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

FORM 10-Q

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

For the quarterly period ended June 30, 2010

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New Jersey	13-5267260
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

(Address of principal executive offices)

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

Indicate by check mark:

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

Whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). * Yes _ No __

*** The registrant has not yet been phased into the interactive data requirements.**

Whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Large accelerated filer _ Accelerated filer X Non-accelerated filer __ Smaller reporting company __

Whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes _ No X

Number of shares of the registrant's common stock outstanding on July 30, 2010: 48,630,934.

NL INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

Items 2, 3, 4 and 5 of Part II are omitted because there is no information to report

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 2009	June 30, 2010 (unaudited)
Current assets:		
Cash and cash equivalents	$ 24,555	**$ 8,944**
Restricted cash and cash equivalents	7,157	**8,208**
Marketable securities	5,225	**-**
Accounts and other receivables, net	17,053	**19,113**
Inventories, net	16,266	**17,963**
Prepaid expenses and other	1,349	**1,979**
Deferred income taxes	5,039	**5,038**
Total current assets	76,644	**61,245**
Other assets:		
Marketable equity securities	85,073	**84,610**
Investment in Kronos Worldwide, Inc.	112,766	**130,615**
Goodwill	44,316	**44,311**
Assets held for sale	2,800	**2,800**
Other assets, net	17,026	**16,690**
Total other assets	261,981	**279,026**
Property and equipment:		
Land	12,368	**12,388**
Buildings	34,261	**34,169**
Equipment	126,203	**126,783**
Construction in progress	1,180	**1,082**
	174,012	**174,422**
Less accumulated depreciation	109,646	**112,560**
Net property and equipment	64,366	**61,862**
Total assets	$ 402,991	**$ 402,133**

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands)

LIABILITIES AND EQUITY	December 31, 2009	June 30, 2010 (unaudited)
Current liabilities:		
Current maturities of long-term debt	$ -	**$ 3,300**
Accounts payable	6,664	**8,597**
Accrued liabilities	26,549	**15,508**
Accrued environmental costs	8,328	**5,792**
Income taxes	332	**127**
Total current liabilities	41,873	**33,324**
Non-current liabilities:		
Long-term debt	42,540	**64,730**
Accrued environmental costs	37,518	**36,916**
Accrued pension costs	12,233	**11,622**
Accrued postretirement benefit (OPEB) costs	8,307	**8,129**
Deferred income taxes	55,750	**58,381**
Other	19,112	**19,062**
Total non-current liabilities	175,460	**198,840**
Equity:		
NL Stockholders' equity:		
Common stock	6,076	**6,078**
Additional paid-in capital	311,939	**299,469**
Retained earnings (deficit)	-	**-**
Accumulated other comprehensive loss	(143,411)	**(146,325)**
Total NL stockholders' equity	174,604	**159,222**
Noncontrolling interest in subsidiary	11,054	**10,747**
Total equity	185,658	**169,969**
Total liabilities and equity	$ 402,991	**$ 402,133**

Commitments and contingencies (Notes 10 and 11)

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2009	2010	2009	2010
	(unaudited)			
Net sales	$ 29,239	**$ 34,384**	$ 57,715	**$ 67,184**
Cost of sales	22,993	**25,529**	46,695	**49,231**
Gross margin	6,246	**8,855**	11,020	**17,953**
Selling, general and administrative expense	6,451	**6,037**	12,130	**13,341**
Other operating income (expense):				
Insurance recoveries	1,989	**96**	2,714	**18,271**
Litigation settlement gain	11,313	**-**	11,313	**-**
Litigation settlement expense	-	**-**	-	**(32,174)**
Assets held for sale write-down	(717)	**-**	(717)	**-**
Other income (expense), net	(8)	**237**	(39)	**215**
Corporate expense	(4,956)	**(2,689)**	(9,322)	**(7,344)**
Income (loss) from operations	7,416	**462**	2,839	**(16,420)**
Equity in net income (loss) of Kronos Worldwide, Inc.	(7,868)	**6,941**	(17,422)	**22,337**
Other income (expense):				
Interest and dividends	692	**641**	1,415	**1,247**
Interest expense	(293)	**(303)**	(616)	**(500)**
Income (loss) before taxes	(53)	**7,741**	(13,784)	**6,664**
Provision for income taxes	2,297	**3,228**	484	**4,571**
Net income (loss)	(2,350)	**4,513**	(14,268)	**2,093**
Noncontrolling interest in net income (loss) of subsidiary	(206)	**223**	(281)	**98**
Net income (loss) attributable to NL stockholders	$ (2,144)	**$ 4,290**	$ (13,987)	**$ 1,995**
Amounts attributable to NL stockholders:				
Basic and diluted net income (loss) per share	$ (.04)	**$ .09**	$ (.29)	**$ (.01)**
Cash dividend per share	$ .125	**$ .125**	$ .25	**$ .25**
Basic and diluted average shares outstanding	48,609	**48,626**	48,605	**48,622**

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY AND COMPREHENSIVE LOSS

Six months ended June 30, 2010

(In thousands)

	NL Stockholders' Equity						
	Common stock	Additional paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive loss	Noncontrolling interest in subsidiary	Total equity	Comprehensive loss
				(unaudited)			
Balance at December 31, 2009	$ 6,076	$ 311,939	$ -	$ (143,411)	$ 11,054	$ 185,658	
Net income	-	-	1,995	-	98	2,093	$ 2,093
Other comprehensive loss, net	-	-	-	(2,914)	(10)	(2,924)	(2,924)
Issuance of NL common stock	2	131	-	-	-	133	
Dividends	-	(10,162)	(1,995)	-	(404)	(12,561)	
Other, net	-	(2,439)	-	-	9	(2,430)	
Balance at June 30, 2010	$ 6,078	$ 299,469	$ -	$ (146,325)	$ 10,747	$ 169,969	
Comprehensive loss							$ (831)

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Six months ended June 30,	
	2009	**2010**
	(unaudited)	
Cash flows from operating activities:		
Net income (loss)	$ (14,268)	**$ 2,093**
Depreciation and amortization	4,250	**3,953**
Deferred income taxes	(1,689)	**4,251**
Equity in net (income) loss of Kronos Worldwide, Inc.	17,422	**(22,337)**
Benefit plan expense greater (less) than cash funding:		
Defined benefit pension expense	387	**391**
Other postretirement benefit expense	186	**129**
Litigation settlement gain	(11,313)	**-**
Litigation settlement expense:		
Accrued	-	**32,174**
Settlement payments made	-	**(19,012)**
Assets held for sale write-down	717	**-**
Other, net	805	**530**
Change in assets and liabilities:		
Accounts and other receivables, net	8,533	**(4,817)**
Inventories, net	3,634	**(2,098)**
Prepaid expenses and other	1,272	**(625)**
Accrued environmental costs	(3,381)	**(3,138)**
Accounts payable and accrued liabilities	(3,444)	**(817)**
Income taxes	(1,461)	**(60)**
Accounts with affiliates	305	**3,200**
Other, net	(1,235)	**(768)**
Net cash provided by (used in) operating activities	720	**(6,951)**
Cash flows from investing activities:		
Capital expenditures	(1,245)	**(1,211)**
Proceeds from real estate–related litigation settlement gain	11,800	**-**
Change in restricted cash equivalents and marketable debt securities, net	(62)	**4,174**
Collections of loans to affiliates	5,590	**-**
Collection of note receivable	261	**-**
Proceeds from disposal of marketable securities	61	**-**
Purchase of:		
Kronos common stock	(139)	**-**
Valhi common stock	(33)	**-**
Net cash provided by investing activities	16,233	**2,963**

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

	Six months ended June 30,	
	2009	**2010**
	(unaudited)	
Cash flows from financing activities:		
Cash dividends paid	$ (12,152)	**$ (12,157)**
Distributions to noncontrolling interests in subsidiary	(403)	**(404)**
Proceeds from issuance of common stock	84	**68**
Repurchase of noncontrolling interest in subsidiary	-	**(6,988)**
Indebtedness:		
Borrowings	-	**7,800**
Repayments	(750)	**-**
Deferred financing costs paid	(96)	**(28)**
Net cash used in financing activities	(13,317)	**(11,709)**
Cash and cash equivalents - net change from:		
Operating, investing and financing activities	3,636	**(15,697)**
Currency translation	4	**86**
Cash and cash equivalents at beginning of period	16,450	**24,555**
Cash and cash equivalents at end of period	$ 20,090	**$ 8,944**
Supplemental disclosures:		
Cash paid (received) for:		
Interest	$ 870	**$ 185**
Income taxes, net	2,787	**(2,077)**
Non-cash investing activity:		
Accrual for capital expenditures	136	**58**
Non-cash financing activity:		
Promissory note payable incurred in connection with litigation settlement	-	**18,000**

See accompanying Notes to Condensed Consolidated Financial Statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2010

(unaudited)

Note 1 - Organization and basis of presentation:

Organization - We are majority-owned by Valhi, Inc. (NYSE: VHI), which owns approximately 83% of our outstanding common stock at June 30, 2010. Valhi is majority-owned by subsidiaries of Contran Corporation. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (for which Mr. Simmons is the sole trustee) or is held directly by Mr. Simmons or other persons or entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control Contran, Valhi and us.

Basis of presentation - Consolidated in this Quarterly Report are the results of our majority-owned subsidiary, CompX International Inc. We also own 36% of Kronos Worldwide, Inc. which we account for by the equity method. CompX (NYSE: CIX) and Kronos (NYSE: KRO) each file periodic reports with the Securities and Exchange Commission ("SEC").

The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the audited Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009 that we filed with the SEC on March 9, 2010 (the "2009 Annual Report"). In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. We have condensed the Consolidated Balance Sheet at December 31, 2009 contained in this Quarterly Report as compared to our audited Consolidated Financial Statements at that date, and we have omitted certain information and footnote disclosures (including those related to the Consolidated Balance Sheet at December 31, 2009) normally included in financial statements prepared in accordance with accounting principals generally accepted in the United States of America ("GAAP"). Our results of operations for the interim period ended June 30, 2010 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2009 Consolidated Financial Statements contained in our 2009 Annual Report.

Unless otherwise indicated, references in this report to "NL," "we," "us" or "our" refer to NL Industries, Inc. and its subsidiaries and Kronos, taken as a whole.

Note 2 – Accounts and other receivables, net:

	December 31, 2009	June 30, 2010
	(In thousands)	
Trade receivables	$ 12,204	**$ 17,261**
Accrued insurance recoveries	465	**92**
Other receivables	133	**106**
Receivable from affiliates:		
Income taxes from Valhi	2,880	**424**
Other	8	**2**
Refundable income taxes	1,844	**1,627**
Allowance for doubtful accounts	(481)	**(399)**
Total	$ 17,053	**$ 19,113**

Note 3 – Inventories, net:

	December 31, 2009	June 30, 2010
	(In thousands)	
Raw materials	$ 4,830	**$ 6,414**
Work in process	6,151	**6,800**
Finished products	5,285	**4,749**
Total	$ 16,266	**$ 17,963**

Note 4 - Marketable securities:

	December 31, 2009	June 30, 2010
	(In thousands)	
Current assets (available-for-sale)-		
Restricted debt securities	$ 5,225	**$ -**
Noncurrent assets (available-for-sale):		
Valhi common stock	$ 66,930	**$ 59,121**
TIMET common stock	18,143	**25,489**
Total	$ 85,073	**$ 84,610**

	Fair Value Measurements		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)
		(in thousands)	
December 31, 2009:			
Current assets (available-for-sale)-			
Restricted debt securities	$ 5,225	$ -	$ 5,225
Noncurrent assets (available-for-sale):			
Valhi common stock	$ 66,930	$ 66,930	$ -
TIMET common stock	18,143	18,143	-
Total	$ 85,073	$ 85,073	$ -
June 30, 2010:			
Noncurrent assets (available-for-sale):			
Valhi common stock	**$ 59,121**	**$ 59,121**	**$ -**
TIMET common stock	**25,489**	**25,489**	**-**
Total	**$ 84,610**	**$ 84,610**	**$ -**

We held no level 3 securities at June 30, 2010 or December 31, 2009. Restricted debt securities at December 31, 2009 collateralized certain of our outstanding letters of credit. Such investments matured during the first half of 2010 and are now held in investments classified as restricted cash equivalents at June 30, 2010.

Our investments in related parties' Valhi and Titanium Metals Corporation ("TIMET") common stock are accounted for as available-for-sale marketable equity securities carried at fair value based on quoted market prices, a Level 1 input as defined by Accounting Standards Codification ("ASC") Topic 820-10-35, *Fair Value Measurements and Disclosures*. We held approximately 4.2% of Valhi's outstanding common stock and .8% of TIMET's outstanding common stock at June 30, 2010. At December 31, 2009 and June 30, 2010, we owned approximately 4.8 million shares of Valhi common stock and 1.4 million shares of TIMET common stock. At June 30, 2010, the quoted market price of Valhi's and TIMET's common stock was $12.34 and $17.59 per share, respectively. At December 31, 2009, such quoted market prices were $13.97 and $12.52 per share, respectively.

Note 5 – Investment in Kronos Worldwide, Inc.:

At December 31, 2009 and June 30, 2010, we owned approximately 17.6 million shares of Kronos common stock. At June 30, 2010, the quoted market price of Kronos' common stock was $19.50 per share, or an aggregate market value of $343.4 million. At December 31, 2009, the quoted market price was $16.25, or an aggregate market value of $286.2 million. We have pledged certain shares of our Kronos common stock (and a nominal number of shares of our CompX common stock), as indicated in Note 11.

The change in the carrying value of our investment in Kronos during the first six months of 2010 is summarized below:

	Amount (In millions)
Balance at the beginning of the period	$ 112.8
Equity in net income of Kronos	22.3
Other, principally equity in other comprehensive loss items of Kronos	(4.5)
Balance at the end of the period	$ 130.6

Selected financial information of Kronos is summarized below:

	December 31, 2009	June 30, 2010
	(In millions)	
Current assets	$ 529.9	$ 534.7
Property and equipment, net	499.7	437.9
Investment in TiO_2 joint venture	98.7	97.2
Other noncurrent assets	196.7	192.6
Total assets	$ 1,325.0	$ 1,262.4
Current liabilities	$ 215.4	$ 203.0
Long-term debt	611.1	530.3
Accrued pension and postretirement benefits	131.7	114.1
Other non-current liabilities	54.3	52.9
Stockholders' equity	312.5	362.1
Total liabilities and stockholders' equity	$ 1,325.0	$ 1,262.4

	Three months ended June 30,		Six months ended June 30,	
	2009	2010	2009	2010
	(In millions)		(In millions)	
Net sales	$ 282.0	$ 380.1	$ 530.1	$ 699.8
Cost of sales	267.9	294.9	511.8	554.1
Income (loss) from operations	(21.9)	38.8	(48.2)	60.5
Net income (loss)	(21.8)	19.3	(48.4)	62.1

Note 6 – Intangible and other noncurrent assets:

	December 31, 2009	June 30, 2010
	(In thousands)	
Promissory note receivable	$ 15,000	$ 15,000
Patents and other intangible assets, net	1,408	1,113
Other	618	577
Total	$ 17,026	$ 16,690

Note 7 – Accrued liabilities:

	December 31, 2009	June 30, 2010
	(In thousands)	
Current:		
Employee benefits	$ 7,561	**$ 8,008**
Professional fees and legal settlements	6,747	**2,776**
Payable to affiliates:		
Accrued interest payable to TIMET	-	**579**
Other	583	**1,322**
Reserve for uncertain tax positions	59	**-**
Other	11,599	**2,823**
Total	$ 26,549	**$ 15,508**
Noncurrent:		
Reserve for uncertain tax positions	$ 16,936	**$ 16,937**
Insurance claims and expenses	659	**630**
Other	1,517	**1,495**
Total	$ 19,112	**$ 19,062**

Note 8 – Long-term debt:

	December 31, 2009	June 30, 2010
	(In thousands)	
NL:		
Promissory note payable to Valhi	$ -	**$ 2,800**
Promissory note issued in conjunction with litigation settlement	-	**18,000**
Subtotal	-	**20,800**
Subsidiary debt:		
CompX credit facility	-	**5,000**
CompX promissory note payable to TIMET	42,540	**42,230**
Subtotal	42,540	**47,230**
Total debt	42,540	**68,030**
Less current maturities	-	**3,300**
Total long-term debt	$ 42,540	**$ 64,730**

NL - In June 2010, we entered into a promissory note with Valhi that allows us to borrow up to $40 million. Our borrowings from Valhi under the revolving note are unsecured, bear interest at prime rate plus 2.75% (6.00% at June 30, 2010) with all principal due on demand, but in any event no later than December 31, 2011. The amount of the outstanding borrowings at any time is solely at the discretion of Valhi.

The $18.0 million promissory note is discussed in Note 11.

CompX - During the first six months of 2010, CompX borrowed $5.0 million under its revolving bank credit facility that matures in January 2012. The average interest rate on this outstanding borrowing at June 30, 2010 was 3.6%.

Note 9 – Employee benefit plans:

Defined benefit plans - The components of net periodic defined benefit pension cost (income) are presented in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2009	2010	2009	2010
	(In thousands)			
Interest cost	$ 705	**$ 736**	$ 1,428	**$ 1,456**
Expected return on plan assets	(822)	**(838)**	(1,640)	**(1,684)**
Recognized actuarial losses	302	**308**	599	**621**
Total	$ 185	**$ 206**	$ 387	**$ 393**

Postretirement benefits - The components of net periodic postretirement benefits other than pension cost are presented in the table below.

