereat, shall have the power, by the affirmative vote of the holders of a majority of such shares, to adjourn the meeting to another time and/or place. Unless the adjournment is for more than thirty days or unless a new record date is set for the adjourned meeting, no notice of the adjourned meeting need be given to any stockholder provided that the time and place of the adjourned meeting were announced at the meeting at which the adjournment was taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting.

Section 2.5. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy. A telegram, telex, cablegram or similar transmission by the stockholder, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the stockholder shall be treated as an execution in writing for purposes of this section. No proxy shall be valid after three years from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and the proxy is coupled with an interest.

Section 2.6. Order of Business. The order of business at each such stockholders meeting shall be as determined by the chairman of the meeting. One of the following persons, in the order in which they are listed (and in the absence of the first, the next, and so on), shall serve as chairman of the meeting: the chairman of the board, vice chairman of the board, president, vice presidents (in the order of their seniority if more than one) and secretary. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the voting polls.

Section 2.7. Appointment of Inspectors of Election. The board of directors shall appoint one or more inspectors of election ("inspectors") to act at such meeting or any adjournment or postponement thereof and make a written report thereof. The board of directors may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is so appointed or if no inspector or alternate is able to act, the chairman of the board shall appoint one or more inspectors to act at such meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors may be directors, officers or employees of the corporation.

Section 2.8. Informal Action.

(a) Any action to be taken at a meeting of the stockholders, may be taken without a meeting, without prior notice, and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted.

(b) Every written consent of the stockholders shall bear the date of signature of each stockholder who signs the consent. No written consent shall be effective to take the action that is the subject of the consent unless, within sixty days after the date of the earliest dated consent delivered to the corporation as provided below, a consent or consents signed by the holder or holders of shares having not less than the minimum number of votes that would be necessary to take the

action that is the subject of the consent are delivered to the corporation by delivery to its registered office, its principal place of business, or an officer or agent of the corporation having custody of the books in which proceedings of meetings of the stockholders are recorded. Such delivery shall be made by hand or by certified or registered mail, return receipt requested, and in the case of delivery to the corporation's principal place of business, shall be addressed to the president of the corporation.

(c) A telegram, telex, cablegram or similar transmission by a stockholder, or a photographic, photostatic, facsimile or other similar reproduction of a writing signed by a stockholder, shall be regarded as signed by the stockholder for the purposes of this section.

(d) Prompt notice of the taking of any action by stockholders without a meeting by less than unanimous written consent shall be given to those stockholders who did not consent in writing to the action and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the corporation.

Section 2.9. Fixing A Record Date.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board or directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; providing, however, that the board of directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date has been fixed by the board of directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by this chapter, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in this State, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by this chapter, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 2.10. Telephone Meetings. Stockholders may participate in and hold a meeting by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 2.11. Minutes. The stockholders shall keep regular minutes of their proceedings, and such minutes shall be placed in the minute book of the corporation.

ARTICLE III.
DIRECTORS

Section 3.1. Number, Qualifications and Term of Office. The business and affairs of the corporation shall be managed by a board of directors consisting of five members. Each director shall be elected at the annual meeting of the stockholders, except as provided in Section 3.3, and each director elected shall hold office until the next annual meeting of stockholders and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal.

Section 3.2. Removals. Subject to the preferential voting rights of the holders of preferred stock or any other class of capital stock of the corporation or any series of any of the foregoing that is then outstanding, each director may be removed from office at any time by the stockholders, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of all of the shares of the corporation entitled to vote for the election of such director.

Section 3.3. Vacancies. Subject to the preferential voting rights of the holders of preferred stock or any other class of capital stock of the corporation or any series of any of the foregoing that is then outstanding and except as otherwise required by law, all vacancies in the board of directors, whether caused by resignation, death or otherwise, may be filled by a majority of the remaining directors though less than a quorum. Each director so chosen shall hold office for the unexpired term of his or her predecessor and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 3.4. Annual Meeting. The annual meeting of the board of directors may be held without notice immediately after the annual meeting of stockholders at the location of the stockholders' meeting. If not held immediately after the annual meeting of the stockholders, the annual meeting of the board of directors shall be held as soon thereafter as may be convenient.

