

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

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of the earliest event reported)  
**November 14, 2016**

**NL INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

**New Jersey**  
(State or other jurisdiction of incorporation)

**1-640**  
(Commission  
File Number)

**13-5267260**  
(IRS Employer  
Identification No.)

**5430 LBJ Freeway, Suite 1700, Dallas, Texas**  
(Address of principal executive offices)

**75240-2697**  
(Zip Code)

Registrant's telephone number, including area code  
**(972) 233-1700**

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(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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<b>Item 1.01</b>	<b>Entry into a Material Definitive Agreement</b>
<b>Item 1.02</b>	<b>Termination of a Material Definitive Agreement</b>
<b>Item 2.03</b>	<b>Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant</b>

On November 14, 2016, NLKW Holding, LLC, a newly-formed, wholly-owned subsidiary of the registrant ("*NLKW*"), entered into a \$50 million revolving credit facility (the "*Valhi Credit Facility*") with Valhi, Inc., the registrant's publicly-held parent corporation ("*Valhi*"). Previously, and in contemplation of the financing transaction described herein, the registrant formed NLKW and capitalized it with approximately 35.2 million shares of the common stock of Kronos Worldwide, Inc. held by the registrant (the "*Kronos Stock*"). Pursuant to the terms of the Valhi Credit Facility, NLKW can borrow up to \$50 million from Valhi (with such commitment amount subject to increase from time to time in Valhi's sole discretion). Proceeds from any borrowings by NLKW under the Valhi Credit Facility would be available for the registrant's general corporate purposes, but only to the extent one or more loans are extended by NLKW to the registrant in accordance with the terms of the Back-to-Back Credit Facility, as described below. Outstanding borrowings under the Valhi Credit Facility will bear interest at the prime rate plus 1.875% per annum, payable quarterly, with all amounts due on December 31, 2023. The maximum principal amount which may be outstanding from time-to-time under the Valhi Credit Facility is limited to 50% of the amount determined by multiplying the number of shares of Kronos Stock by the most recent closing price of such security on the New York Stock Exchange (or another recognized national securities exchange if such security is not listed on the New York Stock Exchange). Borrowings under the Valhi Credit Facility are collateralized by (i) the Kronos Stock, pursuant to the terms of a Pledge and Security Agreement, dated November 14, 2016, made by NLKW in favor of Valhi (the "*Pledge and Security Agreement*," and together with the Valhi Credit Facility, the "*Loan Documents*"), and (ii) 100% of the membership interest in NLKW held by the registrant, pursuant to the terms of a Back-to-Back Pledge and Security Agreement, dated November 14, 2016, made by the registrant in favor of Valhi (the "*Back-to-Back Pledge and Security Agreement*"), as described below. The Valhi Credit Facility contains a number of covenants and restrictions which, among other things, restrict NLKW's ability to incur additional debt, incur liens, and merge or consolidated with, or sell or transfer substantially all of NLKW's assets to, another entity, and require NLKW to maintain a minimum specified level of consolidated net worth. Upon an event of default (as defined in the Valhi Credit Facility, which includes the failure of NLKW to make payments of principal or interest when due or to otherwise comply with its covenants under the Loan Documents, certain changes of control of NLKW or the registrant, certain insolvency events of NLKW or the registrant and other customary events of default), Valhi will be entitled to terminate its commitment to make further loans to NLKW, declare the outstanding loans (with interest) immediately due and payable, and exercise its rights with respect to the collateral under the Loan Documents. Such collateral rights include, upon certain insolvency events with respect to NLKW or the registrant, the right to purchase all of the Kronos Stock at a purchase price equal to the aggregate market value of the Kronos Stock (with such market value determined by an independent third-party valuation provider), less amounts owing to Valhi under the Loan Documents, and up to 50% of such purchase price may be paid by Valhi in the form of an unsecured promissory note bearing interest at the prime rate plus 2.75% per annum, payable quarterly, with all amounts due no later than five years from the date of purchase, with the remainder of such purchase price payable in cash at the date of purchase.

On November 14, 2016, and contemporaneously with the entering into of the Valhi Credit Facility, NLKW entered into a \$50 million revolving credit facility (the "*Back-to-Back Credit Facility*") and together with the Back-to-Back Pledge and Security Agreement, the "*Back-to-Back Loan Documents*") with the registrant, pursuant to which the registrant can borrow up to \$50 million from NLKW (with such commitment amount subject to increase from time to time in NLKW's sole discretion). Proceeds from any borrowings by the registrant under the Back-to-Back Credit Facility would be available for the registrant's general corporate purposes. Outstanding borrowings under the Back-to-Back Credit Facility bear interest at the same rate and are payable on the same maturity date as are borrowings by NLKW under the Valhi Credit Facility. Borrowings under the Back-to-Back Credit Facility are on an unsecured basis; however, as a condition thereto, the registrant pledged to Valhi as collateral for the Valhi Credit Facility its 100% membership interest in NLKW pursuant to the terms of the Back-to-Back Pledge and Security Agreement.

The independent members of the registrant's Board of Directors have approved the Loan Documents, the Back-to-Back Loan Documents (together with the Loan Documents, the "*Basic Documents*") and the transactions contemplated thereby.

A copy of the Valhi Credit Facility, the Pledge and Security Agreement, the Back-to-Back Credit Facility and the Back-to-Back Pledge and Security Agreement are attached as Exhibit 10.1, Exhibit 10.2, Exhibit 10.3 and Exhibit 10.4, respectively, to this report and are incorporated herein by reference. The foregoing description of the Basic Documents does not purport to be complete and is qualified in its entirety by reference to the Basic Documents. This summary of the principal terms of the Basic Documents and the copy of the Basic Documents have been included to provide security holders with information regarding their terms. They are not intended to provide any other factual information about the registrant, NLKW or Valhi. The representations, warranties and covenants contained in the Basic Documents were made solely for purposes of the Basic Documents and as of specific dates, were solely for the benefit of the parties to the Basic Documents, may be subject to limitations agreed upon by the contracting parties, including being qualified by confidential disclosures made for the purposes of allocating contractual risk between the parties to the Basic Documents instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to security holders. Security holders are not third-party beneficiaries under the Basic Documents and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the registrant, NLKW or Valhi. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Basic Documents, which subsequent information may or may not be fully reflected in the registrant's public disclosures.

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Also on November 14, 2016, the registrant and Valhi agreed to the termination of the previously-reported \$40 million revolving promissory note between the registrant and Valhi, pursuant to which the registrant could borrow up to \$40 million from Valhi on an unsecured basis, with outstanding borrowings at any time solely at the discretion of Valhi. There were no outstanding borrowings by the registrant under such revolving promissory note at the time of its termination.

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**Item 9.01****Financial Statements and Exhibits.**

(d) Exhibits

<u>Item No.</u>	<u>Description</u>
10.1*	Loan Agreement between NLKW Holding, LLC, as Borrower, and Valhi, Inc., as Lender, dated as of November 14, 2016.
10.2*	Pledge and Security Agreement made by and between NLKW Holding, LLC in favor of Valhi, Inc., dated as of November 14, 2016.
10.3*	Back-to-Back Loan Agreement between the registrant, as Borrower, and NLKW Holding, LLC, as Lender, dated as of November 14, 2016.
10.4*	Back-to-Back Pledge and Security Agreement made by and between the registrant in favor of Valhi, Inc., dated as of November 14, 2016.

\* Filed herewith.

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## INDEX TO EXHIBITS

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\* Filed herewith.

**LOAN AGREEMENT**

**between**

**NLKW HOLDING, LLC, as Borrower,**

**and**

**VALHI, INC., as Lender,**

**dated as of**

**November 14, 2016**

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EXHIBIT A PLEDGE AND SECURITY AGREEMENT

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## LOAN AGREEMENT

This Loan Agreement (this "**Agreement**"), dated as of November 14, 2016, is entered into between **NLKW Holding, LLC** a Delaware limited liability company (the "**Borrower**"), and Valhi, Inc., a Delaware corporation (the "**Lender**").

### Recitals

WHEREAS, Borrower desires to enter into a loan transaction with Lender for the extension of credit upon the terms and conditions set forth herein; and

WHEREAS, Lender desires to extend Borrower credit and enter into this loan transaction upon the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I

#### Definitions

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

**"Affiliate"** as to any Person, means any other Person that, directly or indirectly through one or more intermediaries, is in Control of, is controlled by, or is under common Control with, such Person.

**"Applicable Interest Rate"** means the Prime Rate plus one and seven eighth's percent (1.875%) per annum.

**"Back-to-Back Loan Agreement"** means that certain Back-to-Back Loan Agreement dated as of November 14, 2016, between the Borrower, as lender, and the Sole Member, as borrower.

**"Back-to-Back Security Agreement"** means that certain Back-to-Back Pledge and Security Agreement, dated as of November 14, 2016, from the Sole Member, as grantor, to Valhi, Inc., as secured party, to provide further security for the Loans.

**"Bankruptcy Code"**: Title 11 of the United States Code, as amended.

**"Business Day"** means (a) for all purposes other than as covered by subsection (b) below, a day other than a Saturday, Sunday or other day on which commercial banks in Texas are authorized or required by law to close.

**"Change of Control"** means (a) the Sole Member ceasing to own, directly or indirectly, one hundred percent (100%) of the limited liability company membership Units of the Borrower on a fully diluted basis or (b) Permitted Holders ceasing to Control the Sole Member.

**"Closing Date"** means the date on which the conditions precedent set forth in Section 4.01 are satisfied or waived.

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**"Collateral"** has the meaning for such term set forth in the Security Agreement.

**"Collateral Coverage Value"** shall mean on any day of determination the product of (Y) the number of shares of Kronos Stock pledged as Collateral as provided in the Security Agreement, multiplied by (Z) the Quoted Market Price for such Kronos Stock.

**"Collateral Promissory Note"** means, in connection with the payment of any Collateral Purchase Price, an unsecured promissory note from the Lender payable to the Borrower, (a) in a principal amount not to exceed 50% of the Collateral Purchase Price, (b) bearing interest from the borrowing date, payable quarterly, at a per annum rate equal to the Prime Rate as of such date of issuance plus 2.75%, (c) for a term not to exceed 5 years from the borrowing date, (d) with principal payable in its entirety by balloon payment at maturity, provided that principal may be prepaid at any time and from time to time, in whole or in part, without premium or penalty, and (e) with such other terms and conditions consistent with a 5-year unsecured promissory note of a public company with a credit-rating similar to that of the Lender at the time of issuance.

**"Collateral Purchase Price"** shall have the meaning set forth in Section 8.02(b)(v).

**"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract, or otherwise. "Controlling" and "Controlled" have meanings correlative to Control.

**"Debt"** of any Person at any date, without duplication, means (a) all indebtedness of such Person for borrowed money or other extensions of credit, whether secured or unsecured, whether contingent or absolute; (b) all obligations of such Person for the deferred purchase price of property or services (other than trade payables and accrued expenses incurred in the ordinary course of business); (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments; (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (e) that portion of all obligations arising under leases that is required to be capitalized on the balance sheet in accordance with GAAP; (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under acceptance, letter of credit or similar facilities in respect of obligations of the kind referred to in subsections (a) through (e) of this definition; (g) all guaranty obligations of such Person in respect of obligations of the kind referred to in subsections (a) through (f) above; and (h) all obligations of the kind referred to in subsections (a) through (g) above secured by (or which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation.

**"Default"** means any of the events specified in Section 8.01 which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to Section 8.01 would, unless cured or waived, become an Event of Default.

**"Disposition" or "Dispose"** means the sale, transfer, license, lease or other disposition (whether in one transaction or in a series of transactions, and including any sale and leaseback transaction) of any property (including, without limitation, any Equity Interests) by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

**"Equity Interests"** means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership (or profit) interests in a Person (other than a corporation), securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person, and any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

**"Event of Default"** has the meaning set forth in Section 8.01.

**"GAAP"** means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

**"Governmental Authority"** means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government.

**"Insolvency Event"**: With respect to any Person, (a) the filing of a decree or order for relief by a court having jurisdiction with respect to such Person or any substantial part of its assets or property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of thirty (30) days, (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, (c) the consent by such Person to the entry of an order for relief in an involuntary case under any Insolvency Law, (d) the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, (e) the making by such Person of any general assignment for the benefit of creditors, (f) the admission in a legal proceeding of the inability of such Person to pay its debts generally as they become due, (g) the failure by such Person generally to pay its debts as they become due, or (h) the taking of action by such Person in furtherance of any of the foregoing.