	Three months ended June 30,		Six months ended June 30,	
	2009	2010	2009	2009
	(In thousands)			
Interest cost	$ 138	**$ 110**	$ 276	**$ 219**
Amortization of prior service credit	(45)	**(45)**	(90)	**(90)**
Total	$ 93	**$ 65**	$ 186	**$ 129**

Contributions – We expect our 2010 contributions for our pension and other postretirement benefit plans to be consistent with the amount disclosed in our 2009 Annual Report.

Note 10 - Income tax provision (benefit):

	Six months ended June 30,	
	2009	2010
	(In millions)	
Expected tax provision (benefit) at U.S. federal statutory income tax rate of 35%	$ (4.8)	**$ 2.3**
Non-U.S. tax rates	-	**(.2)**
Incremental U.S. tax and rate differences on equity in earnings of non-tax group companies	4.7	**2.4**
U.S. state income taxes, net	.2	**.1**
Change in reserve for uncertain tax positions, net	.3	**-**
Nondeductible expenses	.1	**.1**
Other, net	-	**(.1)**
Total	$ .5	**$ 4.6**

Tax authorities are examining certain of our U.S. and non-U.S. tax returns and have or may propose tax deficiencies, including penalties and interest. We cannot guarantee that these tax matters will be resolved in our favor due to the inherent uncertainties involved in settlement initiatives and court and tax proceedings. We believe we have adequate accruals for additional taxes and related interest expense which could ultimately result from tax examinations. We believe the ultimate disposition of tax examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity. We currently estimate that our unrecognized tax benefits will decrease by approximately $.1 million during the next twelve months due to certain statutes of limitations.

Under GAAP, we are required to recognize a deferred income tax liability with respect to the incremental U.S. (federal and state) and non-U.S. withholding taxes that would be incurred when undistributed earnings of a non-U.S. subsidiary are subsequently repatriated, unless management has determined that those undistributed earnings are permanently reinvested for the foreseeable future. Prior to March 31, 2010, we had not recognized a deferred income tax liability related to incremental income taxes on the pre-2005 undistributed earnings of CompX's Taiwanese subsidiary, as those earnings were deemed to be permanently reinvested. GAAP requires us to reassess the permanent reinvestment conclusion on an ongoing basis to determine if our intentions have changed. At the end of March 2010, and based primarily upon changes in our cash management plans, we determined that all of the undistributed earnings of CompX's Taiwanese subsidiary can no longer be considered to be permanently reinvested in Taiwan. Accordingly, in the first quarter of 2010 we recognized an aggregate $1.9 million provision for deferred income taxes on the pre-2005 undistributed earnings of CompX's Taiwanese subsidiary. Consequently, all of the undistributed earnings of CompX's non-U.S. operations are now considered to be not permanently reinvested.

Note 11 – Commitments and contingencies:

Lead pigment litigation

Our former operations included the manufacture of lead pigments for use in paint and lead-based paint. We, other former manufacturers of lead pigments for use in paint and lead-based paint (together, the "former pigment manufacturers"), and the Lead Industries Association ("LIA"), which discontinued business operations in 2002, have been named as defendants in various legal proceedings seeking damages for personal injury, property damage and governmental expenditures allegedly caused by the use of lead-based paints. Certain of these actions have been filed by or on behalf of states, counties, cities or their public housing authorities and school districts, and certain others have been asserted as class actions. These lawsuits seek recovery under a variety of theories, including public and private nuisance, negligent product design, negligent failure to warn, strict liability, breach of warranty, conspiracy/concert of action, aiding and abetting, enterprise liability, market share or risk contribution liability, intentional tort, fraud and misrepresentation, violations of state consumer protection statutes, supplier negligence and similar claims.

The plaintiffs in these actions generally seek to impose on the defendants responsibility for lead paint abatement and health concerns associated with the use of lead-based paints, including damages for personal injury, contribution and/or indemnification for medical expenses, medical monitoring expenses and costs for educational programs. To the extent the plaintiffs seek compensatory or punitive damages in these actions, such damages are generally unspecified. In some cases, the damages are unspecified pursuant to the requirements of applicable state law. A number of cases are inactive or have been dismissed or withdrawn. Most of the remaining cases are in various pre-trial stages. Some are on appeal following dismissal or summary judgment rulings in favor of either the defendants or the plaintiffs. In addition, various other cases (in which we are not a defendant) are pending that seek recovery for injury allegedly caused by lead pigment and lead-based paint. Although we are not a defendant in these cases, the outcome of these cases may have an impact on cases that might be filed against us in the future.

We believe that these actions are without merit, and we intend to continue to deny all allegations of wrongdoing and liability and to defend against all actions vigorously. We do not believe it is probable that we have incurred any liability with respect to all of the lead pigment litigation cases to which we are a party, and liability to us that may result, if any, in this regard cannot be reasonably estimated, because:

- we have never settled any of the market share, risk contribution, intentional tort, fraud, nuisance, supplier negligence, strict liability, breach of warranty, conspiracy, misrepresentation, aiding and abetting, enterprise liability, or statutory cases,
- no final, non-appealable adverse verdicts have ever been entered against us, and
- we have never ultimately been found liable with respect to any such litigation matters.

Accordingly, we have not accrued any amounts for any of the pending lead pigment and lead-based paint litigation cases. New cases may continue to be filed against us. We cannot assure you that we will not incur liability in the future in respect of any of the pending or possible litigation in view of the inherent uncertainties involved in court and jury rulings. The resolution of any of these cases could result in recognition of a loss contingency accrual that could have a material adverse impact on our net income for the interim or annual period during which such liability is recognized and a material adverse impact on our consolidated financial condition and liquidity.

Environmental matters and litigation

Our operations are governed by various environmental laws and regulations. Certain of our businesses are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws and regulations. As with other companies engaged in similar businesses, certain of our past and current operations and products have the potential to cause environmental or other damage. We have implemented and continue to implement various policies and programs in an effort to minimize these risks. Our policy is to maintain compliance with applicable environmental laws and regulations at all of our plants and to strive to improve environmental performance. From time to time, we may be subject to environmental regulatory enforcement under U.S. and non-U.S. statutes, the resolution of which typically involves the establishment of compliance programs. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies, could adversely affect our production, handling, use, storage, transportation, sale or disposal of such substances. We believe that all of our facilities are in substantial compliance with applicable environmental laws.

Certain properties and facilities used in our former operations, including divested primary and secondary lead smelters and former mining locations, are the subject of civil litigation, administrative proceedings or investigations arising under federal and state environmental laws. Additionally, in connection with past operating practices, we are currently involved as a defendant, potentially responsible party ("PRP") or both, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act ("CERCLA"), and similar state laws in various governmental and private actions associated with waste disposal sites, mining locations, and facilities we or our predecessors currently or previously owned, operated or were used by us or our subsidiaries, or their predecessors, certain of which are on the United States Environmental Protection Agency's ("EPA") Superfund National Priorities List or similar state lists. These proceedings seek cleanup costs, damages for personal injury or property damage and/or damages for injury to natural resources. Certain of these proceedings involve claims for substantial amounts. Although we may be jointly and severally liable for these costs, in most cases we are only one of a number of PRPs who may also be jointly and severally liable, and among whom costs may be shared or allocated. In addition, we are also a party to a number of personal injury lawsuits filed in various jurisdictions alleging claims related to environmental conditions alleged to have resulted from our operations.

Environmental obligations are difficult to assess and estimate for numerous reasons including the:

- complexity and differing interpretations of governmental regulations,
- number of PRPs and their ability or willingness to fund such allocation of costs,
- financial capabilities of the PRPs and the allocation of costs among them,
- solvency of other PRPs,
- multiplicity of possible solutions,
- number of years of investigatory, remedial and monitoring activity required and
- number of years between former operations and notice of claims and lack of information and documents about the former operations.

In addition, the imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes regarding site cleanup costs or allocation of costs among PRPs, solvency of other PRPs, the results of future testing and analysis undertaken with respect to certain sites or a determination that we are potentially responsible for the release of hazardous substances at other sites, could cause our expenditures to exceed our current estimates. Because we may be jointly and severally liable for the total remediation cost at certain sites, the amount for which we are ultimately liable may exceed our accruals due to, among other things, the reallocation of costs among PRPs or the insolvency of one or more PRPs. We cannot assure you that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and we cannot assure you that costs will not be incurred for sites where no estimates presently can be made. Further, additional environmental matters may arise in the future. If we were to incur any future liability, this could have a material adverse effect on our consolidated financial statements, results of operations and liquidity.

We record liabilities related to environmental remediation obligations when estimated future expenditures are probable and reasonably estimable. We adjust our environmental accruals as further information becomes available to us or as circumstances change. Such further information or changed circumstances could include, among other things, new assertions of liability, revised expectations regarding the nature, timing and extent of any remediation required or revised estimates of the allocation of remediation costs among PRPs, and such further information or changed circumstances could result in an increase or reduction in our accrued environmental costs. We generally do not discount estimated future expenditures to their present value due to the uncertainty of the timing of the pay out. We recognize recoveries of remediation costs from other parties, if any, as assets when their receipt is deemed probable. At June 30, 2010, we have not recognized any receivables for recoveries.

We do not know and cannot estimate the exact time frame over which we will make payments for our accrued environmental costs. The timing of payments depends upon a number of factors including the timing of the actual remediation process; which in turn depends on factors outside of our control. At each balance sheet date, we estimate the amount of our accrued environmental costs which we expect to pay within the next twelve months, and we classify this estimate as a current liability. We classify the remaining accrued environmental costs as a noncurrent liability.

Changes in the accrued environmental costs during the first six months of 2010 are as follows:

	Amount (In thousands)
Balance at the beginning of the period	$ 45,846
Reductions charged against expense, net	(883)
Payments, net	(2,255)
Balance at the end of the period	$ 42,708
Amounts recognized in the balance sheet at the end of the period:	
Current liability	$ 5,792
Noncurrent liability	36,916
Total	$ 42,708

On a quarterly basis, we evaluate the potential range of our liability at sites where we have been named as a PRP or defendant, including sites for which our wholly-owned environmental management subsidiary, NL Environmental Management Services, Inc., ("EMS"), has contractually assumed our obligations. At June 30, 2010, we had accrued approximately $43 million, related to approximately 50 sites, which are environmental matters that we believe are at the present time and/or in their current phase reasonably estimable. The upper end of the range of reasonably possible costs to us for sites for which we believe it is possible to estimate costs is approximately $78 million, including the amount currently accrued. We have not discounted these estimates to present value.

We believe that it is not possible to estimate the range of costs for certain sites. At June 30, 2010, there were approximately 5 sites for which we are not currently able to estimate a range of costs. For these sites, generally the investigation is in the early stages, and we are unable to determine whether or not we actually had any association with the site, the nature of our responsibility, if any, for the contamination at the site and the extent of contamination at and cost to remediate the site. The timing and availability of information on these sites is dependent on events outside of our control, such as when the party alleging liability provides information to us. At certain of these previously inactive sites, we have received general and special notices of liability from the EPA and/or state agencies alleging that we, sometimes with other PRPs, are liable for past and future costs of remediating environmental contamination allegedly caused by former operations. These notifications may assert that we, along with any other alleged PRPs, are liable for past and/or future clean-up costs that could be material to us if we are ultimately found liable.

In July 2010, we entered into a settlement agreement with another PRP pursuant to which, among other things, the other PRP reimbursed us for certain remediation costs we had previously incurred for certain sites related to one of our former business units, and PRP also affirmed its full responsibility to indemnify us for all claims (environmental or otherwise) with respect to certain specified sites related to such former business unit as well as indemnify us for any future claims that may arise related to such former business unit. As a result of the July 2010 settlement agreement, in the third quarter of 2010 we expect to recognize a litigation settlement gain of $5.2 million, consisting of $3.1 million related to the PRP's cash reimbursement of prior remediation costs and $2.1 million related to a reduction in our accrued environmental remediation costs resulting from the PRP's agreement to indemnify us.

Insurance coverage claims

We are involved in certain legal proceedings with a number of our former insurance carriers regarding the nature and extent of the carriers' obligations to us under insurance policies with respect to certain lead pigment and asbestos lawsuits. The issue of whether insurance coverage for defense costs or indemnity or both will be found to exist for our lead pigment and asbestos litigation depends upon a variety of factors, and we cannot assure you that such insurance coverage will be available.

We have agreements with two former insurance carriers pursuant to which the carriers reimburse us for a portion of our future lead pigment litigation defense costs, and one such carrier reimburses us for a portion of our future asbestos litigation defense costs. We are not able to determine how much we will ultimately recover from these carriers for defense costs incurred by us because of certain issues that arise regarding which defense costs qualify for reimbursement. While we continue to seek additional insurance recoveries, we do not know if we will be successful in obtaining reimbursement for either defense costs or indemnity. Accordingly, these insurance recoveries are recognized when the receipt is probable and the amount is determinable.

We recognize insurance recoveries in income only when receipt of the recovery is probable and we are able to reasonably estimate the amount of the recovery.

For a complete discussion of certain litigation involving us and certain of our former insurance carriers, refer to our 2009 Annual Report.

Other litigation

In June 2010, the case captioned *Contran Corporation, et al. v. Terry S. Casey, et al.* (Case No. 07-04855, 192nd Judicial District Court, Dallas County, Texas) was dismissed with prejudice in accordance with the previously-reported settlement agreement. In May 2010, pursuant to such agreement, we paid $26.0 million in cash and we issued an $18.0 million long-term promissory note. The note bears interest, payable quarterly, at the prime rate. Fifty percent of the principal amount will be payable on each of December 1, 2011 and December 1, 2012. The note is collateralized by shares of Kronos and CompX common stock, owned by us, having an aggregate market value of at least 200% of the outstanding principal amount of the promissory note. Under certain conditions, we have agreed to prepay up to $4.0 million principal amount of such indebtedness.

For financial reporting purposes, we classified $32.2 million of the aggregate amount payable under the settlement agreement as a litigation settlement expense in respect of certain claims made by plaintiffs in the litigation. We had insurance coverage for a portion of such litigation settlement, and a substantial portion of the insurance recoveries we recognized in the first quarter of 2010 relates to such coverage. With respect to the other claim of the plaintiffs as it relates to the repurchase of their EMS noncontrolling interest, the resulting $2.5 million increase over our previous estimate of such payment is accounted for as a reduction in additional paid-in capital in accordance with GAAP.

We have been named as a defendant in various lawsuits in several jurisdictions, alleging personal injuries as a result of occupational exposure primarily to products manufactured by our former operations containing asbestos, silica and/or mixed dust. In addition, some plaintiffs allege exposure to asbestos from working in various facilities previously owned and/or operated by NL. There are approximately 1,226 of these types of cases pending, involving a total of approximately 2,670 plaintiffs. In addition, the claims of approximately 7,500 plaintiffs have been administratively dismissed or placed on the inactive docket in Ohio, Indiana and Texas state courts. We do not expect these claims will be re-opened unless the plaintiffs meet the courts' medical criteria for asbestos-related claims. We have not accrued any amounts for this litigation because of the uncertainty of liability and inability to reasonably estimate the liability, if any. To date, we have not been adjudicated liable in any of these matters. Based on information available to us, including:

- facts concerning historical operations,
- the rate of new claims,
- the number of claims from which we have been dismissed and
- our prior experience in the defense of these matters,

we believe that the range of reasonably possible outcomes of these matters will be consistent with our historical costs (which are not material). Furthermore, we do not expect any reasonably possible outcome would involve amounts material to our consolidated financial position, results of operations or liquidity. We have sought and will continue to vigorously seek, dismissal and/or a finding of no liability from each claim. In addition, from time to time, we have received notices regarding asbestos or silica claims purporting to be brought against former subsidiaries, including notices provided to insurers with which we have entered into settlements extinguishing certain insurance policies. These insurers may seek indemnification from us.

CompX

On February 10, 2009, Humanscale Corporation filed a complaint with the U.S. International Trade Commission ("ITC") requesting that the ITC commence an investigation pursuant to the Tariff Act of 1930 to evaluate allegations concerning the unlawful importation of certain adjustable keyboard related products into the U.S. by CompX's Canadian subsidiary. The products were alleged to infringe certain claims under a U.S. patent held by Humanscale. The complaint sought as relief the barring of future imports of the products into the U.S. until the expiration of the related patent in March 2011. The ITC hearing was completed on December 4, 2009. On July 9, 2010, the ITC issued its final judgment that CompX had not infringed on the Humanscale patents and that the patents are invalid. The final judgment is subject to appeal.

On February 13, 2009, Humanscale filed a complaint for patent infringement in the United States District Court, Eastern District of Virginia, against CompX and its Canadian subsidiary involving the identical patent in question in the ITC case. On March 30, 2009, CompX filed for a stay in the U.S. District Court Action pending the completion of the related case before the ITC. On May 19, 2009, the court granted CompX's motion to stay the Humanscale claim of patent infringement. With the issuance of the final determination in the ITC case on July 9, 2010, Humanscale may now proceed with its claim in U.S. District Court unless it chooses to appeal the ITC judgment. While the ITC determined that CompX did not infringe the patents and that the patents in question are invalid, the U.S. District Court is not bound by that determination.

In conjunction with CompX's filing of a stay of Humanscale's patent infringement claim in the U.S. District Court on March 30, 2009, CompX filed a counterclaim of patent infringement against Humanscale for infringement of certain of our keyboard support arm patents by Humanscale's models 2G, 4G and 5G support arms. A jury trial was completed on February 25, 2010 relating to CompX's counterclaims with the jury finding that Humanscale infringed on our patents and awarded damages to CompX in excess of $19 million for past royalties. We anticipate the judge to issue a final judgment in August 2010. The verdict is subject to appeal. Due to the uncertain nature of the ongoing legal proceedings we have not accrued a receivable for the amount of the award.

For a discussion of other legal proceedings to which we are a party, refer to our 2009 Annual Report.