Section 3.5. Other Meetings and Notice. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors. Special meetings of the board of directors may be called by or at the request of the chairman of the board or the president and shall be called by the chairman of the board on the written request of a majority of directors, in each case on at least twenty-four hours notice to each director.

Section 3.6. Quorum. A majority of the total number of directors shall be necessary at all meetings to constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the meeting as originally notified and called.

Section 3.7. Committees. Standing or temporary committees consisting of one or more directors of the corporation may be appointed by the board of directors from time to time, and the board of directors may from time to time invest such committees with such powers as it may see fit, subject to

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

Section 3.8. Committee Rules. Each committee of the board of directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by the resolution of the board of directors designating such committee, but in all cases the presence of at least a majority of the members of such committee shall be necessary to constitute a quorum.

Section 3.9. Telephonic Meetings. Members of the board of directors or any committee designated by the board of directors may participate in any meeting of the board of directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at such meeting.

Section 3.10. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or any committee thereof at which action on any corporate matter is taken shall be deemed to have assented to the action taken unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file his or her written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 3.11. Informal Action. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board of directors or committee. Action taken pursuant to such written consent of the board of directors or of any committee thereof shall have the same force and effect as if taken by the board of directors or the committee, as the case may be, at a meeting thereof.

Section 3.12. Compensation. The board of directors shall have the authority to fix the compensation of directors.

Section 3.13. Minutes. The board of directors shall keep regular minutes of its proceedings, and such minutes shall be placed in the minute book of the corporation.

ARTICLE IV.
OFFICERS

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

Section 4.2. Election and Term of Office. The officers of the corporation shall be elected annually by the board of directors at the annual meeting of the board of directors. If the election of officers shall not be held

at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until the next annual meeting of the board of directors and until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

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

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

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

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

Section 4.6. Vice Presidents. Each vice president shall have such powers and discharge such duties as may be assigned from time to time by the chairman of the board. During the absence or disability of the president, one such vice president, when designated by the board of directors, shall exercise all the functions of the president.

Section 4.7. The Secretary and Assistant Secretary. The secretary or the chairman of the board shall issue notices for all meetings. The secretary shall keep minutes of all meetings, shall have charge of the seal and the

corporate books and shall make such reports and perform such other duties as are incident to the office, and perform such other duties designated or properly required by the chairman of the board. The assistant secretary shall be vested with the same powers and duties as the secretary, and any act may be done or duty performed, by the assistant secretary with like effect as though done or performed by the secretary. The assistant secretary shall have such other powers and perform such other duties as may be assigned by the chairman of the board.

Section 4.8. The Treasurer and Assistant Treasurer. The treasurer shall have the custody of all moneys and securities of the corporation and shall keep regular books of account. He or she shall disburse the funds of the corporation in payment of just demands against the corporation, or as may be ordered by the chairman of the board or by the board of directors, taking proper vouchers for such disbursements, and shall render to the board of directors from time to time as may be required of him or her, an account of all transactions as treasurer and of the financial condition of the corporation. The treasurer shall perform all duties incident to the office, and perform such other duties designated or properly required by the chairman of the board. The assistant treasurer shall be vested with the same powers and duties as the treasurer, and any act may be done, or duty performed by the assistant treasurer with like effect as though done or performed by the treasurer. The assistant treasurer shall have such other powers and perform such other duties as may be assigned by the chairman of the board.

Section 4.9. Vacancies. Vacancies in any office arising from any cause may be filled by the directors for the unexpired portion of the term with a majority vote of the directors then in office. In the case of the absence or inability to act of any officer of the corporation and of any person herein authorized to act in his or her place, the board of directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

Section 4.10. Other Officers, Assistant Officers and Agents. Officers, assistant officers, and agents, if any, other than those whose duties are provided for in these bylaws shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board of directors. Unless the board of directors decides otherwise, if an officer title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law or any successor or similar statute, the assignment of such title shall constitute the delegation to such officer of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made to such officer by the board of directors.