**"Insolvency Laws"**: The Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments and similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

**"Interest Payment Date"** means, prior to the Maturity Date, the last day of each March, June, September and December (or, if an Event of Default is in existence, the last day of each calendar month), and the Maturity Date.

**"Kronos Stock"** means shares of common stock of Kronos Worldwide, Inc., a Delaware corporation, which shall be the Collateral for the Loan as provided in the Security Agreement.

**"LLC Agreement"** means that certain Limited Liability Company Agreement of NLKW Holding, LLC, made and entered into as of November 7, 2016, by the Sole Member.

**"Lien"** means any mortgage, pledge, hypothecation, assignment (as security), deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest, or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever having substantially the same economic effect as any of the foregoing (including any conditional sale or other title retention agreement and any capital lease).

**"Loan"** means any Revolving Credit Loan and **"Loans"** means all outstanding Revolving Credit Loans in the aggregate, as the context may require.

**"Loan Documents"** means, collectively, this Agreement, the Security Agreement, the Revolving Credit Note and all other agreements, documents, certificates and instruments executed and delivered to Lender by Borrower in connection therewith.

**"Outstanding Loan Amount"** shall have the meaning set forth in Section 8.02(b)(v).

**"Market Value"**: with respect to the Kronos Stock, shall mean, as of any date of determination, the price at which such Collateral could readily be sold as of such date to an independent third party purchaser, as determined by an independent third-party valuation provider unaffiliated with the Lender and having expertise in the valuation of publicly and privately-traded securities, as selected by Lender in its sole discretion.

**"Material Adverse Effect"** means a material adverse effect on or material adverse change in or to (a) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of Borrower or the Sole Member, individually, or Borrower and the Sole Member taken as a whole, (b) the validity or enforceability of any Loan Document, (c) the perfection or priority of any Lien purported to be created by any Loan Document, (d) the rights or remedies of Lender under any Loan Document or (e) the ability of Borrower to perform any of its material obligations under any Loan Document to which it is a party.

**"Maturity Date"** means the earlier to occur of December 31, 2023, (b) the date on which the maturity of the Loans is accelerated (or deemed accelerated) hereunder and (c) the Revolving Credit Commitment is reduced to zero or terminated.

**"Permitted Holders"** means (a) Lisa K. Simmons and Serena Simmons Connelly, (b) members of Ms. Simmons' and Ms. Connelly's families (including their spouse and/or descendants, whether natural or adopted), (c) any trust established for the benefit of Ms. Simmons and Ms. Connelly and members of their families and any trustees and beneficiaries thereof, (d) any Person that is Controlled by any one or more of the Persons specified in (a) through (c) above, and (e) any group made up of any two or more of the Persons specified in (a) through (d) above.

**"Person"** means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

**"Prime Rate"** means the fluctuating interest rate per annum in effect from time to time equal to the base rate on corporate loans as reported as the Prime Rate in the Money Rates column of *The Wall Street Journal* or other reliable source.

**"Quoted Market Price"** means, with respect to any security, the most recent closing price of such security on the New York Stock Exchange or, if such security is not listed on the New York Stock Exchange but is listed on another recognized national securities exchange, the most recent closing price of such security on such other exchange, or if such security is not listed on a recognized national securities exchange, the closing price of such security as reported on the National Association of Security Dealers Automated Quotations Systems National Market System or, if applicable, the average of the closing bid and asked quotations for such security as reported on National Association of Security Dealers Automated Quotations Systems.

**"Related Parties"** with respect to any Person, means such Person's Affiliates and the directors, officers, employees, partners, agents, trustees, administrators, managers, advisors and representatives of it and its Affiliates.

**"Revolving Credit Commitment"** means the obligation of Lender to make Revolving Credit Loans in an aggregate principal amount not to exceed \$50 million, as the same may be increased by the Lender, from time to time, in its sole discretion.

**"Revolving Credit Loans"** means any revolving credit loan made by Lender under this Agreement, in an aggregate amount not to exceed the Revolving Credit Commitment.

**"Revolving Credit Note"** means a promissory note of Borrower payable to Lender, evidencing the aggregate indebtedness of Borrower to Lender from Revolving Credit Loans, in the form attached hereto as Exhibit B.

**"Security Agreement"** means the Pledge and Security Agreement, dated as of the date hereof, made by Borrower in favor of Lender, in the form attached hereto as Exhibit A, as the same may be amended, restated, supplemented or otherwise modified from time to time.

**"Sole Member"** means NL Industries, Inc. a New Jersey corporation and the sole member of the Borrower.

**"Solvent"**: With respect to any Person at any time, having a state of affairs such that all of the following conditions are met at such time: (a) the fair value of the assets and property of such Person is greater than the amount of such Person's debts as such value is established and debts evaluated for purposes of Section 101(32) of the Bankruptcy Code, (b) the present fair salable value of the assets and property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is able to realize upon its assets and property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (e) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets and property would constitute unreasonably small capital.

**"Subsidiary"** means any corporation, partnership, limited liability company, joint venture, trust or estate of or in which more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class of such corporation may have voting power upon the happening of a contingency), (b) the interest in the capital or profits of such partnership, limited liability company, or joint venture or (c) the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled through one or more intermediaries, or both, by such Person.

**"Taxes"** means any and all present or future income, stamp or other taxes, levies, imposts, duties, deductions, charges, fees or withholdings imposed, levied, withheld or assessed by any Governmental Authority, together with any interest, additions to tax or penalties imposed thereon and with respect thereto.

## ARTICLE II

### The Commitment and Loans

#### 2.01 Revolving Credit Commitment.

Subject to the terms and conditions of this Agreement, prior to the Maturity Date Lender agrees to make Revolving Credit Loans to Borrower from time to time in an aggregate principal amount at any one time outstanding not exceeding the amount of the Revolving Credit Commitment. Borrower may use the Revolving Credit Commitment by borrowing, prepaying the Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof, in each case in increments of \$100,000.

#### 2.02 Procedures for Revolving Credit Borrowing.

Borrower may borrow under the Revolving Credit Commitments on any Business Day upon one Business Day notice to Lender.

#### 2.03 Repayment of Loans; Evidence of Debt.

- (a) Borrower hereby unconditionally promises to pay to Lender in full in cash, to the extent not previously paid, the then-unpaid principal amount of all Loans on the Maturity Date.
- (b) Lender shall maintain an account or accounts evidencing indebtedness of Borrower to Lender resulting from each Loan, including the amounts of principal and interest payable and paid to Lender from time to time under this Agreement.
- (c) Borrower will promptly execute and deliver to Lender a Revolving Credit Note evidencing the Revolving Credit Loans, in the form of Exhibit B attached to this Agreement.

#### 2.04 Optional Prepayments.

Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty.

### **2.05 Mandatory Prepayments.**

If for any reason the aggregate principal amount of Revolving Credit Loans at any time outstanding exceeds the Revolving Credit Commitment then in effect, Borrower shall immediately repay Revolving Credit Loans in an amount equal to such excess.

### **2.06 Interest.**

- (a) Each Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Applicable Interest Rate.
- (b) If (i) all or any amount of the principal of any Loan is not paid when due (without regard to any applicable grace periods), whether at the Maturity Date, by acceleration or otherwise, such overdue principal amount shall bear interest at a rate of interest per annum equal to the Applicable Interest Rate plus 2% and shall be payable on demand, and (ii) if all or any portion of any interest on any Loan or other amount payable hereunder shall not be paid when due, whether at the Maturity Date, by acceleration or otherwise, such overdue interest amount shall bear interest at a rate per annum equal to the Applicable Interest Rate plus 2%.
- (c) Interest on each Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein.

### **2.07 Computation of Interest and Fees.**

All computations of interest accrued and payable shall be made on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid.

## **ARTICLE III**

### **Taxes**

#### **3.01 Taxes.**

- (a) Any and all payments by or on account of any obligation of Borrower hereunder or under any other Loan Document shall be made free and clear of and without deduction or withholding for any Taxes except as required by applicable law.
- (b) Without limiting the provisions above, Borrower shall timely pay any other Taxes imposed on it or its property, when due, to the relevant Governmental Authority in accordance with applicable law.

## ARTICLE IV

### Conditions Precedent

#### 4.01 Conditions Precedent to Initial Loans.

The obligation of Lender to make the initial Loan requested to be made by it hereunder is subject to the satisfaction or the waiver by Lender of the following conditions precedent:

- (a) Lender shall have received this Agreement, duly executed and delivered by Borrower and the Security Agreement and other Loan Documents.
- (b) Lender shall have received audited consolidated financial statements of Sole Member for the two most recent fiscal years ended prior to the Closing Date and unaudited interim consolidated financial statements of Sole Member for each fiscal quarter ended after the date of the latest applicable audited financial statements delivered as to which such financial statements are available.
- (c) There shall have occurred no Material Adverse Effect since the date of the last audited full year financial statement of the Sole Member.
- (d) Lender shall have received the certificates representing the Collateral (if in certificated form) pledged to Lender pursuant to the Security Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of Borrower and, in the case of uncertificated Collateral, Lender shall either have been registered by the issuer of such uncertificated Collateral as the registered owner, or the issuer of such uncertificated Collateral shall have agreed in writing to comply with all instructions from Lender with respect to the uncertificated Collateral without further consent from Borrower for so long as this Agreement is in effect.
- (e) Lender shall have received satisfactory evidence that each document required by the Loan Documents or any requirement of law or reasonably requested by the Lender to be filed, registered or recorded in order to create in favor of the Lender a perfected first priority Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted under this Agreement), including UCC-1 financing statements in such jurisdictions as may be required by the Security Agreement or by law or as may be requested by Lender, shall be in proper form for filing, registration or recording and shall have been properly filed, registered or recorded (or provided to Lender to be properly filed, registered or recorded, as applicable).

#### 4.02 Conditions Precedent to Each Loan.

The obligation of Lender to make each Loan requested to be made by it hereunder (including, without limitation, its initial extension of credit), is subject to the satisfaction or the waiver by Lender of the following conditions precedent:



- (a) Each of the representations and warranties made by Borrower in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on such earlier date.
- (b) No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans requested to be made on such date.

Each borrowing by Borrower hereunder shall constitute a representation and warranty by Borrower, as of the date such Loan is made, that the conditions contained in this Article have been satisfied.

## **ARTICLE V**

### **Representations and Warranties**

To induce Lender to enter into this Agreement and to make the Loans hereunder, Borrower hereby represents and warrants to Lender that:

#### **5.01 Existence; Compliance with Laws.**

Borrower (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, (b) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to qualify in such jurisdiction would not reasonably be expected to have a Material Adverse Effect, and (c) to the best of its knowledge, is in compliance with all legal requirements except to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

#### **5.02 Power; Authorization; Enforceability.**

- (a) Borrower has the power and authority, and the legal right, to own or lease and operate its property, and to carry on its business as now conducted and as proposed to be conducted, and to execute, deliver and perform the Loan Documents to which it is a party and to obtain Loans hereunder.
- (b) This Agreement constitutes, and each other Loan Document when delivered hereunder will constitute, a legal, valid and binding obligation of Borrower thereto, enforceable against Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

#### **5.03 No Contravention.**

The execution, delivery and performance of this Agreement and the other Loan Documents, the borrowing of Loans hereunder and the use of the proceeds thereof will not violate any contractual obligation of Borrower.

**5.04 Financial Statements.**

- (a) To the knowledge of Borrower after due inquiry, the audited consolidated balance sheet of Sole Member as at December 31, 2015, and the related consolidated statement of income and of cash flows and equity for the fiscal year then ended present fairly the consolidated financial condition of Sole Member as at such date, and the consolidated results of their operations and their consolidated cash flows for the fiscal year then ended, in accordance with GAAP.
- (b) To the knowledge of Borrower after due inquiry, the unaudited consolidated balance sheet of Sole Member as at September 30, 2016, and the related unaudited consolidated statement of income and of cash flows for the interim period then ended present fairly the consolidated financial condition of Sole Member as at such date, and the consolidated results of operations and their consolidated cash flows for the interim period then ended, in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes).

**5.05 No Material Adverse Effect.**

To the knowledge of Borrower after due inquiry, since September 30, 2016, no development or event has occurred that has had or could reasonably be expected to have a Material Adverse Effect on Sole Member.

**5.06 Taxes.**

To the knowledge of Borrower after due inquiry, Sole Member has filed all federal, state and other material tax returns that are required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties, and all other material taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (except those that are currently being contested in good faith by appropriate proceedings).