In addition to the litigation described above, we and our affiliates are also involved in various other environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to present and former businesses. In certain cases, we have insurance coverage for these items, although we do not expect additional material insurance coverage for environmental claims.

We currently believe that the disposition of all of these various other claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial position, results of operations or liquidity beyond the accruals already provided.

Note 12 - Financial instruments:

See Note 4 for information on how we determine fair value of our marketable securities.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure at December 31, 2009 and June 30, 2010:

	December 31, 2009		June 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions)			
Cash and cash equivalents, current restricted cash equivalents and current marketable securities	$ 36.9	$ 36.9	**$ 17.2**	**$ 17.2**
Promissory note receivable	15.0	15.0	**15.0**	**15.0**
Notes payable to affiliates	42.2	42.2	**45.0**	**45.0**
CompX bank credit facility	-	-	**5.0**	**5.0**
Promissory note payable	-	-	**18.0**	**18.0**
Noncontrolling interest in CompX common stock	11.1	12.2	**10.7**	**16.0**
NL stockholders' equity	174.6	337.4	**159.2**	**296.6**

The fair value of our noncurrent marketable equity securities, restricted marketable debt securities, noncontrolling interest in CompX and NL stockholder's equity are based upon quoted market prices at each balance sheet date, which represent Level 1 inputs. The fair value of our promissory note receivable and our variable interest rate debt is deemed to approximate book value. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. The fair values of our promissory note receivable, long-term debt and notes payable to affiliates are Level 2 inputs as defined by ASC Topic 820-10-35.

Note 13 – Earnings per share:

Earnings per share is based on the weighted average number of common shares outstanding during each period. A reconciliation of the numerator used in the calculation of earnings (loss) per share is presented in the following table:

	Three months ended June 30,		Six months ended June 30,	
	2009	2010	2009	2010
	(in thousands)			
Net income (loss) attributable to NL stockholders	$ (2,144)	**$ 4,290**	$ (13,987)	**$ 1,995**
Paid-in capital adjustment	-	-	-	**(2,513)**
Adjusted net income (loss) attributable to NL Stockholders	$ (2,144)	**$ 4,290**	$ (13,987)	**$ (518)**

The paid-in capital adjustment is discussed in Note 11.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Business and results of operations overview

We are primarily a holding company. We operate in the component products industry through our majority-owned subsidiary, CompX International Inc. We also own a non-controlling interest in Kronos Worldwide, Inc. Both CompX (NYSE: CIX) and Kronos (NYSE: KRO) file periodic reports with the Securities and Exchange Commission ("SEC").

CompX is a leading manufacturer of security products, precision ball bearing slides and ergonomic computer support systems used in the office furniture, transportation, tool storage and a variety of other industries. CompX is also a leading manufacturer of stainless steel exhaust systems, gauges and throttle controls for the performance boat industry.

We account for our 36% non-controlling interest in Kronos by the equity method. Kronos is a leading global producer and marketer of value-added titanium dioxide pigments ("TiO_2"). TiO_2 is used for a variety of manufacturing applications including plastics, paints, paper and other industrial products.

Forward-looking information

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements in this Quarterly Report on Form 10-Q that are not historical facts are forward-looking in nature. Statements found in this report including, but not limited to, the statements found in Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements that represent our beliefs and assumptions based on currently available information. In some cases you can identify these forward-looking statements by the use of words such as "believes," "intends," "may," "should," "could," "anticipates," "expected" or comparable terminology, or by discussions of strategies or trends. Although we believe the expectations reflected in forward-looking statements are reasonable, we do not know if these expectations will be correct. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly impact expected results. Actual future results could differ materially from those predicted. While it is not possible to identify all factors, we continue to face many risks and uncertainties. Among the factors that could cause our actual future results to differ materially from those described herein are the risks and uncertainties discussed in this Quarterly Report and those described from time to time in our other filings with the SEC, which include, but are not limited to, the following:

- Future supply and demand for our products,
- The extent of the dependence of certain of our businesses on certain market sectors,
- The cyclicality of our businesses (such as Kronos' TiO_2 operations),
- Customer inventory levels (such as the extent to which Kronos' customers may, from time to time, accelerate purchases of TiO_2 in advance of anticipated price increases or defer purchases of TiO_2 in advance of anticipated price decreases),
- Changes in raw material and other operating costs (such as energy and steel costs),
- General global economic and political conditions (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for, among other things, TiO_2 and component products),
- Possible disruption of our business or increases in the cost of doing business resulting from terrorist activities or global conflicts,
- Competitive products and prices, including increased competition from low-cost manufacturing sources (such as China),
- Customer and competitor strategies,
- Potential consolidation or solvency of our competitors,
- Demand for office furniture,
- Demand for high performance marine components,
- Substitute products,
- The impact of pricing and production decisions,
- Competitive technology positions,
- The introduction of trade barriers,
- Service industry employment levels,
- Fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone, the Canadian dollar and the New Taiwan dollar),
- Operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime and transportation interruptions),
- The timing and amounts of insurance recoveries,
- Our ability to maintain sufficient liquidity,
- The extent to which our subsidiaries were to become unable to pay us dividends,
- CompX's and Kronos' ability to renew or refinance credit facilities,
- CompX's ability to comply with covenants contained in its revolving bank credit facility,
- The ultimate outcome of income tax audits, tax settlement initiatives or other tax matters,
- Potential difficulties in integrating completed or future acquisitions,
- Decisions to sell operating assets other than in the ordinary course of business,
- Uncertainties associated with the development of new product features,
- Our ability to utilize income tax attributes or changes in income tax rates related to such attributes, the benefits of which have been recognized under the more-likely-than-not recognition criteria,
- Environmental matters (such as those requiring compliance with emission and discharge standards for existing and new facilities or new developments regarding environmental remediation at sites related to our former operations),
- Government laws and regulations and possible changes therein (such as changes in government regulations which might impose various obligations on present and former manufacturers of lead pigment and lead-based paint, including us, with respect to asserted health concerns associated with the use of such products),
- The ultimate resolution of pending litigation (such as our lead pigment and environmental matters) and
- Possible future litigation.

Should one or more of these risks materialize or if the consequences of such a development worsen, or should the underlying assumptions prove incorrect, actual results could differ materially from those currently forecasted or expected. We disclaim any intention or obligation to update or revise any forward-looking statement whether as a result of changes in information, future events or otherwise.

Results of Operations
Net Income (Loss) Overview

Quarter Ended June 30, 2010 Compared to Quarter Ended June 30, 2009

Our net income attributable to NL stockholders was $4.3 million, or $.09 per share, in the second quarter of 2010 compared to a net loss of $2.1 million, or $.04 per share, in the second quarter of 2009. As more fully described below, our income per share increased from 2009 to 2010 due primarily to the net effect of:

- equity in net income from Kronos in 2010 as compared to equity in losses in 2009,
- a pre-tax litigation settlement gain of $11.3 million in 2009,
- income from operations from component products in 2010 as compared to a loss in 2009,
- lower corporate expenses of $2.3 million in 2010,
- an asset held for sale write-down of $.7 million in 2009, and
- lower insurance recoveries in 2010.

Our 2009 net loss attributable to NL stockholders includes:

- a litigation settlement gain of $.15 per share related to the settlement of condemnation proceedings on real property we owned,
- income of $.03 per share related to certain insurance recoveries, and
- a write-down of assets held for sale of $.01 per share.

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Our net income attributable to NL stockholders was $2.0 million, or $.01 loss per share, in the first six months of 2010 compared to a net loss of $14.0 million, or $.29 per share, in the first six months of 2009. As more fully described below, our income per share increased from 2009 to 2010 primarily due to the net effect of:

- equity in net income from Kronos in 2010 as compared to equity in losses in 2009,
- a pre-tax litigation settlement gain of $11.3 million in 2009,
- income from operations from component products in 2010 as compared to a loss in 2009,
- a litigation settlement expense in 2010 as discussed below,
- lower corporate expenses of $2.0 million in 2010,
- an asset held for sale write-down of $.7 million in 2009, and
- higher insurance recoveries in 2010 primarily related to the litigation settlement expense.

Our 2010 net income attributable to NL stockholders includes:

- income included in our equity in earnings of Kronos of $.17 per share related to an income tax benefit recognized by Kronos in the first quarter related to a European Court ruling that resulted in the favorable resolution of certain German income tax issues,
- income of $.24 per share related to certain insurance recoveries we recognized,
- a charge of $.43 per share related to a litigation settlement expense, and
- a charge of $.03 per share, net of noncontrolling interest, related to recognition of a deferred income tax liability associated with a determination that certain undistributed earnings of CompX's Taiwanese subsidiary can no longer be considered to be permanently reinvested.

Our 2009 net loss attributable to NL stockholders includes:

- a litigation settlement gain of $.15 per share related to the settlement of condemnation proceedings on real property we owned,
- income of $.04 per diluted share related to certain insurance recoveries, and
- a write-down of assets held for sale of $.01 per diluted share.

Income (loss) from Operations

The following table shows the components of our income (loss) from operations.

	Three months ended June 30,		%	Six months ended June 30,		%
	2009	2010	Change	2009	2010	Change
	(In millions)			(In millions)		
CompX	$ (1.0)	**$ 3.0**	**400%**	$ (1.9)	**$ 4.7**	**348%**
Insurance recoveries	2.0	**.1**	**(95)%**	2.7	**18.3**	**(573)%**
Litigation settlement expense	-	**-**	**-**	-	**(32.2)**	**100%**
Litigation settlement gain	11.3	**-**	**(100)%**	11.3	**-**	**(100)%**
Corporate expense and other, net	(4.9)	**(2.6)**	**(47)%**	(9.3)	**(7.2)**	**(23)%**
Income (loss) from operations	$ 7.4	**$ .5**		$ 2.8	**$ (16.4)**	

Amounts attributable to CompX relate to its components products business, while the other amounts generally relate to NL. Each of these items is further discussed below.

CompX International Inc.

	Three months ended June 30,		%	Six months ended June 30,		%
	2009	2010	Change	2009	2010	Change
	(In millions)			(In millions)		
Net sales	$ 29.2	**$ 34.4**	**18%**	$ 57.7	**$ 67.2**	**16%**
Cost of sales	23.0	**25.5**	**11%**	46.7	**49.2**	**5%**
Gross margin	$ 6.2	**$ 8.9**		$ 11.0	**$ 18.0**	
Income (loss) from operations	$ (1.0)	**$ 3.0**	**400%**	$ (1.9)	**$ 4.7**	**348%**
Percentage of net sales:						
Cost of sales	79%	**74%**		81%	**73%**	
Income from operations	(3)%	**8%**		(3)%	**7%**	

Net sales – Net sales increased 18% in the second quarter of 2010 and 16% in the first six months of 2010 as compared to the same periods of 2009. Net sales increased due to an increase in order rates from our customers resulting from improving economic conditions in North America. For the six month period comparison, CompX's Furniture Components, Security Products and Marine Components businesses accounted for approximately 51%, 35% and 14%, respectively, of the total increase in sales. Furniture Components sales was a greater percentage of the total increase because this business experienced a greater contraction in demand during the economic downturn in 2009, resulting in a greater increase as customer demand began to return. The Marine business accounted for a smaller percentage of the total increase due to its smaller sales volume.

Cost of sales and gross margin – Cost of sales as a percentage of sales decreased by 4% in the second quarter and 8% in the first six months compared to the same periods in 2009. As a result, gross margin increased over the same periods. The resulting increase in gross margin is primarily due to improved coverage of overhead and fixed manufacturing costs from higher sales volume and the related efficiency gains from the increase in capacity utilization. During 2010, primarily due to an increase in raw materials cost, the gross margin percentage is slightly lower in the second quarter compared to the six month period

Income (loss) from operations - Our component products income (loss) from operations improved to income for both the second quarter and first six months of 2010 compared to losses in the same periods in 2009. Operating income improved primarily due to the impact of higher sales, partially offset by $.9 million higher patent litigation expenses in 2010 related to CompX's Furniture Components business and the negative impact of relative changes in currency exchange rates.

Assets held for sale - During the second quarter of 2009, we recorded an assets held for sale write-down of $717,000, which is included in income from operations.

Currency – CompX's Furniture Components business has substantial operations and assets located outside the United States (in Canada and Taiwan). The majority of sales generated from our non-U.S. operations are denominated in the U.S. dollar, with the remainder denominated in non-U.S. currencies, principally the Canadian dollar and the New Taiwan dollar. Most raw materials, labor and other production costs for our non-U.S. operations are denominated primarily in local currencies. Consequently, the translated U.S. dollar values of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect comparability of period-to-period operating results. CompX's Furniture Component business's net sales were positively impacted while its income from operations was negatively impacted by currency exchange rates in the following amounts as compared to the currency exchange rates in effect during the corresponding periods in the prior year:

Impact of changes in currency exchange rates
Three months ended June 30, 2010 vs June 30, 2009

	Transaction gains/(losses)			Translation gain/loss-impact of rate changes	Total currency impact 2010 vs. 2009
	2009	2010	Change		
				(in thousands)	
Impact on:					
Net sales	$ -	$ -	$ -	$ 272	$ **272**
Income from operations	(14)	122	136	(498)	**(362)**

Impact of changes in currency exchange rates
Six months ended June 30, 2010 vs June 30, 2009

	Transaction gains/(losses)			Translation gain/loss-impact of rate changes	Total currency impact 2010 vs. 2009
	2009	2010	Change		
				(in thousands)	
Impact on:					
Net sales	$ -	$ -	$ -	$ 743	$ **743**
Income from operations	(14)	67	81	(1,133)	**(1,052)**

The positive impact on net sales relates to sales denominated in non-U.S. dollar currencies translated into higher U.S. dollar sales due to a strengthening of the local currency in relation to the U.S. dollar. The negative impact on income from operations results from the U.S. dollar denominated sales of non-U.S. operations converted into lower local currency amounts due to the weakening of the U.S. dollar. This negatively impacted CompX's gross margin as it results in less local currency generated from sales to cover the costs of non-U.S. operations which are denominated in local currency.

Results by Reporting Unit

The key performance indicator for CompX's reporting units is income from operations.

	Three months ended June 30,			Six months ended June 30,		
	2009	2010	% Change	2009	2010	% Change
	(dollars in thousands)					
Net sales:						
Security Products	$ 15,430	$ 17,354	12%	$ 30,712	$ 34,016	11%
Furniture Components	11,694	14,271	22%	23,589	28,386	20%
Marine Components	2,115	2,759	30%	3,414	4,782	40%
Total net sales	$ 29,239	$ 34,384	18%	$ 57,715	$ 67,184	16%
Gross margin:						
Security Products	$ 4,524	$ 5,319	18%	$ 8,275	10,846	31%
Furniture Components	1,526	3,036	99%	3,057	6,384	109%
Marine Components	196	500	155%	(312)	723	332%
Total gross margin	$ 6,246	$ 8,855	42%	$ 11,020	$ 17,953	63%
Income (loss) from operations:						
Security Products	$ 2,528	$ 3,199	27%	$ 4,104	6,581	60%
Furniture Components	(981)	1,078	210%	(1,001)	1,085	208%
Marine Components	(439)	(78)	82%	(1,590)	(447)	72%
Corporate operating expense	(2,057)	(1,261)	39%	(3,400)	(2,545)	25%
Total income (loss) from operations	$ (949)	$ 2,938	410%	$ (1,887)	$ 4,674	348%
Gross margin as a percentage of net sales:						
Security Products	29%	31%		27%	32%	
Furniture Components	13%	21%		13%	23%	
Marine Components	9%	18%		(9)%	15%	
Total gross margin	21%	26%		19%	27%	
Income from operations margin:						
Security Products	16%	18%		13%	19%	
Furniture Components	(8)%	8%		(4)%	4%	
Marine Components	(21)%	(3)%		(47)%	(9)%	
Total income from operations margin	(3)%	9%		(3)%	7%	

Security Products. Security Products net sales increased 12% in the second quarter of 2010 compared to the same period last year, and increased 11% in the first six months of 2010 compared to the same period last year. The increase in sales is primarily due to an increase in customer order rates from most customers resulting from improved economic conditions in North America. Compared to the same periods in 2009, gross margin percentage increased approximately 1 percentage point for the quarter and 5 percentage points for the six month period. The increase in gross margin percentage for the quarter was primarily achieved as a result of the positive impact of improved coverage of fixed manufacturing costs from higher sales volume. The increase in gross margin percentage for the six month period was primarily achieved as a result of the positive impact of (i) a prior year comparative increase of 3 percentage points in our variable contribution margin due to lower comparative material costs (primarily during the first quarter of 2010) and through more efficient use of labor and overhead due to the higher sales in 2010 and (ii) a prior year comparative increase of 2 percentage points relating to improved coverage of fixed manufacturing costs from higher sales volume. As a result, income from operations percentage for Security Products increased 2 percentage points for the second quarter and 6 percentage points for the six month period as compared to the same periods in the prior year.

Furniture Components. Furniture Components net sales increased 22% in the second quarter of 2010 compared to the same period last year, and increased 20% in the first six months of 2010 compared to the same period in the prior year. The increase in sales is primarily due to an increase in customer order rates from most customers resulting from improved economic conditions in North America. Gross margin percentage increased approximately 8 percentage points for the quarter and 10 percentage points for the six month comparative period. The increase in gross margin percentage was primarily achieved as a result of the positive impact of (i) a prior year comparative increase of 4 percentage points for the quarter and 5 percentage points for the six month period in our variable contribution margin through more efficient use of labor and overhead due to the higher sales in 2010 and lower material costs and (ii) a prior year comparative increase of 4 percentage points for the quarter and 4 percentage points for the six month period relating to improved coverage of fixed manufacturing costs from higher sales volume each net of the negative impact of changes in currency exchange rates. With respect to income from operations, the improved gross margin was partially offset by a $971,000 increase in litigation expenses in the year-to-date period. See Note 11 to the Condensed Consolidated Financial Statements. As a result, income from operations percentage for Furniture Components increased 16 percentage points for the second quarter and 8 percentage points for the six month period as compared to the same periods in the prior year.