ARTICLE V.
INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND OTHERS

Section 5.1. Indemnification. To the fullest extent permitted by Delaware law the corporation shall, indemnify any and all officers and directors of the corporation, from and against all expenses (including attorneys' fees), liabilities or other matters arising out of their status as such or their acts, omissions or services rendered by such persons in such capacities or otherwise while serving at the request of the corporation. Unless specifically addressed in a repeal or amendment of Delaware law with regard to a corporation's ability to indemnify its officers and directors, no such repeal or amendment shall adversely affect any indemnification rights of any person existing at the time of such repeal or amendment.

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

Section 5.3. Expenses of Contested Indemnification Claims. If a claimant makes a claim on the corporation under Section 5.1 or 5.2 and the corporation does not pay such claim in full within thirty days after it has received such written claim, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expenses of prosecuting such claim.

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

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

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

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

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

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

ARTICLE VI.
CERTIFICATES OF STOCK

Section 6.1. Form. Certificates of stock shall be issued in numerical order, and each stockholder shall be entitled to a certificate signed by the chairman of the board, the president or any vice president and the secretary, any assistant secretary, the treasurer or any assistant treasurer, certifying to the number of shares owned by such stockholder. Where, however, such certificate is signed by a transfer agent or an assistant transfer agent or by a transfer clerk acting on behalf of the corporation, and a registrar or by an agent acting in the dual capacity of transfer agent and registrar, the signatures of any of the above-named officers may be facsimile signatures. In the event that any officer who has signed, or whose facsimile signature has been used on, a certificate has ceases to be an officer before the certificate has been delivered, such certificate may nevertheless be adopted and issued and delivered by the corporation, as though the officer who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be such officer of the corporation.

Section 6.2. Transfers. Transfers of stock shall be made only upon the transfer books of the corporation or respective transfer agents designated to transfer the several classes of stock, and before a new certificate is issued, the old certificate shall be surrendered for cancellation.

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

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

ARTICLE VII.
CERTAIN BUSINESS COMBINATIONS

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

This Article VII shall be amended, altered or repealed only as provided in Section 203 of the Delaware General Corporation Law.

ARTICLE VIII.
GENERAL PROVISIONS

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

Section 8.2. Moneys. The moneys of the corporation shall be deposited in the name of the corporation in such bank or banks or trust company or trust companies as the board of directors shall designate, and shall be drawn out only by check signed by the chairman of the board or the president and countersigned by the secretary, assistant secretary, treasurer or the assistant treasurer, or signed and countersigned by such other persons as shall be designated by resolution of the board of directors, except that the chairman of the board may designate one or more officers to transfer by letter or wire funds from an account of the corporation in one bank to an account of the corporation or a subsidiary in another bank and the chairman of the board shall have the authority on bank accounts to designate that one signature of an officer or other person shall be sufficient.

ARTICLE IX.
NOTICES

Section 9.1. General. Whenever the provisions of any statute or these bylaws require notice to be given to any director, officer or stockholder, such notice may be given personally or in writing by facsimile, by telegraph or by

depositing the same in the United States mail with postage prepaid addressed to each director, officer or stockholder at his or her address, as the same appears in the books of the corporation, and the time when the same shall be personally given, sent by facsimile or telegraph or mailed shall be deemed to be the time of the giving of such notice.

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

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

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

(a) notice of two consecutive annual meetings and all notices of meetings held or actions by written consent taken during the period between those annual meetings, if any, or

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

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

ADOPTED BY THE BOARD OF DIRECTORS AS OF DECEMBER 31, 2000

/s/ A. Andrew R. Louis

A. Andrew R. Louis, Secretary

EXHIBIT C
VOTING AGREEMENT

VOTING AGREEMENT

THIS VOTING AGREEMENT (this "Agreement") is made and entered into as of December 31, 2000, among Valhi, Inc., a Delaware corporation ("Valhi"), Tremont Holdings, LLC, a Delaware limited liability company ("TRE Holdings" and together with Valhi, the "Stockholders"), and Tremont Group, Inc., a Delaware corporation ("TGI"). Unless otherwise provided in this Agreement, certain capitalized terms used herein are defined in Section 8.

Recitals

The parties hereto desire to enter into this Agreement to establish a mechanism to elect as a director of TGI one person designated in writing by TRE Holdings.

Agreement

In consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows.