**5.07 Security Documents.**

The Security Agreement creates in favor of Lender a legal, valid, continuing and enforceable security interest in the Collateral, the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

**5.08 Solvency.**

Borrower is, and after giving effect to the incurrence of all debt and obligations incurred in connection herewith will be, solvent.

**ARTICLE VI**

**Affirmative Covenants**

So long as Lender has any Revolving Credit Commitment hereunder, or any Loans or any other amounts payable to Lender hereunder or under any other Loan Document have not been paid in full, Borrower shall:

### **6.01 Financial Statements.**

Furnish to Lender:

- (a) As soon as available, but in any event not later than 90 days after the end of each fiscal year of Sole Member, a copy of the annual audit report of Sole Member for such year including a copy of the audited consolidated balance sheet of Sole Member as at the end of such year and the related audited consolidated statements of income and of cash flows and equity for the year then ended, together with an opinion as to such audit report of Sole Member's independent certified public accountants which does not contain a "going concern" or similar qualification or exception, or qualification arising out of the scope of the audit; and
- (b) As soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of Sole Member, the unaudited consolidated balance sheet of Sole Member as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows and equity for such quarter and the portion of the fiscal year through the end of such quarter.

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods.

### **6.02 Notices.**

Promptly advise Lender of:

- (a) The occurrence of any Default or Event of Default;
- (b) Any (i) default or event of default under any contract to which Borrower is a party or (ii) litigation, investigation or proceeding that may exist between Borrower and any Governmental Authority, in each case that if not cured or if adversely determined, as the case may be, would reasonably be expected to have a Material Adverse Effect;
- (c) Any development or event that has had or would reasonably be expected to have a Material Adverse Effect.

### **6.03 Maintenance of Existence; Compliance.**

- (a) (i) Preserve, renew and maintain in full force and effect its corporate or organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

- (b) Comply with all legal requirements except to the extent that failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

**6.04 Maintenance of Property; Insurance.**

- (a) Maintain and preserve all of its property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.
- (b) Maintain insurance with respect to its property and business with financially sound and reputable insurance companies, in such amounts and covering such risks as are usually insured against by similar companies engaged in the same or a similar business; *provided, however*, that Borrower may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties to Borrower.

**6.05 Inspection of Property; Books and Records; Discussions.**

Keep proper books of records and accounts, in which full, true and correct entries in all material respects and in any event in conformity with GAAP and all legal requirements shall be made of all dealings and transactions and assets in relation to its business and activities.

**6.06 Use of Proceeds.**

Use the proceeds of the Loans only to extend a loan to the Sole Member in accordance with the Back-to-Back Loan Agreement.

**6.07 Additional Collateral, Etc.**

- (a) With respect to any shares of Kronos Stock acquired by Borrower after the Closing Date that are intended to be subject to a Lien created by the Security Agreement or any Loan Document:
  - (i) execute and deliver to Lender such supplements or amendments to the Security Agreement or such other documents as Lender deems necessary or advisable to grant to Lender a security interest in such property; and
  - (ii) take all actions necessary or advisable to grant to Lender a perfected first priority security interest in such property, including the delivery to the Lender of any related physical stock certificates endorsed in blank or otherwise at the direction of the Lender, and the filing of UCC-1 financing statements in such jurisdictions as may be required by the Security Agreement or by law or as may be requested by Lender.

**6.08 Further Assurances.**

Promptly upon the request of Lender:

- (a) Correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgement, filing or recordation thereof; and

- (b) Do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignments, transfers, certificates, assurances and other instruments as Lender, may require from time to time in order to perfect and maintain the validity, effectiveness and priority of the Liens intended to be created under the Security Agreement and the other Loan Documents.

## ARTICLE VII

### Negative Covenants

So long as Borrower has any Revolving Credit Commitment hereunder, or any Loans or any other amounts payable to Lender hereunder have not been paid in full:

#### 7.01 Limitation on Debt.

Borrower shall not create, incur, assume, permit to exist or otherwise become liable with respect to any Debt, except:

- (a) Debt existing or arising under this Agreement and any other Loan Document; and
- (b) Debt existing on the Closing Date and any refinancings, modifications, renewals and extensions of any such Debt.

#### 7.02 Limitation on Liens.

Borrower shall not create, incur, assume or permit to exist any Lien on any property or assets (including Equity Interests of any Affiliates held by Borrower) now owned or hereafter acquired by it or on any income or rights in respect of any thereof, except:

- (a) Liens created pursuant to or arising under any Loan Document;
- (b) Liens imposed by law for taxes, assessments or governmental charges not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted if, unless the amount is not material with respect to it or its financial condition, adequate reserves with respect thereto are maintained in accordance with GAAP on the books of the applicable Person;
- (c) Carriers', warehousemen's, mechanics', materialmen's, repairmen's and other similar Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or that are being contested in good faith and by appropriate proceedings diligently conducted;
- (d) Pledges and deposits and other Liens (i) made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations, and (ii) securing liability for reimbursement or indemnification obligations of (including obligations in respect of letters of credit or bank guarantees for the benefit of) insurance carriers providing property, casualty or liability insurance to Borrower;

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- (e) Liens (including deposits) to secure the performance of bids, tenders, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of like nature, in each case in the ordinary course of business;
  - (f) Easements, zoning restrictions, rights-of-way, minor defects or irregularities in title and similar encumbrances on real property imposed by law or arising in the ordinary course of business which, in the aggregate, are not material in amount and which do not materially detract from the value of the affected property or interfere materially with the ordinary conduct of business of Borrower;
  - (g) Liens in existence as of the Closing Date and any renewals, modifications, replacements and extensions of such Liens; and
  - (h) Any Lien existing on any property or asset prior to the acquisition thereof by Borrower; *provided that* such Lien is not created in contemplation of, or in connection with, such acquisition by Borrower.

#### 7.03 Mergers; Nature of Business.

Borrower shall not

- (a) Merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or liquidate or dissolve.
- (b) Engage in any business other than businesses of the type conducted by Borrower on the Closing Date and businesses reasonably related thereto.

#### 7.05 Limitation on Dispositions.

Borrower shall not dispose of any of its property or assets, whether now owned or hereafter acquired, or issue or sell any Equity Interests of the Borrower to any Person, except as provided in or otherwise contemplated by the Basic Documents, nor shall Borrower sell, assign, convey, pledge, hypothecate or otherwise transfer its interest in the Kronos Stock to any Person other than to the Lender as provided in the Security Agreement.

#### 7.06 Value of Collateral.

The Collateral Coverage Value shall not be less than two hundred percent (200%) of the aggregate principal amount of the outstanding Loans under

this Agreement.

**7.07 Consolidated Net Worth.**

The excess of Borrower's consolidated total assets over consolidated total liabilities shall not be less than \$50,000,000.

## ARTICLE VIII

### Events of Default and Remedies

#### 8.01 Events of Default.

Each of the following events or conditions shall constitute an **"Event of Default"** (whether it shall be voluntary or involuntary or come about or be effected by any legal requirement or otherwise):

- (a) Borrower fails to pay either (y) any principal of any Loan when due, whether at stated maturity, by acceleration, by notice of voluntary prepayment, by mandatory prepayment or otherwise; or (z) any interest on any Loan or any fee or other amount payable hereunder or under any other Loan Document when due, and in each case such failure remains unremedied for a period of 15 Business Days;
- (b) Borrower fails to perform or observe, or otherwise breaches any other covenant in (i) any of the Loan Documents, including as set forth in Section 7.06, or (ii) the LLC Agreement, including but not limited to as set forth in Sections 7(c) and 9(f) thereto, and such failure or breach continues unremedied for a period of 15 Business Days after written notice to Borrower from Lender;
- (c) any representation, warranty, certification or other statement of fact made or deemed made by or on behalf of Borrower herein, in any other Loan Document, in the LLC Agreement of Borrower or any amendment or modification hereof or thereof or waiver hereunder or thereunder proves to have been false or misleading in any material respect on or as of the date made or deemed made;
- (d) the Security Agreement ceases for any reason to be valid, binding and in full force and effect or any Lien created by the Security Agreement ceases to be enforceable and of the same effect and priority purported to be created thereby;
- (e) any Change of Control occurs;
- (f) there occurs an "Event of Default" under the Back-to-Back Loan Agreement or Back-to-Back Security Agreement;
- (g) there occurs in the judgment of Lender a Material Adverse Effect;
- (h) an Insolvency Event occurs with respect to Borrower or the Sole Member;
- (i) either Borrower or the Sole Member admits in writing that it is not Solvent or otherwise not able or willing to perform one or more of its obligations under the Loan Documents;
- (j) a final judgment or judgments for the payment of money with respect to Borrower that is not insured against is entered against Borrower in favor of one or more Governmental Authorities, such Governmental Authorities undertake any action to execute on such final judgment or judgments, and the same is not satisfied, discharged (or provision has not been made for such discharge) or bonded, or a stay of execution thereof has not been procured, within thirty (30) days from the date of entry thereof;

- (k) a Governmental Authority takes any action to (i) condemn, seize or appropriate, or assume custody or control of, all or any substantial part of the property of Borrower, (ii) displace the management of Borrower or curtail its authority in the conduct of the business of Borrower, (iii) terminate the activities of Borrower as contemplated by the Loan Documents and LLC Agreement, (iv) consolidate the Borrower with the Sole Member or any other company, or (v) remove, limit or restrict the Borrower as a borrower of the Loan, and in each case such action is not discontinued or stayed within thirty (30) days;
- (l) any provision of the Loan Documents, any right or remedy of Lender or obligation, covenant, agreement or duty of Borrower, or any Lien, security interest or control granted under or in connection with the Loan Documents or Collateral terminates, is declared null and void, ceases to be valid and effective, ceases to be the legal, valid, binding and enforceable obligation of Borrower, or the validity, effectiveness, binding nature or enforceability thereof is contested, challenged, denied or repudiated by Borrower directly, indirectly, in whole or in part;
- (m) Lender ceases for any reason to have a valid and perfected first priority security interest in any Collateral, other than as a result of Lender's actions; or
- (n) Borrower engages in any conduct or action where Lender's prior consent is required by any Loan Document and Borrower fails to obtain such consent.

#### **8.02 Remedies Upon Event of Default.**

If any Event of Default occurs and is continuing, then:

- (a) if such Event of Default is one specified in subsection (d), (g), (h), (i) (j), (k) or (l) above with respect to Borrower, the Revolving Credit Commitment shall automatically and immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall become immediately due and payable;
- (b) the Lender may take any one or more of the following actions:
  - (i) Termination of Revolving Credit Commitments. Lender may, by notice to Borrower, declare the Revolving Credit Commitments to be terminated forthwith, whereupon the Revolving Credit Commitments shall immediately terminate;
  - (ii) Amounts Due and Owing. Lender may, by notice to Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable;
  - (iii) Rights under Security Agreement. Lender may exercise all rights and remedies available to it under the Security Agreement, any other Loan Document, any other agreement among Borrower and in favor of Lender (including any available rights of offset) and any rights and remedies provided by any other applicable law, rule or regulation;



- (iv) Completion, Delivery of Documents. Lender may obtain physical possession of all Records of Borrower. Borrower shall deliver to Lender such assignments and other documents with respect to the Collateral as Lender shall request.
  
  - (v) Collateral Call Option. Upon the occurrence of an Event of Default specified in section 8.01(h) above, Lender may, by notice to the Borrower, immediately purchase and retain all, but not less than all, of the Collateral at a purchase price (the "Collateral Purchase Price") equal to the Market Value thereof on the date of purchase, less the outstanding amounts then due and owing to the Lender under this Agreement as of such date of purchase (the "Outstanding Loan Amount"), for which the Lender shall give the Borrower credit. At Lender's option, the Collateral Purchase Price may be paid by the Lender in cash, or in part in the form of a Collateral Promissory Note with the remainder in cash, in either case in the aggregate amount of the Collateral Purchase Price. Until such time as Lender exercises such purchase remedy, Lender may hold the Collateral for its own account and retain all income with respect thereto and apply such income in accordance with the provisions of this Agreement.
  
  - (vi) Equitable Remedies. Lender shall be entitled to seek an injunction, an order of specific performance or other equitable relief to compel Borrower to fulfill any of its obligations as set forth in the Loan Documents or the LLC Agreement, if Borrower fails or refuses to perform its obligations as set forth herein or therein.
  