Marine Components. Marine Components net sales increased 30% in the second quarter of 2010 compared to the same period last year, and increased 40% in the first six months of 2010 compared to the same period last year. The increase in sales is primarily due to an increase in customer order rates resulting from improved economic conditions in North America. As a result of the improved labor efficiency and coverage of overhead and fixed cost from the higher sales, gross margin percentage increased approximately 9 percentage points for the quarter and 24 percentage points for the six month comparative period. Consequently, the loss from operations decreased to $78,000 in the second quarter of 2010 compared to $439,000 in the same period last year, and decreased to $447,000 in the first six months of 2010 compared to $1.6 million in the same period in the prior year.

Outlook. Demand for CompX's products has increased as conditions in the overall economy have improved, although there is still uncertainty as to the sustainability of the related increase in sales. While changes in market demand are not within its control, CompX is focused on the areas that it can impact. Staffing levels are continuously being evaluated in relation to sales order rates resulting in headcount adjustments, to the extent possible, to match staffing levels with demand. CompX expects its lean manufacturing and cost improvement initiatives to continue to positively impact productivity and result in a more efficient infrastructure that we are beginning to leverage as growth in demand returns. Additionally, CompX continues to seek opportunities to gain market share in markets that it currently serves, to expand into new markets and to develop new product features in order to mitigate the impact of changes in demand as well as broaden its sales base.

In addition to challenges with overall demand, volatility in the cost of raw materials is ongoing. The cost of commodity raw materials began to increase during the first half of 2010 as compared to the end of 2009 and we currently expect these costs to continue to be volatile during the remainder of 2010. CompX generally seeks to mitigate the impact of fluctuations in raw material costs on its margins through improvements in production efficiencies or other operating cost reductions as well as through occasional larger quantity tactical spot buys of raw materials which may result in higher inventory balances for a period of time. In the event we are unable to offset raw material cost increases with other cost reductions, it may be difficult to recover those cost increases through increased product selling prices or raw material surcharges due to the competitive nature of the markets served by our products. Consequently, overall operating margins may be affected by raw material cost pressures.

As discussed in Note 11 to the Condensed Consolidated Financial Statements, a competitor has filed claims against CompX for patent infringement. CompX has denied the allegations of patent infringement and is defending the lawsuits vigorously. While we currently believe the disposition of these claims should not have a material, long-term adverse effect on our consolidated financial condition, results of operations or liquidity, we expect to continue to incur costs defending against such claims during the short term that are likely to be material.

General corporate and other items

Insurance recoveries – We have agreements with certain insurance carriers pursuant to which the carriers reimburse us for a portion of our past lead pigment and asbestos litigation defense costs. Insurance recoveries include amounts we received from these insurance carriers.

The agreements with certain of our insurance carriers also include reimbursement for a portion of our future litigation defense costs. We are not able to determine how much we will ultimately recover from these carriers for defense costs incurred by us because of certain issues that arise regarding which defense costs qualify for reimbursement. Accordingly, these insurance recoveries are recognized when the receipt is probable and the amount is determinable. See Note 11 to our Condensed Consolidated Financial Statements.

In addition to insurance recoveries discussed above, our insurance recoveries in the first six months of 2010 include an insurance recovery recognized in the first quarter in connection with the litigation settlement discussed in Note 11 to our Condensed Consolidated Financial Statements. We had insurance coverage for a portion of the litigation settlement expense, and a substantial portion of the insurance recoveries we recognized in the first quarter of 2010 relates to such coverage.

Litigation settlement expense and corporate expense – The $32.2 million litigation settlement expense is discussed in Note 11 to our Condensed Consolidated Financial Statements. Corporate expenses were $2.7 million in the second quarter of 2010, $2.3 million or 46% lower than in the second quarter of 2009 primarily due to lower litigation and related costs and lower environmental expense in 2010. Included in corporate expense are:

- litigation and related costs of $2.0 million in 2010 compared to $2.8 million in 2009 and
- an environmental credit of $981,000 in 2010, compared to an expense of $150,000 in 2009.

Corporate expenses were $7.3 million in the first six months of 2010, $2.0 million or 21% lower than in the first six months of 2009 primarily due to lower litigation and related costs and lower environmental expense in 2010. Included in corporate expense are:

- litigation and related costs (exclusive of the litigation settlement discussed above) of $4.9 million in 2010 compared to $5.3 million in 2009 and
- an environmental credit of $883,000 in 2010, compared to an expense of $229,000 in 2009.

The level of our litigation and related expenses varies from period to period depending upon, among other things, the number of cases in which we are currently involved, the nature of such cases and the current stage of such cases (e.g. discovery, pre-trial motions, trial or appeal, if applicable). See Note 11 to the Condensed Consolidated Financial Statements.

Obligations for environmental remediation costs are difficult to assess and estimate, and it is possible that actual costs for environmental remediation will exceed accrued amounts or that costs will be incurred in the future for sites in which we cannot currently estimate our liability. If these events were to occur in the remainder of 2010, our corporate expenses would be higher than we currently estimate. In addition, we adjust our environmental accruals as further information becomes available to us or as circumstances change. Such further information or changed circumstances could result in an increase or reduction in our accrued environmental costs. See Note 11 to the Condensed Consolidated Financial Statements.

In July 2010, we entered into a settlement agreement with another PRP pursuant to which, among other things, the other PRP reimbursed us for certain remediation costs we had previously incurred for certain sites related to one of our former business units, and PRP also affirmed its full responsibility to indemnify us for all claims (environmental or otherwise) with respect to certain specified sites related to such former business unit as well as indemnify us for any future claims that may arise related to such former business unit. As a result of the July 2010 settlement agreement, in the third quarter of 2010 we expect to recognize a litigation settlement gain of $5.2 million, consisting of $3.1 million related to the PRP's cash reimbursement of prior remediation costs and $2.1 million related to a reduction in our accrued environmental remediation costs resulting from the PRP's agreement to indemnify us.

Provision for income taxes – We recognized an income tax expense of $4.6 million in the first six months of 2010 as compared to $484,000 in the first six months of 2009. Our income tax expense in the first six months of 2010 includes an aggregate $1.9 million provision for deferred income taxes on the pre-2005 undistributed earnings of CompX's Taiwanese subsidiary. See Note 10 to our Condensed Consolidated Financial Statements.

Noncontrolling interest in subsidiary - Noncontrolling interest in net income (loss) of subsidiary increased $379,000 in the first six months of 2010 as compared to the first six months of 2009 due to higher earnings of CompX in 2010.

Equity in net income (loss) of Kronos Worldwide, Inc.

	Three months ended June 30,		%	Six months ended June 30,		%
	2009	2010	Change	2009	2010	Change
	(In millions)			(In millions)		
Kronos:						
Net sales	$ 282.0	**$ 380.1**	**35%**	$ 530.1	**$ 699.8**	**32%**
Cost of sales	267.9	**294.9**	**10%**	511.8	**554.1**	**8%**
Gross margin	$ 14.1	**$ 85.2**		$ 18.3	**$ 145.7**	
Income (loss) from operations	$ (21.9)	**$ 38.8**		$ (48.2)	**$ 60.5**	
Other, net	.1	**-**		.1	**-**	
Interest expense	(10.3)	**(9.7)**		(20.0)	**(20.1)**	
	(32.1)	**29.1**		(68.1)	**40.4**	
Income tax benefit	(10.3)	**9.8**		(19.7)	**(21.7)**	
Net income (loss)	$ (21.8)	**$ 19.3**		$ (48.4)	**$ 62.1**	
Percentage of net sales:						
Cost of sales	95%	**78%**		96%	**79%**	
Income (loss) from operations	(8)%	**10%**		(9)%	**9%**	
Equity in net income (loss) of Kronos Worldwide, Inc.	$ (7.9)	**$ 6.9**		$ (17.4)	**$ 22.3**	
TiO_2 operating statistics:						
Sales volumes*	114	**148**	**30%**	211	**270**	**28%**
Production volumes*	87	**134**	**54%**	151	**258**	**71%**
Change in TiO_2 net sales:						
TiO_2 product pricing			**6%**			**3%**
TiO_2 sales volumes			**30%**			**28%**
TiO_2 product mix			**1%**			**-%**
Changes in currency exchange rates			**(2)%**			**1%**
Total			**35%**			**32%**

* Thousands of metric tons

The key performance indicators for Kronos are TiO_2 average selling prices and TiO_2 sales and production volumes.

Net sales – Kronos' net sales increased 35% or $98.1 million compared to the second quarter of 2009 primarily due to a 30% increase in sales volumes along with a 6% increase in average TiO_2 selling prices, partially offset by the negative impact of currency exchange rates. Kronos estimates the unfavorable effect of changes in currency exchange rates decreased net sales by approximately $6 million, or 2%, as compared to the same period in 2009.

Kronos' net sales increased 32% or $169.7 million compared to the six months ended June 30, 2009 primarily due to a 28% increase in sales volumes along with a 3% increase in average TiO_2 selling prices and the positive impact of currency exchange rates. Kronos estimates the favorable effect of changes in currency exchange rates increased net sales by approximately $4 million, or 1%, as compared to the same period in 2009. TiO_2 selling prices will increase or decrease generally as a result of competitive market pressures and changes in the relative level of supply and demand. Kronos currently expects average selling prices in the second half of 2010 to be higher than the average selling prices in the first six months of 2010.

Kronos' record sales volumes in the second quarter and first six months of 2010 increased 30% and 28%, respectively, compared to the same periods in 2009 due to higher demand across all market segments resulting from the improvement in current economic conditions. Kronos expects that demand will continue to remain above 2009 levels for the remainder of the year.

Cost of sales – Kronos' cost of sales increased $27 million or 10% in the second quarter of 2010 compared to 2009 due to the net impact of a 30% increase in sales volumes, a 54% increase in TiO_2 production volumes, lower utility costs of $2.3 million and an increase in maintenance costs of $6.2 million. In addition, cost of sales in the second quarter of 2010 was negatively impacted by approximately $4 million as a result of higher production costs in 2010 at Kronos' ilmenite mines in Norway. Cost of sales as a percentage of net sales decreased to 78% in the second quarter of 2010 compared to 95% in the second quarter of 2009 primarily due to the significantly higher production volumes in 2010, as Kronos implemented temporary plant curtailments during the first half of 2009 in order to reduce finished goods inventories to an appropriate level. Such temporary plant curtailments resulted in approximately $30 million of unabsorbed fixed production costs which were charged directly to cost of sales in the second quarter of 2009.

Kronos' cost of sales increased $42.3 million or 8% in the six months ended June 30, 2010 compared to the same period 2009 due to the net impact of a 28% increase in sales volumes, a 71% increase in TiO_2 production volumes, lower raw material costs of $7.4 million, lower utility costs of $11.7 million and an increase in maintenance costs of $10.9 million. In addition, cost of sales in the first six months of 2010 was negatively impacted by approximately $8 million as a result of higher production costs in 2010 at Kronos' ilmenite mines in Norway. Cost of sales as a percentage of net sales decreased to 79% in the first six months of 2010 compared to 96% in the same period 2009 primarily due to the significantly higher production volumes in 2010, as Kronos implemented temporary plant curtailments during the first half of 2009 in order to reduce its finished goods inventories to an appropriate level and due to higher selling prices in the second quarter of 2010. Such temporary plant curtailments resulted in approximately $80 million of unabsorbed fixed production costs which were charged directly to cost of sales in the first six months of 2009.

Income (loss) from operations – Kronos' income (loss) from operations increased by $60.7 million from an operating loss of $21.9 million in the second quarter of 2009 to operating income of $38.8 million in the second quarter of 2010. Income (loss) from operations as a percentage of net sales increased to 10% in the second quarter of 2010 from (8)% in the same period for 2009. This increase is driven by the improvement in gross margin, which increased to 22% in the second quarter of 2010 compared to 5% in the second quarter of 2009. Kronos' gross margin increased primarily because of higher sales volumes and lower manufacturing costs per ton resulting from higher production volumes. However, changes in currency rates have negatively affected gross margin and income from operations. Kronos estimates that changes in currency exchange rates decreased income from operations by approximately $12 million in the second quarter of 2010 as compared to the same period in 2009.

Kronos' income (loss) from operations increased by $108.7 million from an operating loss of $48.2 million in the first six months of 2009 to operating income of $60.5 million in the first six months of 2010. Income (loss) from operations as a percentage of net sales increased to 9% in the first six months of 2010 from (9)% in the same period for 2009. This increase is driven by the improvement in gross margin, which increased to 21% for the first six months of 2010 compared to 4% for the first six months of 2009. Kronos' gross margin has increased primarily because of higher sales volumes, higher selling prices and lower manufacturing costs per ton resulting from higher production volumes. However, changes in currency exchange rates have negatively affected gross margin and income from operations. Kronos estimates that changes in currency exchange rates decreased income from operations by approximately $20 million in the first six months of 2010 as compared to the same period in 2009.

Interest expense – Kronos' interest expense decreased $.6 million from $10.3 million in the second quarter of 2009 to $9.7 million in the second quarter of 2010 and was comparable in the first six months of 2010 to 2009 due to decreased average borrowings under its revolving credit facilities which offset the effect of higher interest rates on its European credit facility. The interest expense Kronos recognizes will vary with fluctuations in the euro exchange rate.

Provision for income taxes – Kronos' provision for income taxes was $9.8 million in the second quarter of 2010 compared to an income tax benefit of $10.3 million in the same period last year. This increase is primarily due to improved income from operations in the second quarter of 2010 compared to the second quarter of 2009.

Kronos' income tax benefit was $21.7 million in the first six months of 2010 compared to an income tax benefit of $19.7 million in the same period last year. Kronos' income tax benefit in 2010 includes a $35.2 million income tax benefit related to a European Court ruling that resulted in the favorable resolution of certain income tax issues in Germany and an increase in the amount of its German corporate and trade tax net operating loss carryforwards.

Kronos has substantial net operating loss carryforwards in Germany (the equivalent of $941 million for German corporate purposes and $288 million for German trade tax purposes at December 31, 2009), which amounts exclude the adjustment to such carryforwards recognized in the first quarter of 2010. At June 30, 2010, Kronos has concluded that no deferred income tax asset valuation allowance is required to be recognized with respect to such carryforwards, principally because (i) such carryforwards have an indefinite carryforward period, (ii) Kronos has utilized a portion of such carryforwards during the most recent three-year period and (iii) Kronos currently expects to utilize the remainder of such carryforwards over the long term. However, prior to the complete utilization of such carryforwards, particularly if Kronos were to generate losses in its German operations for an extended period of time, it is possible that Kronos might conclude that the benefit of such carryforwards would no longer meet the more-likely-than-not recognition criteria, at which point Kronos would be required to recognize a valuation allowance against some or all of the then-remaining tax benefit associated with the carryforwards.

Currency - Kronos has substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of its sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of Kronos' sales generated from its non-U.S. operations is denominated in the U.S. dollar. Certain raw materials used worldwide, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are purchased primarily in local currencies. Consequently, the translated U.S. dollar value of its non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, Kronos' non-U.S. operations also generate currency transaction gains and losses which primarily relate to the difference between the currency exchange rates in effect when non-local currency sales or operating costs are initially accrued and when such amounts are settled with the non-local currency.

Overall, Kronos estimates that fluctuations in currency exchange rates had the following effects on sales and income from operations for the periods indicated.

Impact of changes in currency exchange rates
Three months ended June 30, 2010 vs June 30, 2009

	Transaction gains/(losses) recognized			Translation gain/loss- impact of rate changes	Total currency impact 2010 vs 2009
	2009	2010	Change		
			(in millions)		
Impact on:					
Net sales	$ -	$ -	$ -	$ (6)	$ (6)
Income (loss) From operations	1	(3)	(4)	(8)	(12)

Impact of changes in currency exchange rates
Six months ended June 30, 2010 vs June 30, 2009

	Transaction gains/(losses) recognized			Translation gain/loss- impact of rate changes	Total currency impact 2010 vs 2009
	2009	2010	Change		
			(in millions)		
Impact on:					
Net sales	$ -	$ -	$ -	$ 4	$ 4
Income (loss) From operations	7	(1)	(8)	(12)	(20)

Outlook - During 2009 and to-date in 2010, Kronos has announced various TiO_2 price increases, a portion of which were implemented during the second half of 2009 and the first six months of 2010, with portions of the remainder expected to be implemented during the second half of 2010. Kronos' average TiO_2 selling prices were 3% higher in the first half of 2010 as compared to the first half of 2009, and average selling prices at the end of the first half of 2010 were 5% higher as compared to the end of 2009. Based on an expected continuation of strong demand levels, Kronos anticipates that its average selling prices will continue to increase during the remainder of 2010.

In response to the worldwide economic slowdown and weak consumer confidence, Kronos reduced its production volumes during the first half of 2009 in order to reduce its finished goods inventory, improve liquidity and match production to market demand. Overall industry pigment demand has been and is expected to continue to be higher in 2010 as compared to 2009 as a result of improving worldwide economic conditions. While Kronos operated its facilities at approximately 58% of capacity during the first half of 2009, it increased its capacity utilization to approximately 94% during the second half of 2009. Kronos operated its plants at near full capacity utilization during the first half of 2010 and currently expects to continue to operate its facilities at near full capacity levels during the remainder of 2010. Kronos' expected capacity utilization levels could be adjusted upwards or downwards to match changes in demand for its products. Kronos also expects raw material, energy and freight costs will relatively increase during the remainder of 2010 and a portion of any future price increases would compensate for such increases in its operating costs.