Section 1. Voting for Directorship. Valhi agrees to vote all of its TGI Shares, and will take all other necessary or desirable actions within its control, to elect as a director of TGI one person designated in writing by TRE Holdings. The parties agree that the initial person designated by TRE Holdings to be elected a director of TGI is J. Landis Martin. If in the future more than one person holds TRE Holdings' TGI Shares, such persons must jointly agree on one designee that they desire to have Valhi elect as a director of TGI and notify Valhi in writing of such designee before Valhi is obligated to elect such designee under this section.

Section 2. Size of Board of Directors; Governing Instruments. The Stockholders hereby agree (a) that the board of directors shall be comprised of five (5) persons as directors, and each Stockholder shall take or cause to be taken all action to require that the certificate of incorporation and bylaws of TGI shall so provide and (b) to ensure at all times that the certificate of incorporation and bylaws of TGI are not at any time inconsistent with the provisions of this Agreement.

Section 3. Impairment. Valhi agrees that it will not vote or otherwise consent or take action with respect to its TGI Shares to amend TGI's certificate of incorporation or bylaws in a manner that would affect the voting rights of TGI's stockholders.

Section 4. Transfer of Shares. Valhi agrees that the agreement relating to the voting of its TGI Shares evidenced by this Agreement shall encumber such shares, and that any permitted successor, assignee, or transferee shall take such shares subject to this Agreement. In addition, each party agrees to cause any permitted successor, assignee, or transferee of such party to become a party to this Agreement.

Section 5. Term. Unless earlier terminated by agreement of the parties, this Agreement shall remain in effect for as long as TRE Holdings or its permitted successors, assigns and transferees hold TGI Shares.

Section 6. Legend. Each certificate evidencing Valhi's TGI Shares and each certificate issued in exchange for or upon the transfer of such TGI Shares (if such shares remain subject to the terms of this Agreement after such transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form:

> THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A VOTING AGREEMENT ("AGREEMENT") DATED AS OF DECEMBER 31, 2000 AMONG THE ISSUER OF SUCH SECURITIES (THE "ISSUER") AND THE ISSUER'S SECURITY HOLDERS. A COPY OF SUCH AGREEMENT WILL BE FURNISHED WITHOUT CHARGE BY THE ISSUER TO THE HOLDER HEREOF UPON WRITTEN REQUEST.

The legend set forth above shall be removed from the certificates evidencing TGI Shares that cease to be subject to the terms of this Agreement or the termination of this Agreement.

Section 7. Specific Performance. Valhi agrees that the remedy at law for any breach by it of this Agreement will be inadequate and that, in addition to any other remedies TRE Holdings might have, TRE Holdings shall be entitled, without the necessity of proving actual damages, to specific performance and injunctive relief to prevent the breach of any provisions of this Agreement.

Section 8. Definitions.

"Common Stock" means TGI's common stock, par value $0.01 per share.

"Stockholder" means any stockholder of TGI who is subject to the terms of this Agreement.

"TGI Shares" means any Common Stock and any other voting securities of TGI purchased or otherwise acquired by any Stockholder. As to any particular shares constituting TGI Shares, such shares will cease to be subject to this Agreement if and when they have been repurchased by TGI.

Section 9. Miscellaneous.

(a) Amendment and Waiver. Except as otherwise provided herein, no modification, amendment or waiver of any provision of this Agreement will be effective against a Stockholder, unless such modification, amendment or waiver is approved in writing by such Stockholder. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

(b) Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

(c) Entire Agreement. This Agreement contains the entire understanding among the parties with respect to the transactions contemplated hereby and supersedes all other agreements and understandings among the parties with respect to the subject matter of this Agreement.

(d) Successors and Assigns. Except as otherwise provided herein, this Agreement will bind and inure to the benefit of and be enforceable by TGI and its successors and assigns, and the Stockholders and any subsequent holders of TGI Shares, and the respective successors and assigns of each of them, so long as they hold TGI Shares.

(e) Counterparts. This Agreement may be executed in counterparts each of which will be an original and all of which taken together shall constitute one and the same agreement.