  - (vii) Power of Attorney. Borrower hereby appoints Lender as attorney in fact of Borrower for purposes of carrying out the Loan Documents solely with respect to the Collateral, including executing, endorsing and recording any instruments or documents, and taking any other actions that Lender deems necessary or advisable to accomplish such purposes, which appointment is coupled with an interest and is irrevocable.
- (c) all rights and remedies of Lender are cumulative and may be exercised singly or concurrently. The failure to exercise any right or remedy will not be a waiver of such right or remedy. Such rights and remedies may be enforced without prior judicial process or hearing. Borrower agrees that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Borrower hereby expressly waives any defenses Borrower might have to require Lender to enforce its rights by judicial process or otherwise arising from the use of nonjudicial process, disposition of any or all of the Collateral, or any other election of remedies.

## ARTICLE IX

### Miscellaneous

#### 9.01 Notices.

- (a) All notices and other communications provided for herein shall be made as follows:
  - (i) If to Borrower at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention General Counsel.
  - (ii) If to Lender at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention General Counsel.
- (b) Any notice or demand required by any Loan Document shall be deemed to have been given and received on the earlier of (i) when the notice or demand is actually received by the recipient or (ii) 72 hours after the notice is deposited in the United States mail, certified or registered, with postage prepaid, and addressed to the recipient.

**9.02 Amendments and Waivers.**

- (a) No failure to exercise and no delay in exercising, on the part of Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision of any Loan Document or consent to any departure by Borrower therefrom shall in any event be effective unless the same shall comply with paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether Lender may have had notice or knowledge of such Default at the time.
- (b) Neither this Agreement nor any other Loan Document nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Borrower and Lender.

**9.03 Expenses; Indemnity; Damage Waiver.**

- (a) Borrower agrees to indemnify and hold harmless Lender and each of its Related Parties (each, an "**Indemnified Party**") from and against, any and all claims, damages, losses, liabilities and related expenses (including the reasonable fees, charges and expenses of any counsel for any Indemnified Party), incurred by any Indemnified Party or any of its Related Parties arising out of, in connection with, or by reason of:
  - (i) the execution or delivery of any Loan Document or any agreement or instrument contemplated in any Loan Document, the performance by the parties thereto of their respective obligations under any Loan Document or the consummation of the transactions contemplated by the Loan Documents;
  - (ii) any Loan or the actual or proposed use of the proceeds therefrom; or

- (iii) any actual or prospective claim, investigation, litigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnified Party is a party thereto;
- (b) Borrower agrees, to the fullest extent permitted by applicable law, not to assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (including, without limitation, any loss of profits or anticipated savings), as opposed to actual or direct damages, resulting from this Agreement or any other Loan Document or arising out of such Indemnified Party's activities in connection herewith or therewith (whether before or after the Closing Date).
- (c) All amounts due hereunder shall be payable promptly after demand is made for payment by Lender.
- (d) Borrower agrees that it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification or contribution could be sought hereunder (whether or not any Indemnified Party is an actual or potential party to such claim, action or proceeding) without the prior consent of the applicable Indemnified Party, unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liability arising out of such claim, action or proceeding.

#### **9.04 Successors and Assigns.**

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior consent of Lender (and any attempted assignment or transfer by Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

#### **9.05 Survival.**

All covenants, agreements, representations and warranties made by Borrower in the Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Lender may have notice or knowledge of any Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of, or any accrued interest on, any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Revolving Credit Commitment has not expired or terminated.

#### **9.06 Counterparts; Integration; Effectiveness.**

This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents constitute the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect to the subject matter hereof.

**9.07 Severability; Reformation.**

If any term or provision of any Loan Document is determined to be invalid, illegal or unenforceable under applicable law, such invalidity, illegality or unenforceability shall not affect any other term or provision hereof or thereof or invalidate or render unenforceable such term or provision in any other jurisdiction; and this Agreement shall, to the fullest extent lawful, be reformed and construed as if such invalid or illegal or unenforceable provision, or part of a provision, had never been contained herein, and such provision or part reformed so that it would be valid, legal and enforceable to the maximum extent possible. Without limiting the foregoing, if any provision (or part of provision) contained in this Agreement shall for any reason be held to be excessively broad as to duration, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the fullest extent compatible with then existing applicable law.

**9.08 Governing Law; Jurisdiction; Consent to Service of Process.**

This Agreement and the other Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Loan Document (except, as to any other Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to conflicts of laws principles thereof.

**9.09 Headings.**

The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**NLKW HOLDING, LLC,  
as Borrower**

By /s/ Robert D. Graham  
Robert D. Graham,  
Chief Executive Officer

**VALHI, INC.,  
as Lender**

By /s/ Gregory M. Swalwell  
Gregory M. Swalwell,  
Executive Vice President, Chief Financial  
Officer and Chief Accounting Officer

## PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT, dated as of November 14, 2016 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "**Agreement**"), made by and between NLKW Holding, LLC, a Delaware limited liability company (the "**Grantor**"), in favor of Valhi, Inc., a Delaware corporation, (the "**Secured Party**").

WHEREAS, on the date hereof, the Secured Party has agreed to advance credit and make loans to the Grantor in an aggregate unpaid principal amount not exceeding \$50 million dollars (the "**Loans**"), evidenced by that certain Loan Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "**Loan Agreement**") made by the Grantor and payable to the order of the Secured Party;

WHEREAS, this Agreement is given by the Grantor in favor of the Secured Party to secure the payment and performance of all of the Secured Obligations; and

WHEREAS, it is a condition to the obligations of the Lender to make the Loans under the Loan Agreement that the Grantor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

(a) Unless otherwise specified herein, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement or in the UCC. However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9.

(c) For purposes of this Agreement, the following terms shall have the following meanings:

**"Collateral"** has the meaning set forth in Section 2.

**"Event of Default"** has the meaning set forth in the Loan Agreement.

**"First Priority"** means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Loan Agreement).

**"Proceeds"** means "proceeds" as such term is defined in section 9-102 of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

**"Secured Obligations"** has the meaning set forth in Section 3.

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"UCC" means the Uniform Commercial Code as in effect from time to time in the State of Texas or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

2. Grant of Security Interest. The Grantor hereby pledges and grants to the Secured Party, and hereby creates a continuing First Priority lien and security interest in favor of the Secured Party in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the "**Collateral**"):

(a) the 35,219,270 shares of common stock of Kronos Worldwide, Inc. ("KWI") owned by the Grantor as of the date hereof, and any subsequently acquired shares of KWI common stock, and all Proceeds from such shares;

(b) all replacements, substitutions or distributions (except cash dividends and other such income distributions with respect to the Collateral as provided in Section 6(b) of this Agreement) on or proceeds, payments, income and profits of, records and files relating to any and all of any of the foregoing described in clause (a) above.

3. Secured Obligations. The Collateral secures the due and prompt payment and performance of:

(a) the obligations of the Grantor from time to time arising under the Loan Agreement, this Agreement, any other Loan Documents or otherwise with respect to the due and prompt payment of (i) the principal of and premium, if any, and interest on the Loans (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, attorneys' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor under or in respect of the Loan Agreement, this Agreement and any Loan Documents; and

(b) all other covenants, duties, debts, obligations and liabilities of any kind of the Grantor under or in respect of the Loan Agreement, this Agreement, any other Loan Documents or any other document made, delivered or given in connection with any of the foregoing, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in Section 3 being herein collectively called the "**Secured Obligations**").

4. Perfection of Security Interest and Further Assurances.

(a) The Grantor shall, from time to time, as may be required by the Secured Party with respect to all Collateral, take all actions as may be requested by the Secured Party to perfect the security interest of the Secured Party in the Collateral, including, without limitation, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable, the Grantor shall take all actions as may be requested from time to time by the Secured Party so that control of such Collateral is obtained and at all times held by the Secured Party. All of the foregoing shall be at the sole cost and expense of the Grantor.

(b) The Grantor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Grantor, or words of similar effect. The Grantor agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request.

(c) If the Grantor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, the Grantor shall immediately endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(d) If the Grantor shall at any time hold or acquire any uncertificated securities relating to the Collateral, the Grantor shall immediately cause the issuer thereof either (a) to register the Secured Party as the registered owner of such securities or (b) to agree in an authenticated record with the Grantor and the Secured Party that such issuer will comply with instructions with respect to such securities originated by the Secured Party without further consent of the Grantor, such authenticated record to be substantially in the form of Exhibit A attached hereto.

(e) If any Collateral is at any time in the possession of a bailee, the Grantor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and the bailee agrees to comply, without further consent of the Grantor, at any time with instructions of the Secured Party as to such Collateral.

(f) The Grantor agrees that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that the Secured Party may request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Grantor represents and warrants as follows:

(a) The Collateral has been duly authorized and validly issued, and is fully paid and non-assessable and subject to no options to purchase or similar rights. None of the account debtors or other persons obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral.



(b) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Grantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement and other liens permitted by the Loan Agreement.

(c) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(d) It has full power, authority and legal right to borrow the Loans and pledge the Collateral pursuant to this Agreement.

(e) Each of this Agreement, the Loan Agreement and the other Loan Documents has been duly authorized, executed and delivered by the Grantor and constitutes a legal, valid and binding obligation of the Grantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(f) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loans and the pledge by the Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of the Loan Agreement, this Agreement or any other Loan Documents by the Grantor or the performance by the Grantor of its obligations thereunder.

(g) The execution and delivery of the Loan Agreement, this Agreement and the other Loan Documents by the Grantor and the performance by the Grantor of its obligations thereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Grantor or any of its property, or the organizational or governing documents of the Grantor or any agreement or instrument to which the Grantor is party or by which it or its property is bound.

(h) The Grantor has taken all action required on its part for control (as defined in sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable) to have been obtained by the Secured Party over all Collateral with respect to which such control may be obtained pursuant to the UCC. No person other than the Secured Party has control or possession of all or any part of the Collateral.

6. Voting, Distributions and Receivables.

(a) The Secured Party agrees that unless an Event of Default shall have occurred and be continuing, the Grantor may, to the extent the Grantor has such right as a holder of the Collateral consisting of securities, other equity interests or indebtedness owed by any obligor, vote and give consents, ratifications and waivers with respect thereto, except to the extent that, in the Secured Party's reasonable judgment, any such vote, consent, ratification or waiver could detract from the value thereof as Collateral or which could be inconsistent with or result in any violation of any provision of the Loan Agreement, this Agreement or any Loan Documents, and from time to time, upon request from the Grantor, the Secured Party shall deliver to the Grantor suitable proxies so that the Grantor may cast such votes, consents, ratifications and waivers.

(b) The Secured Party agrees that the Grantor may, unless an Event of Default shall have occurred and be continuing, receive and retain all cash dividends and other distributions with respect to the Collateral consisting of securities, other equity interests or indebtedness owed by any obligor.

(c) If any Event of Default shall have occurred and be continuing, the Secured Party may, or at the request and option of the Secured Party the Grantor shall, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party.

7. Covenants. The Grantor covenants as follows:

(a) The Grantor will not, without providing at least 30 days' prior written notice to the Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. The Grantor will, prior to any change described in the preceding sentence, take all actions requested by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(b) The Collateral, to the extent not delivered to the Secured Party pursuant to Section 4, will be kept at Grantor's chief executive office and the Grantor will not remove the Collateral from such location without providing at least 30 days' prior written notice to the Secured Party. The Grantor will, prior to any change described in the preceding sentence, take all actions required by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(c) The Grantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of the Secured Party therein against the claim of any person claiming against or through the Grantor and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(d) The Grantor will not sell, offer to sell, dispose of, convey, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein except as expressly provided for in the Loan Agreement, this Agreement, any other Loan Documents or with the prior written consent of the Secured Party.

(e) The Grantor will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Grantor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(f) The Grantor will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

8. Secured Party Appointed Attorney-in-Fact. The Grantor hereby appoints the Secured Party the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but the Secured Party shall not be obligated to and shall have no liability to the Grantor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof.

9. Secured Party May Perform. If the Grantor fails to perform any obligation contained in this Agreement, the Secured Party may itself perform, or cause performance of, such obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Grantor; provided that the Secured Party shall not be required to perform or discharge any obligation of the Grantor.

10. Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder, shall relieve the Grantor from the performance of any obligation on the Grantor's part to be performed or observed in respect of any of the Collateral.

11. Remedies Upon Default.

(a) The occurrence of an event that under the Loan Agreement would constitute an Event of Default thereunder shall be an Event of Default hereunder.

(b) If any Event of Default shall have occurred and be continuing, the Secured Party, without any other notice to or demand upon the Grantor, and in addition to any rights and remedies available to Secured Party under the Loan Agreement, may assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Grantor at its notice address as provided in Section 15 hereof ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property.