Kronos expects that income from operations will be higher in 2010 as compared to 2009, as the favorable effects of the worldwide economic recovery and improving consumer confidence will continue to improve demand in all of its key market segments. The expected increase in sales volumes for 2010 should allow Kronos to maintain its near full capacity utilization for the remainder of the year. With such improved capacity utilization levels and higher expected selling prices, Kronos expects to report improved operating and financial performance in 2010.

Overall, Kronos expects to report net income in 2010 as compared to reporting a net loss in 2009 due to higher expected income from operations in 2010 as well as the impact of the $35.2 million non-cash income tax benefit recognized in the first quarter of 2010, as discussed above.

Kronos' expectations as to the future of the TiO_2 industry are based upon a number of factors beyond its control, including worldwide growth of gross domestic product, competition in the marketplace, solvency and continued operation of competitors, unexpected or earlier than expected capacity additions or reductions and technological advances. If actual developments differ from its expectations, Kronos' results of operations could be unfavorably affected.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash flows

Operating activities

Trends in cash flows from operating activities, excluding the impact of deferred taxes and relative changes in assets and liabilities, are generally similar to trends in our income from operations. Cash flows used in operating activities were $7.0 million in the first six months of 2010 compared to cash flows provided by operating activities of $720,000 in the first six months of 2009.

The $7.7 million increase in cash used in operating activities includes the net effect of:

- higher income from operations in 2010 of $6.0 million (excluding the impact of the litigation settlement and related insurance recoveries in the first six months of 2010, and the litigation settlement gain and the non-cash write-down on assets held for sale in the first six months of 2009),
- the $19.0 million paid in 2010 in relation to the litigation settlement expense;
- a higher amount of net cash used by changes in receivables, inventories, payables and accrued liabilities in 2010 of $16.5 million primarily due to the impact of CompX's increase in sales on accounts receivable, inventories and payables during the first six months of 2010,
- lower cash paid for income taxes in 2010 of $4.9 million due to the timing of tax payments, and
- lower cash paid for interest in 2010 of $.7 million.

We do not have complete access to CompX's cash flows in part because we do not own 100% of CompX. A detail of our consolidated cash flows from operating activities is presented in the table below. Intercompany dividends have been eliminated. The reference to NL Parent in the table below is a reference to NL Industries, Inc., as the parent company of CompX and our other wholly-owned subsidiaries.

	Six months ended June 30,	
	2009	2010
	(In millions)	
Cash provided by (used in) operating activities:		
CompX	$ 5.5	**$ (5.3)**
NL Parent and wholly-owned subsidiaries	(2.1)	**1.0**
Eliminations	(2.7)	**(2.7)**
Total	$ .7	**$ (7.0)**

Relative changes in working capital can have a significant effect on cash flows from operating activities. As shown below, CompX's average days sales outstanding increased from December 31, 2009 to June 30, 2010. The increase in average days' sales outstanding was the result of the increase in sales during the first six months of 2010. Historically, CompX's December 31 days sales outstanding are low due to the timing of sales and collections in the fourth quarter. Overall, June 30, 2010 days sales outstanding is comparable to June 30, 2009.

For comparative purposes we have provided comparable prior year numbers below.

	December 31, 2008	June 30, 2009	December 31, 2009	June 30, 2010
Days sales outstanding	41 days	44 days	37 days	45 days
Days in Inventory	70 days	74 days	64 days	64 days

Investing and financing activities

Net cash provided by investing activities totaled $3.0 million in the first six months of 2010 compared to $16.2 million in the first six months of 2009.

During 2010:

- we reduced restricted cash and restricted marketable securities by a total of $5.1 million due to the release of funds to us from escrow related to a litigation settlement and due to the reduction of one of our letters of credit,
- we reduced restricted cash by $.4 million due to payments made on an environmental remediation project, and
- we had $1.2 million in capital expenditures, substantially all of which related to CompX.

During 2009:

- we received $11.8 million from the second closing contained in a settlement agreement related to condemnation proceedings on certain real property we formerly owned in New Jersey,
- we collected $5.6 million on notes receivable from affiliates,
- we incurred $1.2 million of capital expenditures, substantially all of which relates to CompX, and
- we purchased approximately 2,800 shares of Valhi in open-market transactions for an aggregate amount of $33,000, and we purchased approximately 14,000 shares of Kronos in open–market transactions for an aggregate amount of $139,000. See Notes 4 and 5 to our Condensed Consolidated Financial Statements.

Net cash used in financing activities totaled $11.7 million in the first six months of 2010 compared to $13.3 million in the first six months of 2009.

During 2010:

- we paid $12.2 million or $.25 per share in dividends,
- we paid $7.0 million for the repurchase of noncontrolling interest in a subsidiary's stock,
- we borrowed $2.8 million on a promissory note with Valhi,
- CompX paid $.4 million in dividends to shareholders other than us, and
- CompX borrowed $5.0 million under its credit facility.

During 2009:

- we paid $12.2 million or $.25 per share in dividends,
- CompX paid $.4 million in dividends to shareholders other than us, and
- CompX paid $.8 million on its promissory note with TIMET.

In June 2010, we entered into a promissory note with Valhi that allows us to borrow up to $40 million. Our borrowings from Valhi under the revolving note are unsecured, bear interest at prime rate plus 2.75% (6.00% at June 30, 2010) with all principal due on demand, but in any event no later than December 31, 2011. The amount of the outstanding borrowings at any time is solely at the discretion of Valhi.

CompX and Kronos are in compliance with all of their debt covenants at June 30, 2010. Our ability and the ability of our affiliates to borrow funds under credit facilities in the future will, in some instances, depend in part on our ability to comply with specified financial ratios and satisfy certain financial covenants contained in the applicable credit agreement.

Provisions contained in CompX's revolving credit facility could result in the acceleration of any outstanding indebtedness prior to its stated maturity for reasons other than defaults from failing to comply with typical financial covenants. For example, CompX's revolving credit facility allows the lender to accelerate the maturity of the indebtedness upon a change of control (as defined) of the borrower. The terms of the revolving credit facility could result in the acceleration of all or a portion of the indebtedness following a sale of assets outside of the ordinary course of business. Although there are no current expectations to borrow on the revolving credit facility to fund working capital, capital expenditures, debt service or dividends (if declared), lower future operating results could reduce or eliminate our amount available to borrow and restrict future dividends.

We believe that Kronos will be able to comply with its financial covenants contained in all of its credit facilities through the maturity of the respective facilities; however if future operating results differ materially from our expectations Kronos may be unable to maintain compliance.

Future cash requirements

Liquidity

Our primary source of liquidity on an ongoing basis is our cash flow from operating activities. We generally use these amounts to (i) fund capital expenditures, (ii) pay ongoing environmental remediation and legal expenses and (iii) provide for the payment of short-term indebtedness and dividends (if declared).

At June 30, 2010, there was $5 million outstanding under CompX's $37.5 million revolving credit facility that matures in January 2012. Although CompX's bank credit facility has a remaining capacity of $32.5 million, only $21 million is currently available to borrow due to debt covenant restrictions. CompX expects to repay the $5.0 million currently outstanding, as cash flows permit, prior to the maturity of the facility in January 2012.

At June 30, 2010, we had an aggregate of $17.2 million of restricted and unrestricted cash and cash equivalents. A detail by entity is presented in the table below.

	Amount (In millions)
CompX	$ 7.6
NL Parent and wholly-owned subsidiaries	9.6
Total	$ 17.2

In addition, at June 30, 2010 we owned 4.8 million shares of Valhi common stock and 1.4 million shares of TIMET common stock with an aggregate market value of $84.6 million. See Note 4 to the Condensed Consolidated Financial Statements.

We routinely compare our liquidity requirements and alternative uses of capital against the estimated future cash flows we expect to receive from our subsidiaries and affiliates. As a result of this process, we have in the past sought, and may in the future seek to raise additional capital, incur debt, repurchase indebtedness in the market or otherwise, modify our dividend policies, consider the sale of our interests in our subsidiaries, affiliates, business units, marketable securities or other assets, or take a combination of these and other steps, to increase liquidity, reduce indebtedness and fund future activities. Such activities have in the past and may in the future involve related companies.

We periodically evaluate acquisitions of interests in or combinations with companies (including related companies) perceived by management to be undervalued in the marketplace. These companies may or may not be engaged in businesses related to our current businesses. We intend to consider such acquisition activities in the future and, in connection with this activity, may consider issuing additional equity securities and increasing indebtedness. From time to time, we also evaluate the restructuring of ownership interests among our respective subsidiaries and related companies.

Based upon our expectations of our operating performance, and the anticipated demands on our cash resources we expect to have sufficient liquidity to meet our short-term obligations (defined as the twelve-month period ending June 30, 2011). If actual developments differ from our expectations, our liquidity could be adversely affected. In this regard, during 2010 we have borrowed and expect to continue to borrow funds from Valhi in order to meet our cash requirements, and Valhi (at its sole discretion) has agreed to loan us up to $40 million ($2.8 million outstanding at June 30, 2010).

Capital Expenditures

Firm purchase commitments for capital projects in process at June 30, 2010 approximated $308,000. CompX's 2010 capital investments are limited to those expenditures required to meet expected customer demand and those required to properly maintain our facilities.

Dividends

Because our operations are conducted primarily through subsidiaries and affiliates, our long-term ability to meet parent company-level corporate obligations is largely dependent on the receipt of dividends or other distributions from our subsidiaries and affiliates. CompX currently pays a regular quarterly dividend of $.125 per share. At that rate, and based on the 10.8 million shares of CompX we held at June 30, 2010, we would receive annual dividends from CompX of $5.4 million. In addition, Valhi pays regular quarterly dividends of $.10 per share. Based on the 4.8 million shares of Valhi we held at June 30, 2010, we would receive annual dividends from Valhi of $1.9 million.

Investments in our subsidiaries and affiliates and other acquisitions

We have in the past purchased, and may in the future purchase, the securities of our subsidiaries and affiliates or third-parties in market or privately-negotiated transactions. We base our purchase decisions on a variety of factors, including an analysis of the optimal use of our capital, taking into account the market value of the securities and the relative value of expected returns on alternative investments. In connection with these activities, we may consider issuing additional equity securities or increasing our indebtedness. We may also evaluate the restructuring of ownership interests of our businesses among our subsidiaries and related companies.

Off-balance sheet financing arrangements

We do not have any off-balance sheet financing agreements other than the operating leases discussed in our 2009 Annual Report.

Commitments and contingencies

We are subject to certain commitments and contingencies, as more fully described in Note 11 to the Condensed Consolidated Financial Statements or in Part II, Item 1 of this report. In addition to those legal proceedings described in Note 11 to the Condensed Consolidated Financial Statements, various legislation and administrative regulations have, from time to time, been proposed that seek to (i) impose various obligations on present and former manufacturers of lead pigment and lead-based paint (including us) with respect to asserted health concerns associated with the use of such products and (ii) effectively overturn court decisions in which we and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage, and bills which would revive actions barred by the statute of limitations. While no legislation or regulations have been enacted to date that are expected to have a material adverse effect on our consolidated financial position, results of operations or liquidity, enactment of such legislation could have such an effect.

Recent accounting pronouncements

There have been no recent accounting pronouncements during the first six months of 2010.

Critical accounting policies and estimates

For a discussion of our critical accounting policies, refer to Part I, Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2009 Annual Report. There have been no changes in our critical accounting policies during the first six months of 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk, including currency exchange rates, interest rates and security prices. For a discussion of such market risk items, refer to Part I, Item 7A. - "Quantitative and Qualitative Disclosure About Market Risk" in our 2009 Annual Report and Note 11 to the Condensed Consolidated Financial Statements. There have been no material changes in these market risks during the first six months of 2010.

CompX has substantial operations located outside the United States for which the functional currency is not the U.S. dollar. As a result, the reported amounts of our assets and liabilities related to our non-U.S. operations, and therefore our consolidated net assets, will fluctuate based upon changes in currency exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures - We maintain a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by Exchange Act Rule 13a-15(e), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports we file or submit to the SEC under the Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of Harold C. Simmons, our Chief Executive Officer, and Gregory M. Swalwell, our Vice President, Finance and Chief Financial Officer, have evaluated the design and effectiveness of our disclosure controls and procedures as of June 30, 2010. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of June 30, 2010.

Internal control over financial reporting - We also maintain internal control over financial reporting. The term "internal control over financial reporting," as defined by Exchange Act Rule 13a-15(f), means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of an unauthorized acquisition, use or disposition of assets that could have a material effect on our Condensed Consolidated Financial Statements.

As permitted by the SEC, our assessment of internal control over financial reporting excludes (i) internal control over financial reporting of equity method investees and (ii) internal control over the preparation of our financial statement schedules required by Article 12 of Regulation S-X. However, our assessment of internal control over financial reporting with respect to equity method investees did include our controls over the recording of amounts related to our investment that are recorded in our Condensed Consolidated Financial Statements, including controls over the selection of accounting methods for our investments, the recognition of equity method earnings and losses and the determination, valuation and recording of our investment account balances.

Changes in Internal Control over Financial Reporting - There has been no change to our internal control over financial reporting during the quarter ended June 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In addition to the matters discussed below, refer to Note 11 to our Condensed Consolidated Financial Statements, to our 2009 Annual Report and to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

Thomas v. Lead Industries Association, et al. (Circuit Court, Milwaukee, Wisconsin, Case No. 99-CV-6411). In May 2010, the appellate court lifted the stay.

County of Santa Clara v. Atlantic Richfield Company, et al. (Superior Court of the State of California, County of Santa Clara, Case No. CV788657).In July 2010, the California Supreme Court ruled that public entities could pursue this public nuisance case assisted by private counsel on a contingent fee basis after revising the respective retention agreements to conform with the requirements set forth in the Supreme Court's opinion. The Supreme Court (1) clarified that the government attorneys overseeing the external, contingency fee counsel must, at a minimum, retain complete control over the course and conduct of the case; retain veto power over any decisions made by outside counsel; and be personally involved in overseeing the litigation and (2) remanded the case for further proceedings consistent with its opinion.

Lauren Brown v. NL Industries, Inc., et al. (Circuit Court of Cook County, Illinois, County Department, Law Division, Case No. 03L 012425). In June 2010, the case was dismissed with prejudice.

Hess, et al. v. NL Industries, Inc., et al. (Missouri Circuit Court 22nd Judicial Circuit, St. Louis City, Cause No. 052-11799). In June 2010, the case was dismissed with prejudice.

Circuit Court Cases in Milwaukee County, Wisconsin. In April 2010, *Gibson*, one of the four cases removed to federal court, was scheduled for trial in April 2012. In June 2010, defendant ARCO's motion for summary judgment was granted.

Brown et al. v. NL Industries, Inc. et al. (Circuit Court Wayne County, Michigan, Case No. 06-602096 CZ). We filed a motion for judgment notwithstanding the verdict and in June 2010, the court denied the motion.

United States of America v. Halliburton Energy Services, Inc., et al. (U.S. District Court, Southern District of Texas, Civil Action No. 07-cv-03795). In July 2010, this matter was resolved in NL's favor, with no expectation of future liability to us.

Brown, et al. v. NL Industries, Inc. et al. (Circuit Court Wayne County, Michigan, Case No. 09-002458 CE). In May 2010, plaintiffs filed a Notice of Appeal to appeal the dismissal of the case.

New Jersey Department of Environmental Protection v. Occidental Chemical Corp., et al. (L-009868-05, Superior Court of New Jersey, Essex County). In June 2010, the court lifted the stay on discovery as to all third-party defendants.

Raritan Baykeeper, Inc. d/b/a NY/NJ Baykeeper et al. v. NL Industries, Inc. et al. (United States District Court, District of New Jersey, Case No. 3:09-cv-04117). In May 2010, the court granted our Motion to Dismiss. In June 2010, plaintiffs filed an appeal to the United States Court of Appeals for the Third Circuit.

Malone Superfund Site, Texas City, Texas. In July 2010, this matter was resolved in NL's favor, with no expectation of future liability to NL.

Item 1A. Risk Factors

For a discussion of the risk factors related to our businesses, refer to Part I, Item 1A., "Risk Factors," in our 2009 Annual Report. There have been no material changes to such risk factors during the first six months of 2010.

Item 6. Exhibits

10.1 - Reinstated and Amended Settlement Agreement and Release, dated June 26, 2008, by and among NL Industries, Inc., NL Environmental Management Services, Inc., the Sayreville Economic and Redevelopment Agency, Sayreville Seaport Associates, L.P., and the County of Middlesex.

31.1 - Certification

31.2 - Certification

32.1 - Certification

SIGNATURES

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

NL INDUSTRIES, INC.
(Registrant)

Date August 3, 2010

/s/ Gregory M. Swalwell
Gregory M. Swalwell
(Vice President, Finance and
Chief Financial Officer,
Principal Financial Officer)

Date August 3, 2010

/s/ Tim C. Hafer
Tim C. Hafer
(Vice President and Controller,
Principal Accounting Officer)

REINSTATED AND AMENDED SETTLEMENT AGREEMENT AND RELEASE

THIS SETTLEMENT AGREEMENT AND RELEASE (this "Agreement") is made and entered into this 26th day of June, 2008 by and among NL Industries, Inc., a New Jersey corporation ("NL"); NL Environmental Management Services, Inc., a New Jersey corporation ("NL EMS" and, together with NL, the "NL Companies"); the Sayreville Economic and Redevelopment Agency, a municipal redevelopment agency ("SERA"); Sayreville Seaport Associates, L.P., a Delaware limited partnership authorized to transact business in New Jersey ("SSA"); and the County of Middlesex, a county organized under the laws of New Jersey (the "County").