(f) Notice. All notices and other communications that are required to be or may be given under this Agreement shall be in writing and shall be deemed to have been duly given when delivered in person or transmitted by confirmed telecopy or upon receipt after dispatch by overnight courier or by certified or registered mail, postage prepaid, to the party to whom the notice is given. Notices shall be given to the address for the respective party appearing under the party's signature to this Agreement or to such other address as such party may designate by giving notice of such change of address to the other parties to this Agreement.

(g) Applicable Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the state of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the state of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the state of Delaware.

(h) Headings. The sections and other headings contained in this Agreement are for reference purposes only and shall not effect in any way the meaning or interpretation of this Agreement.

The parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first written above.

TREMONT GROUP, INC.

By: /s/ Steven L. Watson

Steven L. Watson, President

Address: Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
FAX: 972.448.1445
Attention: General Counsel

VALHI, INC.

By: /s/ Steve L. Watson

Steven L. Watson, President

Address: Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
FAX: 972.448.1445
Attention: General Counsel

TREMONT HOLDINGS, LLC

By: /s/ Robert D. Hardy

Robert D. Hardy, Vice President

Address: Two Greenspoint Plaza
16825 Northchase Drive
Suite 1200
Houston, Texas 77060-2544
FAX: 281.423.3333
Attention: General Counsel

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

NAME OF CORPORATION	Jurisdiction of incorporation or organization	% of Voting Securities Held
Kronos, Inc.	Delaware	100
Kronos (US) Inc.	Delaware	100
Kronos International, Inc.	Delaware	100
NL Industries GmbH & Co. OHG	Germany	100
Kronos Titan GmbH & Co. OHG	Germany	100
Unterstutzungskasse Kronos Titan-GmbH	Germany	100
Kronos Chemie-GmbH	Germany	100
Kronos World Services S.A./N.V.	Belgium	100
Kronos Canada, Inc.	Canada	100
2969157 Canada Inc.	Canada	100
Bentone Sud, S.A.	France	100
Societe Industrielle Du Titane, S.A.	France	94
Kronos Limited	United Kingdom	100
Kronos Denmark ApS	Denmark	100
Kronos Europe S.A./N.V.	Belgium	100
Kronos B.V.	Holland	100
Kronos Norge A/S	Norway	100
Kronos Titan A/S	Norway	100
Titania A/S	Norway	100
The Jossingfjord Manufacturing Company A/S	Norway	100
Kronos Louisiana, Inc.	Delaware	100
Louisiana Pigment Company, L.P.	Delaware	50(a)
NL Capital Corporation	Delaware	100(b)
Other:		
NL Industries (USA), Inc.	Texas	100
NLO, Inc.	Ohio	100
Salem Lead Company	Massachusetts	100
Sayre & Fisher Land Company	New Jersey	100
RK Export, Inc.	Barbados	100(c)
153506 Canada Inc.	Canada	100
NL Industries Chemie, GmbH	Germany	100
Tremont Holdings, LLC	Delaware	100
NL Environmental Management Services, Inc.	New Jersey	78(d)
The 1230 Corporation	California	100
United Lead Company	New Jersey	100

(a) Unconsolidated joint venture accounted for by the equity method.

(b) On February 1, 2000, NL Capital Corporation merged into Kronos International, Inc.

(c) Liquidated in December 2000.

(d) Registrant directly owns 56% and indirectly owns 22% via 153506 Canada, Inc.

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the:

(i) Registration Statement No. 33-29287 on Form S-8 and related Prospectus with respect to the 1989 Long Term Performance Incentive Plan of NL Industries, Inc.; and

(ii) Registration Statement No. 33-25913 on Form S-8 and related Prospectus with respect to the NL Industries, Inc. Retirement Savings Plan; and

(iii) Registration Statement No. 333-65817 on Form S-8 and related Prospectus with respect to the NL Industries, Inc. 1998 Long-Term Incentive Plan; and

(iv) Registration Statement No. 33-48145 on Form S-8 and related Prospectus with respect to the NL Industries, Inc. 1992 Non-Employee Directors Stock Option Plan.

of our report dated February 28, 2001 on our audits of the consolidated financial statements and financial statement schedules of NL Industries, Inc. as of December 31, 2000 and 1999, and for each of the three years in the period ended December 31, 2000, which report is included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Houston, Texas
March 9, 2001