At any sale of the Collateral, the Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral, pursuant to Section 8.02(b)(v) of the Loan Agreement or otherwise, or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Grantor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. The Grantor agrees that it would not be commercially unreasonable for the Secured Party to dispose of the Collateral or any portion thereof by utilizing internet sites that provide for the auction of assets of the type included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets. The Secured Party shall not be obligated to clean-up or otherwise prepare the Collateral for sale.

(b) If any Event of Default shall have occurred and be continuing, all rights of the Grantor to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 6(a) and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain pursuant to Section 6(b), shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) If any Event of Default shall have occurred and be continuing, any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. The Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Grantor agrees that, upon request of the Secured Party, the Grantor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

12. No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to Section 14), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

13. Security Interest Absolute. The Grantor hereby waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. All rights of the Secured Party and liens and security interests hereunder, and all Secured Obligations of the Grantor hereunder, shall be absolute and unconditional irrespective of:

- (a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;
- (b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Loan Agreement, this Agreement, any Loan Documents or any other agreement, including any increase in the Secured Obligations resulting from any extension of additional credit or otherwise;
- (c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;
- (d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations;
- (e) any default, failure or delay, wilful or otherwise, in the performance of the Secured Obligations;
- (f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, the Grantor against the Secured Party; or
- (g) any other circumstance (including, without limitation, any statute of limitations) or manner of administering the Loans or any existence of or reliance on any representation by the Secured Party that might vary the risk of the Grantor or otherwise operate as a defense available to, or a legal or equitable discharge of, the Grantor or any other grantor, guarantor or surety.

14. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and the Grantor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

15. Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as set forth in the Loan Agreement, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party.

16. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to Section 17, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns; provided that the Grantor may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Party. Without limiting the generality of the foregoing clause (c), any assignee of the Secured Party's interest in any agreement or document which includes all or any of the Secured Obligations shall, upon assignment of the Loan Agreement, become vested with all the benefits granted to the Secured Party herein with respect to such Secured Obligations.

17. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Party will, at the request and sole expense of the Grantor, (a) duly assign, transfer and deliver to or at the direction of the Grantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and deliver to the Grantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

18. Governing Law. This Agreement, the Loan Agreement, any other Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement, the Loan Agreement or any Loan Document (except, as to the Loan Agreement, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the State of [Texas].

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19. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement, the Loan Agreement and any other Loan Documents constitute the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto.

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

**NLKW HOLDING, LLC**, as Grantor

By /s/ Robert D. Graham  
Robert D. Graham,  
Chief Executive Officer

**VALHI, INC.**, as Secured Party

By /s/ Gregory M. Swalwell  
Gregory M. Swalwell,  
Executive Vice President, Chief Financial  
Officer and Chief Accounting Officer

**EXHIBIT A**

**FORM OF ISSUER'S ACKNOWLEDGMENT**

The undersigned hereby (a) acknowledges receipt of the Pledge and Security Agreement (the "**Security Agreement**") dated as of November 14, 2016 by and between NLKW Holding, LLC, a Delaware limited liability company (the "**Grantor**"), and Valhi, Inc., a Delaware corporation, (the Secured Party") (b) agrees promptly to note on its books the security interests granted to the Secured Party and confirmed under the Security Agreement, (c) agrees that it will comply with instructions of the Secured Party with respect to the applicable Secured Obligations without further consent by the Grantor and notwithstanding contrary instructions given by the Grantor, (d) agrees to notify the Secured Party upon obtaining knowledge of any interest in favor of any Person in the Secured Obligations that is adverse to the interest of the Secured Party, (e) agrees, following its receipt of a notice from the Secured Party stating that the Secured Party is exercising exclusive control of the Secured Obligations, not to comply with any instructions or orders regarding any or all of the Secured Obligations originated by any Person or entity other than the Secured Party (and its successors and assigns) or a court of competent jurisdiction and (f) waives any right or requirement at any time hereafter to receive a copy of the Security Agreement in connection with the registration of any Secured Obligations thereunder in the name of the Secured Party or its nominee or the exercise of voting rights by the Secured Party or its nominee.

**KRONOS WORLDWIDE, INC.**

Clarence B. Brown III,  
Vice President and General Counsel



**BACK-TO-BACK LOAN AGREEMENT**

**between**

**NL INDUSTRIES, INC., as Borrower,**

**and**

**NLKW HOLDING, LLC, as Lender,**

**dated as of**

**November 14, 2016**

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EXHIBIT A      BACK-TO-BACK PLEDGE AND SECURITY AGREEMENT

EXHIBIT B      BACK-TO-BACK REVOLVING CREDIT LOAN NOTE

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## BACK-TO-BACK LOAN AGREEMENT

This Back-to-Back Loan Agreement (this "**Agreement**"), dated as of November 14, 2016, is entered into between **NL Industries, Inc.**, a New Jersey corporation ("**NL**" or the "**Borrower**"), and **NLKW Holding, LLC**, a Delaware limited liability company ("**NLKW**" or the "**Lender**").

### Recitals

WHEREAS, on the date hereof, NL transferred to NLKW certain property consisting of its interest in and to certain Kronos Stock (hereafter defined), pursuant to an Assignment by Capital Contribution, dated the date hereof, between Borrower and Lender;

WHEREAS, on the date hereof, Valhi, Inc., a Delaware corporation ("**Valhi**") has agreed to advance credit and make loans to the NLKW in an aggregate unpaid principal amount not exceeding \$50 million dollars (the "**Loans**"), evidenced by that certain Loan Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "**Loan Agreement**") made by NLKW and payable to the order of Valhi;

WHEREAS, on the date hereof, as security for the Loan from Valhi to NLKW, NLKW has pledged the Kronos Stock to Valhi pursuant to a Pledge and Security Agreement (the "**Security Agreement**") given by NLKW in favor of Valhi to secure the payment and performance of all of the secured obligations set forth therein;

WHEREAS, NL, as Borrower, desires to enter into a loan transaction with NLKW, as Lender, for an extension of credit in the same amount as extended by Valhi to NLKW pursuant to the Loan Agreement, and upon such other terms and conditions set forth herein; and

WHEREAS, NLKW, as Lender, desires to extend to NL, as Borrower, credit and enter into this loan transaction upon the terms and conditions contained herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### Definitions

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

"**Affiliate**" as to any Person, means any other Person that, directly or indirectly through one or more intermediaries, is in Control of, is controlled by, or is under common Control with, such Person.

"**Applicable Interest Rate**" means the Prime Rate plus one and seven eighth's percent (1.875%) per annum.

"**Back-to-Back Security Agreement**" means the Back-to-Back Pledge and Security Agreement, dated as of the date hereof, made by Borrower in favor of Valhi to provide further security for the Loan, in the form attached hereto as Exhibit A, as the same may be amended, restated, supplemented or otherwise modified from time to time.

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**"Bankruptcy Code"**: Title 11 of the United States Code, as amended.

**"Back-to-Back Loan"** means any Back-to-Back Revolving Credit Loan and **"Back-to-Back Loans"** means all outstanding Back-to-Back Revolving Credit Loans in the aggregate, as the context may require.

**"Back-to-Back Loan Documents"** means, collectively, this Agreement, the Back-to-Back Security Agreement, the Back-to-Back Revolving Credit Note and all other agreements, documents, certificates and instruments executed and delivered to Lender or Valhi, as the case may be, by Borrower in connection herewith.

**"Back-to-Back Revolving Credit Commitment"** means the obligation of Lender to make Back-to-Back Revolving Credit Loans in an aggregate principal amount not to exceed \$50 million, as the same may be increased by the Lender, from time to time, in its sole discretion.

**"Back-to-Back Revolving Credit Loans"** means any revolving credit loan made by Lender under this Agreement, in an aggregate amount not to exceed the Back-to-Back Revolving Credit Commitment.

**"Back-to-Back Revolving Credit Note"** means a promissory note of Borrower payable to Lender, evidencing the aggregate indebtedness of Borrower to Lender from Back-to-Back Revolving Credit Loans, in the form attached hereto as Exhibit B.

**"Business Day"** means (a) for all purposes other than as covered by subsection (b) below, a day other than a Saturday, Sunday or other day on which commercial banks in Texas are authorized or required by law to close.

**"Change of Control"** means (a) the Borrower ceasing to own, directly or indirectly, one hundred percent (100%) of the limited liability company membership Units of the Lender on a fully diluted basis or (b) Permitted Holders ceasing to Control the Borrower.

**"Closing Date"** means the date on which the conditions precedent set forth in Section 4.01 are satisfied or waived.

**"Collateral"** has the meaning for such term set forth in the Back-to-Back Security Agreement.

**"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract, or otherwise. "Controlling" and "Controlled" have meanings correlative to Control.

**"Default"** means any of the events specified in Section 8.01 which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to Section 8.01 would, unless cured or waived, become an Event of Default.

**"Disposition"** or **"Dispose"** means the sale, transfer, license, lease or other disposition (whether in one transaction or in a series of transactions, and including any sale and leaseback transaction) of any property (including, without limitation, any Equity Interests) by any Person (or the granting of any option or other right to do any of the foregoing), including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

**"Environmental Law"** means any and all Federal, state, foreign, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other legal requirements (including common law) as now or may at any time hereafter be in effect, and any binding judicial or administrative interpretation thereof, including any binding judicial or administrative order, consent decree or judgment, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or, to the extent relating to exposure to substances that are harmful or detrimental to the environment, or human health or safety.

**"Equity Interests"** means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership (or profit) interests in a Person (other than a corporation), securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person, and any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

**"Event of Default"** has the meaning set forth in Section 8.01.

**"GAAP"** means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession in the United States, that are applicable to the circumstances as of the date of determination, consistently applied.

**"Governmental Authority"** means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government.

**"Hazardous Materials"** means (a) any gasoline, petroleum or petroleum products or by-products, radioactive materials, friable asbestos or asbestos-containing materials, urea-formaldehyde insulation, polychlorinated biphenyls and radon gas, and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Insolvency Event"**: With respect to any Person, (a) the filing of a decree or order for relief by a court having jurisdiction with respect to such Person or any substantial part of its assets or property in an involuntary case under any applicable Insolvency Law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of thirty (30) days, (b) the commencement by such Person of a voluntary case under any applicable Insolvency Law now or hereafter in effect, (c) the consent by such Person to the entry of an order for relief in an involuntary case under any Insolvency Law, (d) the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its assets or property, (e) the making by such Person of any general assignment for the benefit of creditors, (f) the admission in a legal proceeding of the inability of such Person to pay its debts generally as they become due, (g) the failure by such Person generally to pay its debts as they become due, or (h) the taking of action by such Person in furtherance of any of the foregoing.

**"Insolvency Laws":** The Bankruptcy Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments and similar debtor relief laws from time to time in effect affecting the rights of creditors generally.

**"Interest Payment Date"** means, prior to the Maturity Date, the last day of each March, June, September and December (or, if an Event of Default is in existence, the last day of each calendar month), and the Maturity Date.

**"Kronos Stock"** means shares of common stock of Kronos Worldwide, Inc., a Delaware corporation, to be pledged as collateral under the Security Agreement.

**"Lien"** means any mortgage, pledge, hypothecation, assignment (as security), deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest, or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever having substantially the same economic effect as any of the foregoing (including any conditional sale or other title retention agreement and any capital lease).

**"Outstanding Loan Amount"** shall have the meaning set forth in Section 8.02(b)(v).

**"Material Adverse Effect"** means a material adverse effect on or material adverse change in or to (a) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) of Borrower, (b) the validity or enforceability of any Back-to-Back Loan Document, (c) the perfection or priority of any Lien purported to be created by any Back-to-Back Loan Document, (d) the rights or remedies of Lender under any Back-to-Back Loan Document or (e) the ability of Borrower to perform any of its material obligations under any Back-to-Back Loan Document to which it is a party.

**"Maturity Date"** means the earlier to occur of December 31, 2023, (b) the date on which the maturity of the Back-to-Back Loans is accelerated (or deemed accelerated) hereunder and (c) the Back-to-Back Revolving Credit Commitment is reduced to zero or terminated.

**"Permitted Holders"** means (a) Lisa K. Simmons and Serena Simmons Connelly, (b) members of Ms. Simmons' and Ms. Connelly's families (including their spouse and/or descendants, whether natural or adopted), (c) any trust established for the benefit of Ms. Simmons and Ms. Connelly and members of their families and any trustees and beneficiaries thereof, (d) any Person that is Controlled by any one or more of the Persons specified in (a) through (c) above, and (e) any group made up of any two or more of the Persons specified in (a) through (d) above.