RECITALS

WHEREAS, the NL Companies were the owners of approximately 440 acres of real property located on the Raritan River, near Raritan Bay in Sayreville, New Jersey, which real property is more specifically described in this Agreement (the "Property"); and

WHEREAS, the NL Companies have been working to investigate and remediate environmental contamination on the Property at the direction of the New Jersey Department of Environmental Protection ("NJDEP") pursuant to obligations under the Industrial Site Recovery Act ("ISRA"), N.J.S.A. 13:1K-6, et seq., and an Administrative Consent Order; and

WHEREAS, in 1995, the Borough of Sayreville (the "Borough") became interested in redeveloping the Property in order to encourage various mixed-use development projects and to capitalize on the proximity of the Property to major roadways and the Raritan River, which provides access to New York City by ferry; and

WHEREAS, in 1996, the Borough designated the Property as part of an area in need of redevelopment pursuant to the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1, et seq.; and

WHEREAS, in 2000, the Borough's redevelopment agency, SERA, began taking steps toward condemnation of the Property under the "takings" clauses of the United States and New Jersey constitutions and, in 2002, commenced litigation against the NL Companies and others under the Eminent Domain Act of 1971, N.J.S.A. 20:3-1, et seq. ("Condemnation Action"); and

WHEREAS, in 2005, prior to any determination in the Condemnation Action of the value of the just compensation to be paid by SERA to the NL Companies, SERA filed a Declaration of Taking and pursuant to court order deposited Thirty-Three Million, Five Hundred Fifty Thousand Dollars ($33,550,000) in escrow with the Superior Court of New Jersey (the "Court"), thereby obtaining legal title to the Property (such funds referred to herein as the "Escrow Funds"); and

WHEREAS, the County currently holds a mortgage on the Property to secure the loan extended by the County to SERA to enable SERA to acquire the Property through condemnation (the "County Loan"); and

WHEREAS, the Court continues to hold the Escrow Funds, no determination has yet been made in the Condemnation Action as to the value of the Property, the Condemnation Action remains pending, and the NL Companies have not been paid for the Property; and

WHEREAS, as a result of the Condemnation Action and the non-payment of the NL Companies in connection therewith, the NL Companies currently claim an equitable lien on the Property in the amount of the yet to be determined unpaid portion of the just compensation owed by SERA to the NL Companies as a result of SERA's taking of the Property through eminent domain; and

WHEREAS, in 2007 SERA issued a Request for Qualifications followed by a Request for Proposals ("RFP") in order to identify qualified developers interested in undertaking the redevelopment of the Property; and

WHEREAS, by Resolution dated October 29, 2007, SERA selected O'Neill Properties Group, L.P. ("OPG") as the redeveloper for the Property pursuant to the RFP process, and OPG has created SSA for the purpose of purchasing and redeveloping the Property; and

WHEREAS, SERA and SSA have finalized a Redevelopment Agreement (the "Redevelopment Agreement") and a Purchase and Sale Agreement (the "Sale Agreement") with respect to the Property, and are finalizing a Ground Lease Agreement (the "Ground Lease") with respect to the Property, memoranda of which have been attached to this Agreement as Exhibits A, B, and Q, respectively and, SSA shall deliver true and correct copies of the Redevelopment Agreement, the Purchase Agreement, and the Ground Lease to the NL Companies once they have been fully executed and delivered; and

WHEREAS, the parties to this Agreement desire to resolve the Condemnation Action between SERA and the NL Companies, satisfy the NL Companies' claimed equitable lien and SERA's loan obligations to the County, and facilitate SSA's acquisition and redevelopment of the Property; and

WHEREAS, for purposes of this Agreement, the term "Hazardous Substances" shall mean any substance, whether solid, liquid or gaseous, which is listed, defined or regulated as a "hazardous substance" or "hazardous waste" or otherwise classified as hazardous or toxic, in or pursuant to any applicable local, state, or federal environmental law, regulation or guidance; or which is or contains asbestos, radon, any polychlorinated biphenyl, radioactive material, or motor fuel or other petroleum hydrocarbons; or which causes or poses a threat to cause a contamination or nuisance on the Property or any adjacent property or a hazard to the environment or to the health or safety of persons on the Property; and

WHEREAS, the NL Companies, SERA, SSA and the County were parties to a Settlement Agreement and Release entered into as of April 1, 2008 ("Original Settlement Agreement"); and

WHEREAS, by termination notice dated May 2, 2008, the NL Companies terminated the Original Settlement Agreement when the Initial Closing failed to occur on May 1, 2008, as contemplated by the terms of the Original Settlement Agreement; and

WHEREAS, the parties to this Agreement desire to enter into a new agreement that reinstates and amends the terms of the Original Settlement Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises and obligations contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Acquisition of the Property. SSA and the County will purchase portions of the Property either in fee or by easements across the Property in phases as follows:

a. The "Initial Closing" shall occur on or before August 1, 2008 (the "Initial Closing Date"). At the Initial Closing:

i. SSA will enter into a ground lease with SERA for that portion of the Property commonly referred to by the parties as the C Parcels and described in the legal description attached hereto as Exhibit C ("C Parcels"), subject to the C-Parcels Easement (defined below). SERA shall ground lease such portions of the Property to SSA by entering into a Ground Lease Agreement with SSA and a Memorandum of Ground Lease is attached hereto as Exhibit Q.

ii. the County will purchase from SERA an easement across a portion of the C Parcels along the entire waterfront as more fully described on Exhibit C-1 (the "C Parcels Easement"), subject to conditions set forth herein; and

iii. the County will purchase from SERA an easement across Parcel B along the entire waterfront as more fully described on Exhibit C-2 (the "Parcel B Easement"), subject to the conditions set forth herein.

b. The "Second Closing" shall occur on the earlier of (i) that date which is six (6) months after the Initial Closing or (ii) fifteen (15) days after the date upon which the NJDEP provides written confirmation that all required remedial capping on that portion of the Property commonly referred to by the parties as Parcel A and described in the legal description attached hereto as Exhibit D ("Parcel A") has been completed (the "Second Closing Date").

i. At the Second Closing, SSA will purchase from SERA (A) an easement on Parcel A for the construction of an access road and turnaround ("Parcel A Easement"), as more fully described in Exhibit D hereto, and (B) the development rights to Parcel A, which development rights: (i) are described on Exhibit E hereto (the "Development Rights"); and (ii) shall be transferred by SSA to Parcel C and/or Parcel B pursuant to the Redevelopment Agreement or shall otherwise be preserved so as to accrue to the benefit of SSA for use in the redevelopment of the C Parcels and/or Parcel B. Also, at the Second Closing, the County will purchase from SERA Parcel A, and title to Parcel A shall be held by the County in its Open Space Inventory and shall be subject to the above-referenced easement as well as conservation easements to the other governmental entities that are assisting in the funding of the purchase of Parcel A hereunder as are required by those other government entities; and

ii. Within thirty (30) days of the Initial Closing Date, SSA will submit its application(s) for any and all permits necessary to allow SSA or SERA to cap Parcel A for remedial purposes. SSA or SERA will thereafter use its best efforts to obtain any and all such permits at the earliest possible date. SSA or SERA will use its best efforts to complete the capping of Parcel A to the satisfaction of the NJDEP at the earliest possible date, in no event later than that date which is six (6) months after the Initial Closing.

c. The "Third Closing" shall occur on or before October 15, 2010 (the "Third Closing Date"). At the Third Closing, SSA will enter into a ground lease with SERA for that portion of the Property commonly referred to by the parties as Parcel B and described in the legal description attached hereto as Exhibit F ("Parcel B"), subject to the easement referred to in Section 1.a.iii. above. SERA shall ground lease such portions of the Property to SSA by entering into a Ground Lease Agreement and a Memorandum of Ground Lease is attached hereto as Exhibit Q.

2. Compensation of the NL Companies and Repayment of the County Loan. The NL Companies hereby agree to accept Eighty-Two Million, Seven Hundred Fifty Thousand Dollars ($82,750,000) (the "Condemnation Price") and SSA's assumption of the Assumed Environmental Liabilities (as set forth in Section 5 of this Agreement) and SERA's agreement to be the lead remediator under the Memorandum of Understanding (as set forth in Section 9.a.v.(A) of this Agreement) in compensation for the Property. The Condemnation Price shall be paid to the NL Companies in installments as set forth below. Further, as set forth below, the County hereby agrees to accept Forty-Two Million, Three Hundred Thousand Dollars ($42,300,000), plus administrative fees and costs, plus interest accruing on or after January 1, 2008, in full repayment of the County Loan, and such amount shall be paid to the County in installments as set forth below. Notwithstanding the foregoing, to the extent that the administrative fees and costs and interest accruing on or after January 1, 2008 (collectively, the "SERA Payments") are not paid through the First Closing, Second Closing and/or Third Closing, SERA agrees that it shall remain solely liable to the County for the SERA Payments unless otherwise agreed in writing by the County. SERA agrees further that if any SERA Payments are due and owing by SERA to the County as of the Third Closing, SERA shall on or prior to the Third Closing either (i) pay such SERA Payments to the County in full or (ii) provide the County with substitute security reasonably satisfactory to the County to fully secure SERA's obligation to pay such SERA Payments to the County (the "Substitute Security").

The NL Companies, SERA and the County agree that immediately upon the parties' execution of this Agreement, the NL Companies and SERA shall execute a consent order in the form attached hereto as Exhibit G (the "Consent Order") and shall file the Consent Order with the Hon. Travis L. Francis, A.J.S.C. in the New Jersey Superior Court, Law Division, Middlesex County to petition the Court for immediate release of the Escrow Funds, together with all accrued interest thereon, to the Attorney Trust Account (the "Trust Account") maintained by Archer & Greiner, PC (the "Trustee"). The parties shall use their best efforts to expedite the release of the Escrow Funds to the Trust Account. At the Initial Closing or as soon thereafter as the Escrow Funds, together with all accrued interest thereon, are in the Trust Account, the Trustee shall disburse: (A) Twenty-Nine Million Dollars ($29,000,000) on behalf of SERA to the County, and the County agrees to accept such funds in partial repayment of the County Loan; (B) Four Million Five Hundred Fifty Thousand Dollars ($4,550,000) on behalf of SERA to the NL Companies as partial payment of the Condemnation Price; and (C) all of the accrued interest on the Escrow Funds to the NL Companies, and the parties expressly acknowledge and agree that such interest shall not be considered to be a payment by SERA toward the Condemnation Price and that the NL Companies are the only parties entitled to make a claim to such accrued interest. The NL Companies and the County agree and acknowledge that their receipt of funds under this paragraph is not a condition precedent to the Initial Closing.

a. Compensation Due at Initial Closing. At the Initial Closing:

i. SSA shall pay, on behalf of SERA, to the NL Companies the sum of Fifty Million Dollars ($50,000,000) in immediately-available, same-day funds via wire transfer as partial payment of the Condemnation Price (the "Initial Payment"); and

ii. Subject only to the County's receipt of the Easement Appraisal (as defined in Section 9.a.vii. below), at the Initial Closing, SERA shall receive from the County the sum of $3,000,000 representing consideration for the C Parcels Easement and the Parcel B Easement, and SERA shall cause said payment to be used for the purpose of a partial repayment of the County Loan by SERA.

b. Compensation Due at Second Closing. At the Second Closing:

i. SSA shall pay, on behalf of SERA, to the NL Companies the sum of Eight Million Dollars ($8,000,000) in immediately-available, same-day funds via wire transfer as partial payment of the Condemnation Price. In so doing, SSA will simultaneously acquire from SERA the Development Rights to Parcel A and the Parcel A Easement;

ii. Subject only to the County's receipt of the Parcel A Appraisal, SSA's delivery of written confirmation from the NJDEP that all

required remedial capping on Parcel A has been completed in accordance with applicable NJDEP rules and regulations and receipt of a No Further Action Letter or an equivalent document from the NJDEP with respect to Parcel A, at the Second Closing, SERA shall receive from the County the sum of $8,000,000 representing consideration for Parcel A, and SERA shall cause said payment to be used for the purpose of a partial repayment of the County Loan by SERA;

iii. SERA agrees that immediately upon the parties' execution of this Agreement, SERA shall: (A) file an application(s) with the NJDEP for a grant(s) in the amount of Five Million Dollars ($5,000,000) to fund the purchase of Parcel A; and (B) request from the Borough's Open Space Fund a grant in the amount of Eight Hundred Thousand Dollars ($800,000) to fund the purchase and preservation of Parcel A as open space. To the best of SERA's knowledge, the conditions required for the grant(s) from the NJDEP are the receipt of the Parcel A Appraisal (revised or updated to meet the NJDEP requirements), environmental clearance, and compliance with applicable NJDEP rules and regulations. To the best of SERA's knowledge, the conditions required for SERA to obtain a grant from the Borough's Open Space Fund are the receipt of the Parcel A Appraisal and Borough governing body approval. At the Second Closing, if the aforesaid grants are received, SERA shall pay to the NL Companies the sum of Five Million Eight Hundred Thousand Dollars ($5,800,000) in immediately-available, same-day funds via wire transfer as a partial payment of the Condemnation Price. A failure by SERA for any reason to pay the NL Companies the sum of Five Million Eight Hundred Thousand Dollars ($5,800,000) at the Second Closing shall be considered a Default pursuant to Section 12 of this Agreement, and shall be subject to the arbitration provisions set forth in Section 13 of this Agreement; and

iv. The NL Companies shall pay to SSA the sum of Two Million Dollars ($2,000,000), provided that: (A) SSA has delivered to the NL Companies, the County and SERA a No Further Action Letter or an equivalent document from the NJDEP with respect to Parcel A that all required remedial capping on Parcel A has been completed and (B) the NL Companies have received all payments due under this Agreement pursuant to Section 2.a above and this Section 2.b.; and (C) there has been no material breach or Default by any of the other parties hereunder which has not been cured within any applicable notice and cure period.

c. Compensation Due at Third Closing.

i. SSA shall pay to the NL Companies, on behalf of SERA, in immediately-available, same-day funds via wire transfer the final payment of the Condemnation Price (the "Final Payment"), which shall be Sixteen Million, Four Hundred Thousand Dollars ($16,400,000).

ii. SSA shall pay, on behalf of SERA, to the County the sum of Two Million, Three Hundred Thousand Dollars ($2,300,000) as the final payment by SSA of the County Loan; and

iii. SERA shall pay to the County the SERA Payments and, if applicable, provide the Substitute Security to the County and so long as SSA has complied with all payment obligations in this Section 2.c., the County shall nevertheless release the County Mortgage on Parcel B as more particularly set forth under Section 4.c. of this Agreement below.

3. Dismissal of Condemnation Action; Release of the NL Companies' Equitable Lien. The NL Companies agree to dismiss the Condemnation Action and to release their claimed equitable lien on the Property, in accordance with the following schedule:

a. Upon the NL Companies' receipt of the Consent Order executed and entered by the Court and the Initial Payment at the Initial Closing:

i. The NL Companies and SERA shall jointly act to dismiss the Condemnation Action by executing, and seeking judicial entry of, the Stipulation of Dismissal with Prejudice attached as Exhibit H to this Agreement;

ii. The NL Companies shall release their claimed equitable lien with respect to the C Parcels of the Property and the Parcel B Easement granted to the County by executing and delivering to SSA for recording the Release of Equitable Lien attached as Exhibit I to this Agreement;

iii. The NL Companies' remaining claimed equitable lien on Parcels A and B shall be in an amount not less than the aggregate amount the NL Companies are then owed under this Agreement, which amount the parties agree shall be considered unpaid compensation that the NL Companies are owed as a result of SERA's taking of the Property by eminent domain. The NL Companies will retain any and all rights and claims they may have as to Parcels A and B of the Property, and the parties expressly acknowledge and agree that, except as expressly set forth herein, the NL Companies do not waive, release or otherwise compromise any such rights, interests and/or liens in or to Parcels A and B of the Property, except for the Parcel B Easement granted to the County; and

iv. The NL Companies may deliver to the County Clerk of Middlesex County for recording, immediately following the Initial Closing, a notice in a form acceptable to the NL Companies that places any subsequent purchaser of Parcels A and B on notice of the NL Companies' claimed equitable lien on Parcels A and B. Notwithstanding the foregoing, the County and SERA do not acknowledge the validity of the NL Companies' claimed equitable lien.

b. Upon the NL Companies' receipt of all payments due the NL Companies at the Second Closing and the satisfaction or waiver of each condition to the Second Closing and provided that there has been no material breach or Default by any other party to this Agreement which has not been cured within any applicable notice and cure period:

i. The NL Companies shall release their claimed equitable lien with respect to Parcel A of the Property by executing and delivering to the County for recording the Release of Equitable Lien attached as Exhibit J to this Agreement; and

ii. The NL Companies' remaining claimed equitable lien on Parcel B shall be in an amount not less than the aggregate amount the NL Companies is then owed under this Agreement, which amount the parties agree shall be considered unpaid compensation that the NL Companies are owed as a result of SERA's taking of the Property by eminent domain. The NL Companies will retain any and all rights and claims they may have as to Parcel B of the Property, and the parties expressly acknowledge and agree that, except as expressly set forth herein, the NL Companies do not waive, release or otherwise compromise any such rights, interests and/or liens in or to Parcel B of the Property, except as to the Parcel B Easement granted to the County; and

iii. The NL Companies may deliver to the County Clerk of Middlesex County for recording, immediately following the Second Closing, a notice in a form acceptable to the NL Companies that places any subsequent purchaser of Parcel B on notice of the NL Companies' claimed equitable lien on Parcel B. Notwithstanding the foregoing, the County and SERA do not acknowledge the validity of the NL Companies' claimed equitable lien.

c. Upon the NL Companies' receipt of all payments due the NL Companies at the Third Closing and the satisfaction or waiver of each condition to the Third Closing and provided that there has been no material breach or Default by any other party to this Agreement which has not been cured within any applicable notice and cure period, the NL Companies shall release their claimed equitable lien with respect to Parcel B of the Property by

executing and delivering to SSA for recording the Release of Equitable Lien attached as Exhibit K to this Agreement, and, thereafter, the NL Companies shall no longer have any rights, interests, claims and/or liens in any part of the Property, except as otherwise provided in this Agreement.