**"Person"** means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

**"Prime Rate"** means the fluctuating interest rate per annum in effect from time to time equal to the base rate on corporate loans as reported as the Prime Rate in the Money Rates column of *The Wall Street Journal* or other reliable source.

**"Related Parties"** with respect to any Person, means such Person's Affiliates and the directors, officers, employees, partners, agents, trustees, administrators, managers, advisors and representatives of it and its Affiliates.

**"Solvent"**: With respect to any Person at any time, having a state of affairs such that all of the following conditions are met at such time: (a) the fair value of the assets and property of such Person is greater than the amount of such Person's debts as such value is established and debts evaluated for purposes of Section 101(32) of the Bankruptcy Code, (b) the present fair salable value of the assets and property of such Person in an orderly liquidation of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person is able to realize upon its assets and property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business, (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (e) such Person is not engaged in a business or a transaction, and is not about to engage in a business or a transaction, for which such Person's assets and property would constitute unreasonably small capital.

**"Subsidiary"** means any corporation, partnership, limited liability company, joint venture, trust or estate of or in which more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class of such corporation may have voting power upon the happening of a contingency), (b) the interest in the capital or profits of such partnership, limited liability company, or joint venture or (c) the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled through one or more intermediaries, or both, by such Person.

**"Taxes"** means any and all present or future income, stamp or other taxes, levies, imposts, duties, deductions, charges, fees or withholdings imposed, levied, withheld or assessed by any Governmental Authority, together with any interest, additions to tax or penalties imposed thereon and with respect thereto.

## ARTICLE II

### The Commitment and Loans

#### 2.01 Back-to-Back Revolving Credit Commitment.

Subject to the terms and conditions of this Agreement, prior to the Maturity Date Lender agrees to make Back-to-Back Revolving Credit Loans to Borrower from time to time in an aggregate principal amount at any one time outstanding not exceeding the amount of the Back-to-Back Revolving Credit Commitment. Borrower may use the Back-to-Back Revolving Credit Commitment by borrowing, prepaying the Back-to-Back Revolving Credit Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof, in each case in increments of \$100,000.

## **2.02 Procedures for Back-to-Back Revolving Credit Borrowing.**

Borrower may borrow under the Back-to-Back Revolving Credit Commitments on any Business Day upon one Business Day notice to Lender.

## **2.03 Repayment of Loans; Evidence of Debt.**

- (a) Borrower hereby unconditionally promises to pay to Lender in full in cash, to the extent not previously paid, the then-unpaid principal amount of all Back-to-Back Revolving Credit Loans on the Maturity Date.
- (b) Lender shall maintain an account or accounts evidencing indebtedness of Borrower to Lender resulting from each Back-to-Back Revolving Credit Loan, including the amounts of principal and interest payable and paid to Lender from time to time under this Agreement.
- (c) Borrower will promptly execute and deliver to Lender a Back-to-Back Revolving Credit Note evidencing the Back-to-Back Revolving Credit Loans, in the form of Exhibit B attached to this Agreement.

## **2.04 Optional Prepayments.**

Borrower may at any time and from time to time prepay the Back-to-Back Revolving Credit Loans, in whole or in part, without premium or penalty.

## **2.05 Mandatory Prepayments.**

- (a) If for any reason the aggregate principal amount of Back-to-Back Revolving Credit Loans at any time outstanding exceeds the Back-to-Back Revolving Credit Commitment then in effect, Borrower shall immediately repay Back-to-Back Revolving Credit Loans in an amount equal to such excess.
- (b) If for any reason the Loans shall become immediately become due and payable under the Loan Agreement, either pursuant to Section 8.02 of the Loan Agreement or otherwise, then the Back-to-Back Revolving Credit Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the Back-to-Back Revolving Credit Note shall become immediately due and payable.

## **2.06 Interest.**

- (a) Each Back-to-Back Revolving Credit Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Applicable Interest Rate.
- (b) If (i) all or any amount of the principal of any Back-to-Back Revolving Credit Loan is not paid when due (without regard to any applicable grace periods), whether at the Maturity Date, by acceleration or otherwise, such overdue principal amount shall bear interest at a rate of interest per annum equal to the Applicable Interest Rate plus 2% and shall be payable on demand, and (ii) if all or any portion of any interest on any Back-to-Back Revolving Credit Loan or other amount payable hereunder shall not be paid when due, whether at the Maturity Date, by acceleration or otherwise, such overdue interest amount shall bear interest at a rate per annum equal to the Applicable Interest Rate plus 2%.



- (c) Interest on each Back-to-Back Revolving Credit Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified herein.

### **2.07 Computation of Interest and Fees.**

All computations of interest accrued and payable shall be made on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Interest shall accrue on each Back-to-Back Revolving Credit Loan for the day on which the Back-to-Back Revolving Credit Loan is made, and shall not accrue on a Back-to-Back Revolving Credit Loan, or any portion thereof, for the day on which the Back-to-Back Revolving Credit Loan or such portion is paid.

## **ARTICLE III**

### **Taxes**

#### **3.01 Taxes.**

- (a) Any and all payments by or on account of any obligation of Borrower hereunder or under any other Back-to-Back Loan Document shall be made free and clear of and without deduction or withholding for any Taxes except as required by applicable law.
- (b) Without limiting the provisions above, Borrower shall timely pay any other Taxes imposed on it or its property, when due, to the relevant Governmental Authority in accordance with applicable law.

## **ARTICLE IV**

### **Conditions Precedent**

#### **4.01 Conditions Precedent to Initial Loans.**

The obligation of Lender to make the initial Back-to-Back Revolving Credit Loan requested to be made by it hereunder is subject to the satisfaction or the waiver by Lender of the following conditions precedent:

- (a) Lender shall have received this Agreement and the Back-to-Back Revolving Credit Note, and Valhi shall have received the Back-to-Back Security Agreement, in each case duly executed and delivered by Borrower.
- (b) Lender shall have received audited consolidated financial statements of Borrower for the two most recent fiscal years ended prior to the Closing Date and unaudited interim consolidated financial statements of Borrower for each fiscal quarter ended after the date of the latest applicable audited financial statements delivered as to which such financial statements are available.

- (c) There shall have occurred no Material Adverse Effect since the date of the last audited full year financial statement of the Borrower.
- (d) Valhi shall have received the certificates representing the Collateral (if in certificated form) pledged to Valhi pursuant to the Back-to-Back Security Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of Borrower and, in the case of uncertificated Collateral, Valhi shall either have been registered by the issuer of such uncertificated Collateral as the registered owner, or the issuer of such uncertificated Collateral shall have agreed in writing to comply with all instructions from Valhi with respect to the uncertificated Collateral without further consent from Borrower for so long as this Agreement is in effect.
- (e) Valhi shall have received satisfactory evidence that each document required by the Back-to-Back Security Agreement or any requirement of law or reasonably requested by the Valhi to be filed, registered or recorded in order to create in favor of the Valhi a perfected first priority Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted under this Agreement), including UCC-1 financing statements in such jurisdictions as may be required by the Back-to-Back Security Agreement or by law or as may be requested by Valhi, shall be in proper form for filing, registration or recording and shall have been properly filed, registered or recorded (or provided to Valhi to be properly filed, registered or recorded, as applicable).

#### **4.02 Conditions Precedent to Each Loan.**

The obligation of Lender to make each Back-to-Back Revolving Credit Loan requested to be made by it hereunder (including, without limitation, its initial extension of credit), is subject to the satisfaction or the waiver by Lender of the following conditions precedent:

- (a) Each of the representations and warranties made by Borrower in or pursuant to the Back-to-Back Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties shall have been true and correct in all material respects on such earlier date.
- (b) No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Back-to-Back Revolving Credit Loans requested to be made on such date.

Each borrowing by Borrower hereunder shall constitute a representation and warranty by Borrower, as of the date such Back-to-Back Revolving Credit Loan is made, that the conditions contained in this Article have been satisfied.

## ARTICLE V

### Representations and Warranties

To induce Lender to enter into this Agreement and to make the Back-to-Back Revolving Credit Loans hereunder, Borrower hereby represents and warrants to Lender that:

#### 5.01 Existence; Compliance with Laws.

Borrower (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, (b) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to qualify in such jurisdiction would not reasonably be expected to have a Material Adverse Effect, and (c) to the best of its knowledge, is in compliance with all legal requirements except to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

#### 5.02 Power; Authorization; Enforceability.

- (a) Borrower has the power and authority, and the legal right, to own or lease and operate its property, and to carry on its business as now conducted and as proposed to be conducted, and to execute, deliver and perform the Back-to-Back Loan Documents to which it is a party and to obtain Back-to-Back Revolving Credit Loans hereunder.
- (b) This Agreement constitutes, and each other Back-to-Back Loan Document when delivered hereunder will constitute, a legal, valid and binding obligation of Borrower thereto, enforceable against Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

#### 5.03 No Contravention.

The execution, delivery and performance of this Agreement and the other Back-to-Back Loan Documents, the borrowing of Back-to-Back Revolving Credit Loans hereunder and the use of the proceeds thereof will not violate any contractual obligation of Borrower.

#### 5.04 Financial Statements.

- (a) The audited consolidated balance sheet of Borrower as at December 31, 2015, and the related consolidated statement of income and of cash flows and equity for the fiscal year then ended present fairly the consolidated financial condition of Borrower as at such date, and the consolidated results of their operations and their consolidated cash flows for the fiscal year then ended, in accordance with GAAP.
- (b) The unaudited consolidated balance sheet of Borrower as at September 30, 2016, and the related unaudited consolidated statement of income and of cash flows for the interim period then ended present fairly the consolidated financial condition of Borrower as at such date, and the consolidated results of operations and their consolidated cash flows for the interim period then ended, in accordance with GAAP (subject to normal year-end audit adjustments and the absence of footnotes).

**5.05 No Material Adverse Effect.**

Since September 30, 2016, no development or event has occurred that has had or could reasonably be expected to have a Material Adverse Effect on Borrower.

**5.06 Taxes.**

Borrower has filed all federal, state and other material tax returns that are required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties, and all other material taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (except those that are currently being contested in good faith by appropriate proceedings).

**5.07 Security Documents.**

The Back-to-Back Security Agreement creates in favor of Valhi a legal, valid, continuing and enforceable security interest in the Collateral, the enforceability of which is subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

**5.08 Solvency.**

Borrower is, and after giving effect to the incurrence of all debt and obligations incurred in connection herewith will be, solvent.

**ARTICLE VI**

**Affirmative Covenants**

So long as Lender has any Back-to-Back Revolving Credit Commitment hereunder, or any Back-to-Back Revolving Credit Loans or any other amounts payable to Lender hereunder or under any other Back-to-Back Loan Document have not been paid in full, Borrower shall:

**6.01 Financial Statements.**

Furnish to Lender:

- (a) As soon as available, but in any event not later than 90 days after the end of each fiscal year of Borrower, a copy of the annual audit report of Borrower for such year including a copy of the audited consolidated balance sheet of Borrower as at the end of such year and the related audited consolidated statements of income and of cash flows and equity for the year then ended, together with an opinion as to such audit report of Borrower's independent certified public accountants which does not contain a "going concern" or similar qualification or exception, or qualification arising out of the scope of the audit; and

- (b) As soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of Borrower, the unaudited consolidated balance sheet of Borrower as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows and equity for such quarter and the portion of the fiscal year through the end of such quarter.

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods.

**6.02 Notices.**

Promptly advise Lender of:

- (a) The occurrence of any Default or Event of Default;
- (b) Any (i) default or event of default under any contract to which Borrower is a party or (ii) litigation, investigation or proceeding that may exist between Borrower and any Governmental Authority, in each case that if not cured or if adversely determined, as the case may be, would reasonably be expected to have a Material Adverse Effect;
- (c) Any development or event that has had or would reasonably be expected to have a Material Adverse Effect.

**6.03 Maintenance of Existence; Compliance.**

- (a) (i) Preserve, renew and maintain in full force and effect its corporate or organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except to the extent that failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (b) Comply with all legal requirements except to the extent that failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

**6.04 Maintenance of Property; Insurance.**

- (a) Maintain and preserve all of its property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.
- (b) Maintain insurance with respect to its property and business with financially sound and reputable insurance companies, in such amounts and covering such risks as are usually insured against by similar companies engaged in the same or a similar business; *provided, however*, that Borrower may self-insure to the same extent as other companies engaged in similar businesses and owning similar properties to Borrower.

**6.05 Inspection of Property; Books and Records; Discussions.**

Keep proper books of records and accounts, in which full, true and correct entries in all material respects and in any event in conformity with GAAP and all legal requirements shall be made of all dealings and transactions and assets in relation to its business and activities.

**6.06 Use of Proceeds.**

Use the proceeds of the Back-to-Back Revolving Credit Loans for its general corporate purposes.

**6.07 [Reserved]**

**6.08 Further Assurances.**

Promptly upon the request of Lender:

- (a) Correct any material defect or error that may be discovered in any Back-to-Back Loan Document or in the execution, acknowledgement, filing or recordation thereof; and
- (b) Do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignments, transfers, certificates, assurances and other instruments as Lender, may require from time to time in order to perfect and maintain the validity, effectiveness and priority of the Liens intended to be created under the Back-to-Back Security Agreement.

**ARTICLE VII**

**[Reserved]**

**ARTICLE VIII**

**Events of Default and Remedies**

**8.01 Events of Default.**

Each of the following events or conditions shall constitute an "**Event of Default**" (whether it shall be voluntary or involuntary or come about or be effected by any legal requirement or otherwise):

- (a) Borrower fails to pay either (y) any principal of any Back-to-Back Revolving Credit Loan when due, whether at stated maturity, by acceleration, by notice of voluntary prepayment, by mandatory prepayment or otherwise; or (z) any interest on any Back-to-Back Revolving Credit Loan or any fee or other amount payable hereunder or under any other Back-to-Back Loan Document when due, and in each case such failure remains unremedied for a period of 15 Business Days;

- (b) Borrower fails to perform or observe, or otherwise breaches any other covenant in any of the Back-to-Back Loan Documents, and such failure or breach continues unremedied for a period of 15 Business Days after written notice to Borrower from Lender;
- (c) any representation, warranty, certification or other statement of fact made or deemed made by or on behalf of Borrower herein, in any other Back-to-Back Loan Document or any amendment or modification hereof or thereof or waiver hereunder or thereunder proves to have been false or misleading in any material respect on or as of the date made or deemed made;
- (d) the Back-to-Back Security Agreement ceases for any reason to be valid, binding and in full force and effect or any Lien created by the Back-to-Back Security Agreement ceases to be enforceable and of the same effect and priority purported to be created thereby;
- (e) any Change of Control occurs;
- (f) [Reserved];
- (g) there occurs in the judgment of Lender a Material Adverse Effect;
- (h) an Insolvency Event occurs with respect to Borrower;
- (i) Borrower admits in writing that it is not Solvent or otherwise not able or willing to perform one or more of its obligations under the Back-to-Back Loan Documents;
- (j) a final judgment or judgments for the payment of money with respect to Borrower that is not insured against is entered against Borrower in favor of one or more Governmental Authorities, such Governmental Authorities undertake any action to execute on such final judgment or judgments, and the same is not satisfied, discharged (or provision has not been made for such discharge) or bonded, or a stay of execution thereof has not been procured, within thirty (30) days from the date of entry thereof;
- (k) a Governmental Authority takes any action to (i) condemn, seize or appropriate, or assume custody or control of, all or any substantial part of the property of Borrower, (ii) displace the management of Borrower or curtail its authority in the conduct of the business of Borrower, (iii) terminate the activities of Borrower as contemplated by the Back-to-Back Loan Documents, (iv) consolidate the Borrower or any other company, or (v) remove, limit or restrict the Borrower as a borrower of the Back-to-Back Revolving Credit Loan, and in each case such action is not discontinued or stayed within thirty (30) days;
- (l) any provision of the Back-to-Back Loan Documents, any right or remedy of Lender or obligation, covenant, agreement or duty of Borrower, or any Lien, security interest or control granted under or in connection with the Back-to-Back Loan Documents or Collateral terminates, is declared null and void, ceases to be valid and effective, ceases to be the legal, valid, binding and enforceable obligation of Borrower, or the validity, effectiveness, binding nature or enforceability thereof is contested, challenged, denied or repudiated by Borrower directly, indirectly, in whole or in part;

- (m) Valhi ceases for any reason to have a valid and perfected first priority security interest in any Collateral, other than as a result of Valhi's actions; or
- (n) Borrower engages in any conduct or action where Lender's prior consent is required by any Loan Document and Borrower fails to obtain such consent.

#### 8.02 Remedies Upon Event of Default.

If any Event of Default occurs and is continuing, then:

- (a) if such Event of Default is one specified in subsection (d), (g), (h), (i) (j), (k) or (l) above with respect to Borrower, the Back-to-Back Revolving Credit Commitment shall automatically and immediately terminate and the Back-to-Back Revolving Credit Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Back-to-Back Loan Documents shall become immediately due and payable;
- (b) the Lender may take any one or more of the following actions:
  - (i) Termination of Back-to-Back Revolving Credit Commitments. Lender may, by notice to Borrower, declare the Back-to-Back Revolving Credit Commitments to be terminated forthwith, whereupon the Back-to-Back Revolving Credit Commitments shall immediately terminate;
  - (ii) Amounts Due and Owing. Lender may, by notice to Borrower, declare the Back-to-Back Revolving Credit Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Back-to-Back Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable;
  - (iii) [Reserved];
  - (iv) Completion, Delivery of Documents. Lender may obtain physical possession of all Records of Borrower. Borrower shall deliver to Lender such assignments and other documents with respect to the Collateral as Lender shall request.
  - (v) [Reserved]
  - (vi) Equitable Remedies. Lender shall be entitled to seek an injunction, an order of specific performance or other equitable relief to compel Borrower to fulfill any of its obligations as set forth in the Back-to-Back Loan Documents, if Borrower fails or refuses to perform its obligations as set forth herein or therein.
- (c) all rights and remedies of Lender are cumulative and may be exercised singly or concurrently. The failure to exercise any right or remedy will not be a waiver of such right or remedy. Such rights and remedies may be enforced without prior judicial process or hearing. Borrower agrees that nonjudicial remedies are consistent with the usages of the trade, are responsive to commercial necessity and are the result of a bargain at arm's length. Borrower hereby expressly waives any defenses Borrower might have to require Lender to enforce its rights by judicial process or otherwise arising from the use of nonjudicial process, disposition of any or all of the Collateral, or any other election of remedies.



## ARTICLE IX

### Miscellaneous

#### 9.01 Notices.

- (a) All notices and other communications provided for herein shall be made as follows:
  - (i) If to Borrower at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention General Counsel.
  - (ii) If to Lender at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention General Counsel.
- (b) Any notice or demand required by any Back-to-Back Loan Document shall be deemed to have been given and received on the earlier of (i) when the notice or demand is actually received by the recipient or (ii) 72 hours after the notice is deposited in the United States mail, certified or registered, with postage prepaid, and addressed to the recipient.

#### 9.02 Amendments and Waivers.

- (a) No failure to exercise and no delay in exercising, on the part of Lender, any right, remedy, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision of any Back-to-Back Loan Document or consent to any departure by Borrower therefrom shall in any event be effective unless the same shall comply with paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Back-to-Back Revolving Credit Loan shall not be construed as a waiver of any Default, regardless of whether Lender may have had notice or knowledge of such Default at the time.
- (b) Neither this Agreement nor any other Back-to-Back Loan Document nor any provision hereof or thereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by Borrower and Lender.

#### 9.03 Expenses; Indemnity; Damage Waiver.

- (a) Borrower agrees to indemnify and hold harmless Lender and each of its Related Parties (each, an "**Indemnified Party**") from and against, any and all claims, damages, losses, liabilities and related expenses (including the reasonable fees, charges and expenses of any counsel for any Indemnified Party), incurred by any Indemnified Party or any of its Related Parties arising out of, in connection with, or by reason of:

- (i) the execution or delivery of any Back-to-Back Loan Document or any agreement or instrument contemplated in any Back-to-Back Loan Document, the performance by the parties thereto of their respective obligations under any Back-to-Back Loan Document or the consummation of the transactions contemplated by the Back-to-Back Loan Documents;
  - (ii) any Back-to-Back Revolving Credit Loan or the actual or proposed use of the proceeds therefrom
  - (iii) any actual or alleged presence or release of Hazardous Materials on or from any property currently or formerly owned or operated by Borrower or any of its Subsidiaries, or any Environmental Liability related to Borrower or any of its Subsidiaries in any way; or
  - (iv) any actual or prospective claim, investigation, litigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower, and regardless of whether any Indemnified Party is a party thereto;
- (b) Borrower agrees, to the fullest extent permitted by applicable law, not to assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (including, without limitation, any loss of profits or anticipated savings), as opposed to actual or direct damages, resulting from this Agreement or any other Back-to-Back Loan Document or arising out of such Indemnified Party's activities in connection herewith or therewith (whether before or after the Closing Date).
- (c) All amounts due hereunder shall be payable promptly after demand is made for payment by Lender.
- (d) Borrower agrees that it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification or contribution could be sought hereunder (whether or not any Indemnified Party is an actual or potential party to such claim, action or proceeding) without the prior consent of the applicable Indemnified Party, unless such settlement, compromise or consent includes an unconditional release of such Indemnified Party from all liability arising out of such claim, action or proceeding.

#### **9.04 Successors and Assigns.**

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior consent of Lender (and any attempted assignment or transfer by Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby and, to the extent expressly contemplated hereby, the Related Parties of Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.

#### **9.05 Survival.**

All covenants, agreements, representations and warranties made by Borrower in the Back-to-Back Loan Documents shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Back-to-Back Loan Documents and the making of any Back-to-Back Revolving Credit Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that Lender may have notice or knowledge of any Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of, or any accrued interest on, any Back-to-Back Revolving Credit Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Back-to-Back Revolving Credit Commitment has not expired or terminated.

#### **9.06 Counterparts; Integration; Effectiveness.**

This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Back-to-Back Loan Documents constitute the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect to the subject matter hereof.

#### **9.07 Severability; Reformation.**

If any term or provision of any Back-to-Back Loan Document is determined to be invalid, illegal or unenforceable under applicable law, such invalidity, illegality or unenforceability shall not affect any other term or provision hereof or thereof or invalidate or render unenforceable such term or provision in any other jurisdiction; and this Agreement shall, to the fullest extent lawful, be reformed and construed as if such invalid or illegal or unenforceable provision, or part of a provision, had never been contained herein, and such provision or part reformed so that it would be valid, legal and enforceable to the maximum extent possible. Without limiting the foregoing, if any provision (or part of provision) contained in this Agreement shall for any reason be held to be excessively broad as to duration, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the fullest extent compatible with then existing applicable law.

#### **9.08 Governing Law; Jurisdiction; Consent to Service of Process.**

This Agreement and the other Back-to-Back Loan Documents and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement or any other Back-to-Back Loan Document (except, as to any other Back-to-Back Loan Document, as expressly set forth therein) and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the State of Texas, without regard to conflicts of laws principles thereof.

**9.09 Headings.**

The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

**NL INDUSTRIES, INC.**  
**as Borrower**

By /s/ Gregory M. Swalwell  
Gregory M. Swalwell,  
Executive Vice President and  
Chief Financial Officer

**NLKW HOLDING, LLC**  
**as Lender**

By /s/ Robert D. Graham  
Robert D. Graham,  
Chief Executive Officer

## BACK-TO-BACK PLEDGE AND SECURITY AGREEMENT

This BACK-TO-BACK PLEDGE AND SECURITY AGREEMENT, dated as of November 14, 2016 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "**Agreement**"), made by and between NL Industries, Inc., a New Jersey corporation (the "**Grantor**"), in favor of Valhi, Inc., a Delaware corporation, (the "**Secured Party**").

WHEREAS, the Grantor is the sole member and owner of 100% of the limited liability company membership units of NLKW Holding, LLC ("**NLKW**"), a Delaware limited liability company;

WHEREAS, on the date hereof, the Secured Party has agreed to advance credit and make loans to the NLKW in an aggregate unpaid principal amount not exceeding \$50 million dollars (the "**Loans**"), evidenced by that certain Loan Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "**Loan Agreement**") made by NLKW and payable to the order of the Secured Party;

WHEREAS, on the date hereof, as security for the Loan from the Secured Party to NLKW, NLKW gave a certain Pledge and Security Agreement (the "**Security Agreement**") in favor of the Secured Party to secure the payment and performance of all of the secured obligations set forth therein;

WHEREAS, on the date hereof, the NLKW has agreed to advance credit and make loans to the Grantor in an aggregate unpaid principal amount not exceeding \$50 million dollars (the "**Back-to-Back Loans**"), evidenced by that certain Back-to-Back Loan Agreement of even date herewith (as amended, supplemented or otherwise modified from time to time, the "**Back-to-Back Loan Agreement**") made by the Grantor and payable to the order of NLKW;

WHEREAS, as further security for the Loan from the Secured Party to NLKW, and as a condition to the Back-to-Back Loan from NLKW to the Grantor, this Agreement is given by the Grantor in favor of the Secured Party to secure the payment and performance of all of the Secured Obligations;

WHEREAS, it is a condition to the obligations of the Secured Party to make the Loans under the Loan Agreement that the Grantor execute and deliver this Agreement; and

WHEREAS, it is a condition to the obligations of NLKW to make the Back-to-Back Loans under the Back-to-Back Loan Agreement that the Grantor execute and deliver this Agreement;,

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

- (a) Unless otherwise specified herein, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement.
  - (b) Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement or in the UCC. However, if a term is defined in Article 9 of the UCC differently than in another Article of the UCC, the term has the meaning specified in Article 9.
  - (c) For purposes of this Agreement, the following terms shall have the following meanings:
-

"**Collateral**" has the meaning set forth in Section 2.