4. Release of the County's Mortgage. The County shall release the County's Mortgage in accordance with the following schedule:

a. At the Initial Closing: (i) the Deed in Lieu of Foreclosure between SERA and the County shall be considered null and void and shall be destroyed, and (ii) the County shall release the County's Mortgage on the C Parcels by executing and delivering to SSA for recording a Release of Mortgage in the form attached as Exhibit L to this Agreement. Following the Initial Closing, the County's Mortgage on Parcels A and B shall be reduced by the amount of the County Loan repaid at the Initial Closing;

b. At the Second Closing, the County shall release the County's Mortgage on Parcel A by executing and delivering to SERA for recording a Release of Mortgage in the form attached as Exhibit L to this Agreement. Following the Second Closing, the County's Mortgage on Parcel B shall be reduced by the amount of the County Loan repaid at the Initial Closing and the Second Closing; and

c. At the Third Closing, the County shall release the County's Mortgage on Parcel B by executing and delivering to SSA for recording a Release of Mortgage in the form attached as Exhibit L to this Agreement. SERA shall continue to be liable for any SERA Payments owed by SERA to the County and, if applicable, SERA shall provide the County with the Substitute Security.

5. Responsibility for Environmental Liabilities.

a. Assumption by SSA of Certain Environmental Liabilities. At the Initial Closing, except for those liabilities specifically excluded pursuant to Section 5.b below, SSA shall assume all responsibility for any and all environmental investigation and remediation obligations, now existing or hereafter arising, required to be conducted, whether by the United States Environmental Protection Agency ("EPA"), the NJDEP or any other regulatory agency, for the entire Property, as well as operation and maintenance of the closed landfill and any remedial measures now existing or hereafter to be investigated and/or implemented on or relating to the Property and any Hazardous Substances currently in, on, or under the Property (the "Assumed Environmental Liabilities"). SSA shall conduct activities at the Property in furtherance of these obligations or as part of its redevelopment (i) in accordance with the requirements of New Jersey law and, to the extent applicable, federal law and (ii) so as to not exacerbate contamination present at the Property as of the Initial Closing. Subject to Section 5.b below, SSA expressly agrees that the term Assumed Environmental Liabilities shall mean and include but shall not be limited to: (A) any and all requirements under ISRA and the Administrative Consent Order, dated November 14, 1997, between the NL Companies and the NJDEP; (B) any and all requirements under the Memorandum of Understanding to be entered into between SERA and the NJDEP pursuant to Section 9.a.iii. of this Agreement; (C) any and all operation and/or maintenance obligations associated with the items in (A) or (B) above and/or associated with the closed landfill on the Property; (D) post November 9, 2007 oversight or response costs incurred by the NJDEP, EPA or a third-party relating to the Property; and (E) any and all costs and expenses of any kind or nature incurred or expended by SSA relating in any way to the Property prior to the Initial Closing (the "SSA Pre-Closing Environmental Costs"). SSA shall perform any and all environmental investigation and remediation required in connection with the Assumed Environmental Liabilities in accordance with NJDEP-approved workplans, the NJDEP's Technical Regulations and all other applicable government requirements. SSA shall retain its liability and responsibility, if any, for SSA Pre-Closing Environmental Costs, and SSA shall indemnify, defend, and hold the NL Companies and the County and their respective affiliates, partners, and lenders harmless from and against any and all expenses, fines, penalties claims, actions (administrative or otherwise), orders, damages, liabilities, costs and expenses, including but not limited to reasonable attorney's fees and expenses, whether pursued by private third-parties or by an agency of any government, that arise out of, or in any way result from the SSA Pre-Closing Environmental Costs. The parties expressly acknowledge and agree that nothing in this Agreement shall preclude SSA from challenging any determination by NJDEP or EPA as to the nature or extent of any Assumed Environmental Liabilities; provided that SSA shall not undertake any action that would result in the NL Companies becoming primarily responsible or primarily liable for any Assumed Environmental Liabilities.

b. Non-Assumption of Certain Environmental Liabilities. Notwithstanding the provisions of Section 5.a above, the term Assumed Environmental Liabilities shall not include, and SSA shall not assume any responsibility or liability for:

i. any claims or potential claims for natural resource damages ("NRDs") arising from or in any way relating to any past or current environmental harm to or Hazardous Substances currently or previously in, on, under, at, or that have migrated from the Property, including but not limited to NRDs relating to groundwater contamination in, at, under, or that has migrated from the Property (the "NRD Liabilities"). The parties expressly acknowledge and agree that nothing in this Agreement shall be deemed an admission by the NL Companies, or either of them, of any liability to EPA, NJDEP or any other regulatory agency for any NRD Liabilities, and no party hereto shall attempt to use this Agreement to establish such liability; and

ii. any environmental investigation and remediation required by EPA, NJDEP or any third-party relating to sediment contained in the Raritan River and/or the Tidal Wetlands on the Property, together with any NJDEP or EPA oversight costs relating thereto, and including any liability for NRDs associated therewith (the "Raritan River Liabilities"). For purposes of this Section 5.b., the term "Tidal Wetlands" shall mean and include only those areas which are depicted as such on the map attached hereto as Exhibit M. The NL Companies shall retain their liability and responsibility, if any, for any Raritan River Liabilities, and the NL Companies shall jointly and severally indemnify, defend and hold SSA, the County and SERA and their respective affiliates, partners, and lenders harmless from and against any and all expenses, fines, penalties claims, actions (administrative or otherwise), orders, damages, liabilities, costs and expenses, including but not limited to reasonable attorney's fees and expenses, whether pursued by private third-parties or by an agency of any government, that arise out of, or in any way result from any Raritan River Liabilities. If at any time, any remedial action is required for the Raritan River Liabilities, the NL Companies shall be the lead party for performance of such obligations. The parties expressly acknowledge and agree that nothing in this Agreement shall be deemed an admission by the NL Companies, or either of them, of any liability to EPA, NJDEP, any other regulatory agency or any private third-parties for any Raritan River Liabilities, and no party hereto shall attempt to use this Agreement to establish such liability. Notwithstanding the foregoing, if and to the extent that SSA, SERA or the County conduct any activities whatsoever, whether remedial, developmental or otherwise in any area of the Raritan River adjacent to or nearby the Property and/or the Tidal Wetlands, SSA, SERA or the County, as the case may be, shall be liable for, and the foregoing indemnity of the NL Companies shall not apply with respect to the party that actually performs the activities, to the extent of any costs and expenses: (A) incurred in performing such activities, including without limitation any costs or expenses associated with the dredging and disposal of contaminated sediments required in connection with such activities; and (B) related to any exacerbation of any hazardous condition in any area of the Raritan River and/or the Tidal Wetlands as a result of SSA's, SERA's or the County's performance of such activities (liabilities pursuant to Subsections (A) and (B) referred to herein collectively as "Exacerbation River Liabilities"). The parties hereby agree that SSA's, SERA's or the County's performance of any and all activities at the Property in compliance with all applicable laws (including, without limitation, the terms and conditions of any and all permits issued by the NJDEP) shall not constitute exacerbation of any hazardous condition in any area of the Property including the Raritan River and/or Tidal Wetlands; and

iii. any and all oversight or response costs incurred by NJDEP, EPA or a third-party relating to the Property prior to November 9, 2007, and any and all costs and expenses of any kind or nature incurred or expended by the NL Companies relating in any way to the Property prior to the Initial Closing (collectively, the "NL Pre-Closing Environmental Costs"). The NL Companies shall retain their liability and responsibility, if any, for NL Pre-Closing Environmental Costs, and the NL Companies shall jointly and severally indemnify, defend, and hold SSA, the County and SERA and their respective affiliates, partners, and lenders harmless from and against any and all expenses, fines, penalties claims, actions (administrative or otherwise), orders,

damages, liabilities, costs and expenses, including but not limited to reasonable attorney's fees and expenses, whether pursued by private third-parties or by an agency of any government, that arise out of, or in any way result from the NL Pre-Closing Environmental Costs. The parties expressly acknowledge and agree that nothing in this Agreement shall be deemed an admission by the NL Companies, or either of them, of any claimed liability to EPA, NJDEP, any other regulatory agency or any private third-parties for any NL Pre-Closing Environmental Costs, and no party hereto shall attempt to use this Agreement to establish such liability.

c. Indemnification by SSA. SSA agrees to indemnify, defend and hold harmless the NL Companies, SERA and the County from any and all claims, actions (administrative or otherwise), orders, penalties, damages, liabilities, costs and expenses, including but not limited to reasonable attorney's fees and expenses, whether pursued by private third-parties or by an agency of any government, that arise out of or in any way result from the Assumed Environmental Liabilities, including those that are alleged to have occurred because of the condition of the Property resulting from SSA's performance of or failure to perform the Assumed Environmental Liabilities or activities undertaken on the Property by SSA or its contractors, subcontractors, invitees or agents (including any exacerbation of existing contamination) ("Indemnified Claims"). Without limiting the generality of the foregoing, the term "Indemnified Claims" includes any claims, actions, orders, penalties, damages, liabilities, costs and expenses arising out of or resulting from SSA's actions or inactions with respect to: (i) after the Initial Closing, completing the investigation and remediation of the Assumed Environmental Liabilities; (ii) after the Initial Closing, operating and maintaining any remedial measure heretofore or hereafter implemented on the Property; or (iii) after the Initial Closing, operating and maintaining the closed landfill located on the Property. Without limiting the generality of the foregoing, SSA acknowledges and agrees that the indemnity set forth in this Section 5.c shall extend to any and all penalties, fines, fees, interest or other charges assessed by the NJDEP or any other federal, state or local government agency relating to the Assumed Environmental Liabilities, excluding NL Pre-Closing Environmental Costs. The parties expressly acknowledge and agree, however, that the term "Indemnified Claims" does not mean or include any liability associated with (i) NRD Liabilities; (ii) Raritan River Liabilities; (iii) NL Pre-Closing Environmental Costs; (iv) any and all claims for personal injury and/or property damage (including diminution in value with respect to property damage) resulting from Hazardous Substances on, migrating from or that have migrated from the Property and any and all consequential or indirect damages of any kind or nature related thereto. This indemnification also does not cover any claims or liabilities to the extent resulting from any negligence or willful misconduct (either through acts or omissions) of any of the Indemnified Parties occurring on or after the date of execution of this Agreement.

d. Default as to Assumed Environmental Liabilities.

i. In the event SSA defaults on its obligations to remediate at the Property those conditions that are Assumed Environmental Liabilities and, as a result, SERA removes SSA as the party performing the remediation at the Property, SERA shall select a certified contractor mutually acceptable to SERA and the NL Companies to complete any and all remaining environmental investigation and/or remediation obligations required in connection with the Assumed Environmental Liabilities. In that event, SERA shall have reasonable access to the Property to complete any and all investigation or remedial activities, and shall have the full benefit of and access to all remaining funds previously established by or on behalf of SSA as Financial Assurance (as defined in Section 9.a.iii. below for use in completing any and all of the environmental investigation and/or remediation obligations associated with the Assumed Environmental Liabilities (including, but not limited to, use of such funds as security for repayment of any EIT loan(s) or use of such funds to pay for investigation or remediation costs).

ii. In the event that SERA defaults on its obligations under its Memorandum of Understanding with the NJDEP and, as a result, the NJDEP removes SERA as the lead remediator at the Property, the parties agree that, as among the parties, the parties shall fully cooperate with the NL Companies in its efforts to be designated by NJDEP as the lead remediator of the Property. In the event NJDEP designates the NL Companies as the lead remediator of the Property, the NL Companies immediately shall regain sole control over any and all environmental investigation or remedial activities at the Property, shall be the lead remediator at the Property, shall have reasonable access to the Property to complete any and all investigation or remedial activities, and shall have the full benefit of and access to all remaining funds previously established by or on behalf of SSA as Financial Assurance (as defined in Section 9.a.iii. below for use in completing any and all of the environmental investigation and/or remediation obligations associated with the Assumed Environmental Liabilities (including, but not limited to, use of such funds as security for repayment of any EIT loan(s) or use of such funds to pay for investigation or remediation costs). NL's rights in the event of a default under this Section shall be in addition to any and all remedies that NL may have at law or in equity against SSA and SERA.

e. Reliance. The parties expressly acknowledge and agree that the NL Companies' willingness to enter into this Agreement and all other agreements and documents contemplated hereby to which the NL Companies are parties is expressly in reliance upon and is conditioned upon the promises made by SSA and SERA in this Section 5 and the promises made by the County in Section 5.d. above, that the NL Companies would not have entered into this Agreement but for these promises, and that such promises are part of the compensation that the NL Companies are receiving in exchange for the NL Companies' agreement to dismiss the Condemnation Action and release their equitable lien.

f. Assignment of Environmental Permits. At or after the Initial Closing, the NL Companies will assign, to the extent assignable by law and to the extent requested by SSA, any and all permits currently held by the NL Companies that are necessary for SSA's performance of the Assumed Environmental Liabilities (the "Environmental Permits"), a list of which is attached hereto as Exhibit N. SSA shall assume all responsibility under the Environmental Permits. SSA shall, to the extent assignable by law, if requested by SERA, assign any Environmental Permit to SERA in the event that SSA is removed by SERA as the lead remediator pursuant to Section 5.d.i. above. SERA shall, to the extent assignable by law, if requested by the NL Companies, assign any Environmental Permit to the NL Companies in the event that SERA is removed by the NJDEP as the lead remediator pursuant to Section 5.d.ii. above and the NL Companies is designated by NJDEP as the lead remediator of the Property.

6. Availability of Funds. SSA represents and warrants to each of parties that it has obtained firm loan commitments in the amount of $110,000,000, which commitments together with SSA's capital contribution are sufficient to fund the acquisition and pre-development of the C Parcels, the acquisition of the Parcel A Development Rights and Parcel A Easement and the completion of the Assumed Environmental Liabilities up to Twenty Million Dollars ($20,000,000). SSA shall promptly provide notice to the parties to this Agreement if SSA receives any default notice from its lender(s) and shall further advise the parties of the remedial actions taken by SSA to cure any such default.

7. Releases and Covenants Not to Sue.

a. Release and Covenant Not to Sue by SSA.

i. Except for the Raritan River Liabilities, which release shall not be effective until such time as the NL Companies have satisfied any obligations that they may have with respect thereto, the following release shall be effective for each Parcel when both of the following conditions have been satisfied for such Parcel: (1) completion of the applicable closing, and (2) written confirmation from the NJDEP in one or more letters, that no further action is required with respect to all Assumed Environmental Liabilities relating to such parcel (the "SSA Release"): except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto, including but not limited to the Raritan River Liabilities and the NL Pre-Closing Environmental Costs, SSA, for itself and its heirs, assigns, executors, administrators and successors, hereby acknowledges full and complete satisfaction of and releases and forever discharges the NL Companies, SERA and the County, their respective successors in interest and successors in title (excluding SSA and its successors in interest and successors in title), their respective past, present and future assigns, and all of their respective

employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, of and from any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that SSA may have in the past, now has, or may in the future have arising in relation the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, SSA releases any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by SSA: (A) to investigate or remediate environmental contamination on or emanating from the Property, (B) to perform operation and maintenance of any remedial measure heretofore or hereafter implemented on the Property, (C) to perform operation and maintenance of the closed landfill on the Property, or (D) to evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property.

ii. Prior to the effective date of the SSA Release in accordance with subsection 7.a.i. above, and except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto, including but not limited to the Raritan River Liabilities and the NL Pre-Closing Environmental Costs, SSA, for itself and its heirs, assigns, executors, administrators and successors, hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature against the NL Companies, SERA and the County, their respective successors in interest, successors in title, their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, for or relating to any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that SSA may have in the past, now has, or may in the future have arising in relation the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, SSA covenants not, and not to cause or encourage any third party, to sue or take any administrative or judicial action of any kind or nature for or relating to any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by SSA: (A) to investigate or remediate environmental contamination on or emanating from the Property, (B) to perform operation and maintenance of any remedial measure heretofore or hereafter implemented on the Property, (C) to perform operation and maintenance of the closed landfill on the Property, or (D) to evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property.

b. Release and Covenant Not to Sue by SERA.

i. The following release shall be effective for each Parcel when both of the following conditions have been satisfied for such Parcel: (1) completion of the applicable closing and (2) written confirmation from the NJDEP in one or more letters, that no further action is required with respect to all Assumed Environmental Liabilities relating to such Parcel (the "SERA Release"): except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto, and the indemnity set forth in Section 5.c. of this Agreement, SERA, for itself and its heirs, assigns, executors, administrators and successors, hereby acknowledges full and complete satisfaction of and releases and forever discharges the NL Companies, SSA and the County, their respective successors in interest and successors in title (excluding SERA and its successors in interest and successors in title except for SSA and its successors in interest and successors in title), their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, of and from any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that SERA may have in the past, now has, or may in the future have arising in relation the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, SERA releases any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by SERA: (A) to investigate or remediate environmental contamination on or emanating from the Property, (B) to perform operation and maintenance of any remedial measure heretofore or hereafter implemented on the Property, (C) to perform operation and maintenance of the closed landfill on the Property, or (D) to evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property. Notwithstanding anything to the contrary above, SERA does not release any cost recovery or contribution claims it may have against the NL Companies relating to any work performed at the Property funded with HDSRF grants or EIT loans.