"**Event of Default**" has the meaning set forth in the Loan Agreement.

"**First Priority**" means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Loan Agreement).

"**Proceeds**" means "proceeds" as such term is defined in section 9-102 of the UCC and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

"**Secured Obligations**" has the meaning set forth in Section 3.

"**UCC**" means the Uniform Commercial Code as in effect from time to time in the State of Texas or, when the laws of any other state govern the method or manner of the perfection or enforcement of any security interest in any of the Collateral, the Uniform Commercial Code as in effect from time to time in such state.

2. Grant of Security Interest. The Grantor hereby pledges and grants to the Secured Party, and hereby creates a continuing First Priority lien and security interest in favor of the Secured Party in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the "**Collateral**"):

(a) the 100 Units of membership interest of NLKW Holding, LLC owned by the Grantor as of the date hereof, and all Proceeds from such shares;

(b) all replacements, substitutions or distributions (except cash dividends and other such income distributions with respect to the Collateral as provided in Section 6(b) of this Agreement) on or proceeds, payments, income and profits of, records and files relating to any and all of any of the foregoing described in clause (a) above.

3. Secured Obligations. The Collateral secures the due and prompt payment and performance of:

(a) the obligations of NLKW from time to time arising under the Loan Agreement, any other Loan Documents or otherwise with respect to the due and prompt payment of (i) the principal of and premium, if any, and interest on the Loans (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, attorneys' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of NLKW under or in respect of the Loan Agreement and any Loan Documents; and

(b) all other covenants, duties, debts, obligations and liabilities of any kind of NLKW under or in respect of the Loan Agreement, any other Loan Documents or any other document made, delivered or given in connection with any of the foregoing, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in Section 3 being herein collectively called the "**Secured Obligations**").

4. Perfection of Security Interest and Further Assurances.

(a) The Grantor shall, from time to time, as may be required by the Secured Party with respect to all Collateral, take all actions as may be requested by the Secured Party to perfect the security interest of the Secured Party in the Collateral, including, without limitation, with respect to all Collateral over which control may be obtained within the meaning of sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable, the Grantor shall take all actions as may be requested from time to time by the Secured Party so that control of such Collateral is obtained and at all times held by the Secured Party. All of the foregoing shall be at the sole cost and expense of the Grantor.

(b) The Grantor hereby irrevocably authorizes the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by Article 9 of the UCC of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Grantor, or words of similar effect. The Grantor agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request.

(c) If the Grantor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, the Grantor shall immediately endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(d) If the Grantor shall at any time hold or acquire any uncertificated securities relating to the Collateral, the Grantor shall immediately cause the issuer thereof either (a) to register the Secured Party as the registered owner of such securities or (b) to agree in an authenticated record with the Grantor and the Secured Party that such issuer will comply with instructions with respect to such securities originated by the Secured Party without further consent of the Grantor, such authenticated record to be substantially in the form of Exhibit A attached hereto.

(e) If any Collateral is at any time in the possession of a bailee, the Grantor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and the bailee agrees to comply, without further consent of the Grantor, at any time with instructions of the Secured Party as to such Collateral.



(f) The Grantor agrees that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that the Secured Party may request, in order to create and/or maintain the validity, perfection or priority of and protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Grantor represents and warrants as follows:

(a) The Collateral has been duly authorized and validly issued, and is fully paid and non-assessable and subject to no options to purchase or similar rights. None of the account debtors or other persons obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or like federal, state or local statute or rule in respect of such Collateral.

(b) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Grantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement and other liens permitted by the Loan Agreement.

(c) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(d) It has full power, authority and legal right to borrow the Loans and pledge the Collateral pursuant to this Agreement.

(e) This Agreement has been duly authorized, executed and delivered by the Grantor and constitutes a legal, valid and binding obligation of the Grantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(f) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loans and the pledge by the Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of the this Agreement by the Grantor or the performance by the Grantor of its obligations thereunder.

(g) The execution and delivery of this Agreement by the Grantor and the performance by the Grantor of its obligations thereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Grantor or any of its property, or the organizational or governing documents of the Grantor or any agreement or instrument to which the Grantor is party or by which it or its property is bound.

(h) The Grantor has taken all action required on its part for control (as defined in sections 8-106, 9-104, 9-105, 9-106 and 9-107 of the UCC, section 201 of the federal Electronic Signatures in Global and National Commerce Act and, as the case may be, section 16 of the Uniform Electronic Transactions Act, as applicable) to have been obtained by the Secured Party over all Collateral with respect to which such control may be obtained pursuant to the UCC. No person other than the Secured Party has control or possession of all or any part of the Collateral.

6. Voting, Distributions and Receivables.

(a) The Secured Party agrees that unless an Event of Default shall have occurred and be continuing, the Grantor may, to the extent the Grantor has such right as a holder of the Collateral consisting of securities, other equity interests or indebtedness owed by any obligor, vote and give consents, ratifications and waivers with respect thereto, except to the extent that, in the Secured Party's reasonable judgment, any such vote, consent, ratification or waiver could detract from the value thereof as Collateral or which could be inconsistent with or result in any violation of any provision of the Loan Agreement, this Agreement or any Loan Documents, and from time to time, upon request from the Grantor, the Secured Party shall deliver to the Grantor suitable proxies so that the Grantor may cast such votes, consents, ratifications and waivers.

(b) The Secured Party agrees that the Grantor may, unless an Event of Default shall have occurred and be continuing, receive and retain all cash dividends and other distributions with respect to the Collateral consisting of securities, other equity interests or indebtedness owed by any obligor.

(c) If any Event of Default shall have occurred and be continuing, the Secured Party may, or at the request and option of the Secured Party the Grantor shall, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party.

7. Covenants. The Grantor covenants as follows:

(a) The Grantor will not, without providing at least 30 days' prior written notice to the Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number. The Grantor will, prior to any change described in the preceding sentence, take all actions requested by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(b) The Collateral, to the extent not delivered to the Secured Party pursuant to Section 4, will be kept at Grantor's chief executive office and the Grantor will not remove the Collateral from such location without providing at least 30 days' prior written notice to the Secured Party. The Grantor will, prior to any change described in the preceding sentence, take all actions required by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(c) The Grantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of the Secured Party therein against the claim of any person claiming against or through the Grantor and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(d) The Grantor will not sell, offer to sell, dispose of, convey, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein except as expressly provided for in the Loan Agreement, this Agreement, any other Loan Documents or with the prior written consent of the Secured Party.

(e) The Grantor will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Grantor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(f) The Grantor will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

8. Secured Party Appointed Attorney-in-Fact. The Grantor hereby appoints the Secured Party the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but the Secured Party shall not be obligated to and shall have no liability to the Grantor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof.

9. Secured Party May Perform. If the Grantor fails to perform any obligation contained in this Agreement, the Secured Party may itself perform, or cause performance of, such obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Grantor; provided that the Secured Party shall not be required to perform or discharge any obligation of the Grantor.

10. Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder, shall relieve the Grantor from the performance of any obligation on the Grantor's part to be performed or observed in respect of any of the Collateral.

11. Remedies Upon Default.

(a) The occurrence of an event that under the Loan Agreement would constitute an Event of Default thereunder shall be an Event of Default hereunder.

(b) If any Event of Default shall have occurred and be continuing, the Secured Party, without any other notice to or demand upon the Grantor, and in addition to any rights and remedies available to Secured Party under the Loan Agreement, may assert all rights and remedies of a secured party under the UCC or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Grantor at its notice address as provided in Section 15 hereof ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property.

At any sale of the Collateral, the Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral, pursuant to Section 8.02(b)(v) of the Loan Agreement or otherwise, or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Grantor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. The Grantor agrees that it would not be commercially unreasonable for the Secured Party to dispose of the Collateral or any portion thereof by utilizing internet sites that provide for the auction of assets of the type included in the Collateral or that have the reasonable capability of doing so, or that match buyers and sellers of assets. The Secured Party shall not be obligated to clean-up or otherwise prepare the Collateral for sale.

(b) If any Event of Default shall have occurred and be continuing, all rights of the Grantor to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise pursuant to Section 6(a) and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain pursuant to Section 6(b), shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) If any Event of Default shall have occurred and be continuing, any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable attorneys' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. The Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any attorneys employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Grantor agrees that, upon request of the Secured Party, the Grantor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

12. No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to Section 14), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

13. Security Interest Absolute. The Grantor hereby waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. All rights of the Secured Party and liens and security interests hereunder, and all Secured Obligations of the Grantor hereunder, shall be absolute and unconditional irrespective of:

- (a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;
- (b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Loan Agreement, this Agreement, any Loan Documents or any other agreement, including any increase in the Secured Obligations resulting from any extension of additional credit or otherwise;
- (c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;
- (d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations;
- (e) any default, failure or delay, willful or otherwise, in the performance of the Secured Obligations;
- (f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, the Grantor against the Secured Party; or
- (g) any other circumstance (including, without limitation, any statute of limitations) or manner of administering the Loans or any existence of or reliance on any representation by the Secured Party that might vary the risk of the Grantor or otherwise operate as a defense available to, or a legal or equitable discharge of, the Grantor or any other grantor, guarantor or surety.

14. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and the Grantor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

15. Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as set forth in the Loan Agreement, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party.

16. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to Section 17, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns; provided that the Grantor may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Party. Without limiting the generality of the foregoing clause (c), any assignee of the Secured Party's interest in any agreement or document which includes all or any of the Secured Obligations shall, upon assignment of the Loan Agreement, become vested with all the benefits granted to the Secured Party herein with respect to such Secured Obligations.

17. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Party will, at the request and sole expense of the Grantor, (a) duly assign, transfer and deliver to or at the direction of the Grantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and deliver to the Grantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

18. Governing Law. This Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the State of Texas.

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19. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement constitutes the entire contract among the parties with respect to the subject matter hereof and supersedes all previous agreements and understandings, oral or written, with respect thereto.

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

**NL INDUSTRIES, INC.**, as Grantor

By /s/ Robert D. Graham  
Robert D. Graham,  
Chief Executive Officer

**VALHI, INC.**, as Secured Party

By /s/ Gregory M. Swalwell  
Gregory M. Swalwell,  
Executive Vice President, Chief Financial  
Officer and Chief Accounting Officer

**EXHIBIT A**

**FORM OF ISSUER'S ACKNOWLEDGMENT**

The undersigned hereby (a) acknowledges receipt of the Back-to-Back Pledge and Security Agreement, dated as of November 14, 2016 (the "**Back-to-Back Security Agreement**"), by and between NL Industries, Inc., a New Jersey corporation (the "**Grantor**"), and Valhi, Inc., a Delaware corporation, (the Secured Party") (b) agrees promptly to note on its books the security interests granted to the Secured Party and confirmed under the Back-to-Back Security Agreement, (c) agrees that it will comply with instructions of the Secured Party with respect to the applicable Secured Obligations without further consent by the Grantor and notwithstanding contrary instructions given by the Grantor, (d) agrees to notify the Secured Party upon obtaining knowledge of any interest in favor of any Person in the Secured Obligations that is adverse to the interest of the Secured Party, (e) agrees, following its receipt of a notice from the Secured Party stating that the Secured Party is exercising exclusive control of the Secured Obligations, not to comply with any instructions or orders regarding any or all of the Secured Obligations originated by any Person or entity other than the Secured Party (and its successors and assigns) or a court of competent jurisdiction and (f) waives any right or requirement at any time hereafter to receive a copy of the Back-to-Back Security Agreement in connection with the registration of any Secured Obligations thereunder in the name of the Secured Party or its nominee or the exercise of voting rights by the Secured Party or its nominee.

**NLKW HOLDING, LLC.**

Robert D. Graham,  
Chief Executive Officer