ii. Prior to the effective date of the SERA Release in accordance with Section 7.b.i. above, and except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto, and the indemnity set forth in Section 5.c. of this Agreement, SERA, for itself and its heirs, assigns, executors, administrators and successors, hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature against the NL Companies, SSA and the County, their respective successors in interest, successors in title, their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, for or relating to any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that SERA may have in the past, now has, or may in the future have arising in relation the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, SERA hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature for or relating to any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by SERA: (A) to investigate or remediate environmental contamination on or emanating from the Property, (B) to perform operation and maintenance of any remedial measure heretofore or hereafter implemented on the Property, (C) to perform operation and maintenance of the closed landfill on the Property, or (D) to evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property. Notwithstanding the foregoing, SERA does not covenant not to sue or take administrative or judicial action for or relating to any claims, demands, actions, rights, losses, expenses, fees, costs, liabilities or causes of action that SERA may have, following a Default under this Agreement that leads to the non-occurrence of the Second and/or Third Closing, related to the activities listed in (A) through (D) of the immediately preceding sentence. Notwithstanding anything to the contrary above, SERA does not covenant not to sue the NL Companies for cost recovery or contribution relating to any work performed at the Property funded with HDSRF grants or EIT loans.

c. Release by the County.

i. The following release shall be effective for each Parcel when both of the following conditions have been satisfied for such Parcel: (1) completion of the applicable closing and (2) written confirmation from the NJDEP in one or more letters, that no further action is required with respect to all Assumed Environmental Liabilities relating to such Parcel (the "County Release"): except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto and the indemnity set forth in Section 5.c. of this Agreement, the County, for itself and its heirs, assigns, executors, administrators and successors, hereby acknowledges full and complete satisfaction of and releases and forever discharges the NL Companies and SSA, their respective successors in interest and successors in title (excluding the County and its successors in interest and successors in title), their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, of and from any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown,

suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that the County may have in the past, now has, or may in the future have arising in relation the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, the County releases any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by the County: (A) to investigate or remediate environmental contamination on or emanating from the Property, (B) to perform operation and maintenance of any remedial measure implemented on the Property, (C) to perform operation and maintenance of the closed landfill on the Property, or (D) to evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property.

ii. Prior to the effective date of the County Release in accordance with Section 7.c.i. above, and except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto and the indemnity set forth in Section 5.c. of this Agreement, the County, for itself and its heirs, assigns, executors, administrators and successors, hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature against the NL Companies and SSA, their respective successors in interest, successors in title, their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, for or relating to any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that the County may have in the past, now has, or may in the future have arising in relation the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, the County hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature for or relating to any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by the County: (A) to investigate or remediate environmental contamination on or emanating from the Property, (B) to perform operation and maintenance of any remedial measure implemented on the Property, (C) to perform operation and maintenance of the closed landfill on the Property, or (D) to evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property. Notwithstanding the foregoing, the County does not covenant not to sue or take administrative or judicial action for or relating to any claims, demands, actions, rights, losses, expenses, fees, costs, liabilities or causes of action that the County may have, in the event that the County acquires title to any portion of the Property following a Default under this Agreement that leads to the non-occurrence of the Second and/or Third Closing: (Y) related to the activities listed in (A) through (D) of the immediately preceding sentence; or (Z) related to the validity, priority or enforcement of its mortgage with respect to the Property.

d. Release by the NL Companies.

i. The following release shall be effective for each Parcel when both of the following conditions have been satisfied for such Parcel: (1) completion of the applicable closing and (2) written confirmation from the NJDEP in one or more letters, that no further action is required with respect to all Assumed Environmental Liabilities relating to such Parcel (the "NL Companies Release"): except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto, including but not limited to the indemnity set forth in Section 5.c. of this Agreement and the SSA Pre-Closing Environmental Costs, the NL Companies, each for itself and its heirs, assigns, executors, administrators and successors, hereby acknowledge full and complete satisfaction of and releases and forever discharges SERA, the County and SSA, their respective successors in interest and successors in title, their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, of and from any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that the NL Companies may have in the past, now have, or may in the future have arising in relation to the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, each of the NL Companies release any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by the NL Companies to: (A) investigate or remediate environmental contamination on or emanating from the Property, (B) perform operation and maintenance of any remedial measure implemented on the Property, (C) perform operation and maintenance of the closed landfill on the Property, or (D) evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property, including but not limited to NRD Liabilities, Raritan River Liabilities, NL Pre-Closing Environmental Costs. Notwithstanding the foregoing, the NL Companies do not release any claims, demands, actions, rights, losses, expenses, fees, costs, liabilities or causes of action that the NL Companies may have against SERA arising in relation to actions or inactions by SERA with respect to the Property after title to the Property vested in SERA.

ii. Prior to the effective date of the NL Companies Release in accordance with Section 7.d.i. above, and except for any claims relating to a party's failure to satisfy any of its obligations set forth in this Agreement or an Exhibit hereto, including but not limited to the indemnity set forth in Section 5.c. of this Agreement and the SSA Pre-Closing Environmental Costs, the NL Companies, each for itself and its heirs, assigns, executors, administrators and successors, hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature against SERA, the County and SSA, their respective successors in interest, successors in title, their respective past, present and future assigns, and all of their respective employees, officers, tenants, predecessors, directors, agents, shareholders, fiduciaries, representatives, attorneys, engineers, insurers' divisions, subsidiaries and affiliates, for and relating to any and all claims, demands, actions, rights, losses, expenses, fees, costs, liabilities and causes of action, of every kind and character, whether asserted or unasserted, whether known or unknown, suspected or unsuspected, in law or in equity, for or by reason of any matter, cause or thing whatsoever, that the NL Companies may have in the past, now have, or may in the future have arising in relation to the Property. Without limiting the generality of the foregoing and subject to the exceptions provided above, each of the NL Companies hereby covenants not, and not to cause or encourage any third party, to sue or take any judicial or administrative action of any kind or nature for or relating to any and all claims and causes of action that it has or may in the future have (including, but not limited to, claims for cost recovery, contribution or unjust enrichment) related to any costs or expenses incurred by the NL Companies to: (A) investigate or remediate environmental contamination on or emanating from the Property, (B) perform operation and maintenance of any remedial measure implemented on the Property, (C) perform operation and maintenance of the closed landfill on the Property, or (D) evaluate, dispute or resolve claims or potential claims for injury to natural resources alleged to have been caused by Hazardous Substances on the Property or emanating from the Property, including but not limited to NRD Liabilities, Raritan River Liabilities and NL Pre-Closing Environmental Costs. Notwithstanding the foregoing, the NL Companies do not covenant not to sue or take administrative or judicial action for or relating to any claims, demands, actions, rights, losses, expenses, fees, costs, liabilities or causes of action that the NL Companies may have: (X) against SERA arising in relation to actions or inactions by SERA with respect to the Property after title to the Property vested in SERA; or (Y) against SERA or the County with respect to the NL Companies' claimed equitable lien. Notwithstanding the foregoing, the NL Companies do not covenant not to sue or take administrative or judicial action for or relating to any claims, demands, actions, rights, losses, expenses, fees, costs, liabilities or causes of action that the NL Companies may have: (X) against SERA arising in relation to actions or inactions by SERA with respect to the Property after title to the Property vested in SERA; or, following a Default under this Agreement that leads to the non-occurrence of the Second and/or Third Closing: (Y) related to the activities listed in (A) through (D) above in this Subsection; or (Z) related to the validity, priority or enforcement of the NL Companies' claimed equitable lien with respect to the Property.

8. Representations, Warranties, and Covenants.

a. Representations and Warranties of SSA. SSA hereby represents and warrants to the NL Companies, SERA and the County as follows:

i. Organization; Qualification. SSA is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and authorized to transact business in the State of New Jersey and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted.

ii. Authority Relative to this Agreement. SSA has full corporate power and authority to execute and deliver this Agreement and all other agreements and documents contemplated hereby or executed in connection herewith to which it is a party (this Agreement and such other agreements and documents referred to collectively as the "Transaction Documents") and to consummate the transactions contemplated thereby. The execution and delivery of the Transaction Documents, and the consummation of the transactions contemplated thereby, have been duly and validly authorized by the partners of SSA, and no other corporate proceedings of SSA are necessary to authorize the Transaction Documents or to consummate the transactions contemplated thereby. The Transaction Documents have been duly and validly executed and delivered by SSA, and each of such agreements constitutes a valid and binding agreement of SSA, enforceable against SSA in accordance with its terms.

iii. Consents and Approvals; No Violation. Neither the execution and delivery of the Transaction Documents nor the consummation or performance of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(A) contravene, conflict with, or result in a violation of (i) the organizational documents of SSA, or (ii) any resolution adopted by the partners of SSA;

(B) contravene, or conflict with, or result in a violation of any federal, state, local, municipal, foreign, international, multinational, or other order, constitution, law, rule, ordinance, permit, principle of common law, regulation, statute, or treaty (each, a "Legal Requirement") to which the SSA may be subject;

(C) contravene, or conflict with, or result in a violation of any of the terms or requirements of, or give any governmental agency the right to revoke, withdraw, suspend, cancel, terminate, or materially modify any permit, approval, consent, authorization, license, variance, or permission required by a governmental agency under any Legal Requirement (each, a "Permit") that is material and is held by SSA; or

(D) contravene, conflict with, or result in a violation or breach of any provision of, or give any person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, or to receive any additional consideration under any material contract or material Permit of SSA.

iv. Availability of Funds. SSA has the loan commitments described in Section 6 of this Agreement.

b. Representations, Warranties and Covenants of SERA. SERA hereby represents and warrants to the NL Companies, SSA and the County as follows:

i. Organization; Qualification. SERA is a municipal redevelopment agency established by the Borough of Sayreville pursuant to the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1, et seq. and is duly organized, validly existing and in good standing under the laws of the State of New Jersey and has all requisite power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted.

ii. Authority Relative to this Agreement. SERA has full power and authority to execute and deliver the Transaction Documents and to consummate the transactions contemplated thereby. The execution and delivery of the Transaction Documents, and the consummation of the transactions contemplated thereby, have been duly and validly authorized by the Board of Commissioners of SERA, and no other proceedings on the part of SERA are necessary to authorize the Transaction Documents or to consummate the transactions contemplated thereby. The Transaction Documents have been duly and validly executed and delivered by SERA and each of such agreements constitutes a valid and binding agreement of SERA, enforceable against SERA in accordance with its terms.

iii. Consents and Approvals; No Violation. Neither the execution and delivery of the Transaction Documents nor the consummation or performance of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(A) contravene, conflict with, or result in a violation of (i) the organizational documents of SERA, or (ii) any resolution adopted by the Board of Commissioners of SERA;

(B) contravene, or conflict with, or result in a violation of any Legal Requirement to which SERA may be subject;

(C) contravene, or conflict with, or result in a violation of any of the terms or requirements of, or give any governmental agency the right to revoke, withdraw, suspend, cancel, terminate, or materially modify any Permit that is material and is held by SERA; or

(D) contravene, conflict with, or result in a violation or breach of any provision of, or give any person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, or to receive any additional consideration under any material contract or material Permit of SERA.

iv. Disclosure of Environmental Information. To the best of SERA's actual knowledge, information and belief, SERA has disclosed to SSA any and all environmental information or data in any way relating to the Property in SERA's possession, custody, or control, whether written or unwritten, including but not limited to: (1) the presence or former presence of any Hazardous Substances, environmental contamination or remediation of soil, groundwater, wetlands, sediments, or the Raritan River; (2) any permitting information relating to the Property, including but not limited to existing permits, as well as evaluations and assessments for securing permits; and (3) any communications with environmental non-profit organizations or community organizations relating to the Property.

v. State Grants and Loans. In accordance with its obligations under the Redevelopment Agreement, SERA hereby covenants and agrees to use its best efforts to apply for and secure any and all available state grants and loans to pay for the performance of the Assumed Environmental Liabilities.

c. Representations and Warranties of the County. The County hereby represents and warrants to the NL Companies, SERA and SSA as follows:

i. Organization; Qualification. The County is a body politic and corporate duly organized, validly existing and in good standing under the laws of the State of New Jersey and has all requisite power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted.

ii. Authority Relative to this Agreement. The County has full power and authority to execute and deliver the Transaction Documents and to consummate the transactions contemplated thereby. The execution and delivery of the Transaction Documents, and the consummation of the transactions contemplated thereby, have been duly and validly authorized by the Board of Chosen Freeholders of the County, and no other proceedings on the part of the County are necessary to authorize the Transaction Documents or to consummate the transactions contemplated thereby. The Transaction Documents have been duly and validly executed and delivered by the County and each of such agreements constitutes a valid and binding agreement of the County, enforceable against the County in accordance with its terms.

iii. Consents and Approvals; No Violation. Neither the execution and delivery of the Transaction Documents nor the consummation or performance of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(A) contravene, conflict with, or result in a violation of (i) the organizational documents of the County, or (ii) any resolution adopted by the Board of Chosen Freeholders of the County;

(B) contravene, or conflict with, or result in a violation of any Legal Requirement to which the County may be subject;

(C) contravene, or conflict with, or result in a violation of any of the terms or requirements of, or give any governmental agency the right to revoke, withdraw, suspend, cancel, terminate, or materially modify any Permit that is material and is held by the County; or

(D) contravene, conflict with, or result in a violation or breach of any provision of, or give any person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, or to receive any additional consideration under any material contract or material Permit of the County.

d. Representations, Warranties and Covenant of NL Companies. Each of the NL Companies hereby represents and warrants to SSA, SERA and the County as follows:

i. Organization; Qualification. Such NL Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey and has all requisite power and authority to own, lease, and operate its properties and to carry on its business as is now being conducted.

ii. Authority Relative to this Agreement. Such NL Company has full power and authority to execute and deliver the Transaction Documents and to consummate the transactions contemplated thereby. The execution and delivery of the Transaction Documents, and the consummation of the transactions contemplated thereby, have been duly and validly authorized in accordance with such NL Company's organizational documents, and no other proceedings on the part of the Company are necessary to authorize the Transaction Documents or to consummate the transactions contemplated thereby. The Transaction Documents have been duly and validly executed and delivered by such NL Company and each of such agreements constitutes a valid and binding agreement of the NL Company, enforceable against the NL Company in accordance with its terms.

iii. Consents and Approvals; No Violation. Except for the Environmental Permits, neither the execution and delivery of the Transaction Documents nor the consummation or performance of the transactions contemplated thereby will, directly or indirectly (with or without notice or lapse of time):

(A) contravene, conflict with, or result in a violation of (i) the organizational documents of such NL Company, or (ii) any resolution adopted by the Board of Directors of such NL Company;

(B) contravene, or conflict with, or result in a violation of any Legal Requirement to which such NL Company may be subject;

(C) contravene, or conflict with, or result in a violation of any of the terms or requirements of, or give any governmental agency the right to revoke, withdraw, suspend, cancel, terminate, or materially modify any Permit that is material and is held by such NL Company; or

(D) contravene, conflict with, or result in a violation or breach of any provision of, or give any person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate, or modify, or to receive any additional consideration under any material contract or material Permit of such NL Company.

iv. Disclosure of Environmental Information. The NL Companies covenant that prior to the Initial Closing, the NL Companies shall make available to SSA all environmental information, reports and data relating to the Property that currently is in the possession of Environmental Resources Management except to the extent that the NL Companies deem such information or data to be subject to attorney-client privilege or the work product doctrine, and subject to the conditions that any and all such information will be made available "AS IS" and without warranty of any type or nature, including without limitation, any warranty of accuracy or fitness for a particular purpose and that any and all warranties related to such information are hereby expressly disclaimed.

v. Environmental Permits. To the best of the NL Companies' actual knowledge, information and belief: (1) the NL Companies are presently not in violation of any term or condition of any Environmental Permits; (2) the NL Companies has not received any written or verbal notice from the NJDEP, any other agency, or a third party alleging that the NL Companies are in violation of any term or condition of any Environmental Permit; and (3) there are no actual, pending, or threatened claims by the NJDEP, any other agency, or a third-party relating to any alleged violation of any Environmental Permit.

9. Conditions Precedent.

a. Conditions to Obligations of the Parties at the Initial Closing. All obligations of the parties at the Initial Closing hereunder are subject to the fulfillment of each of the following conditions on or prior to the date specified in each such condition, any one or more of which may be waived in writing by the party or parties for whose benefit the condition is imposed:

i. Representations and Warranties. The representations and warranties of SSA, SERA, the NL Companies and the County in this Agreement shall be true and complete in all material respects (with the exception of the representations and warranties which have been previously qualified by materiality which shall be true and correct) at and as of the Initial Closing Date as though such representations and warranties were made at and as of such time.

ii. Redevelopment Agreement and Ground Lease Agreement. On or by the Initial Closing, SSA and SERA shall enter into the

Redevelopment Agreement and the Ground Lease Agreement.

iii. Financial Assurance.

(A) On or by the Initial Closing, SSA shall enter into a Four-Party Remediation Security Agreement (the "Financial Assurance Agreement"), in substantially the form attached to this Agreement as Exhibit O, with SERA, the NL Companies and Bank of America, N.A., to provide a remediation funding source in the amount of Twenty Million Dollars ($20,000,000) relating to the Assumed Environmental Liabilities (the "Financial Assurance"), including the costs associated with the remediation of contaminated freshwater wetlands at the Site. After entering the Financial Assurance Agreement, SSA shall have no further obligation to replenish or contribute to the Financial Assurance. The Financial Assurance shall be used either to pay for environmental investigation or remediation or to secure repayment of any EIT loan(s) obtained by SERA relating to the Assumed Environmental Liabilities ("Eligible Uses"), and the Financial Assurance Agreement shall provide that all requests by SSA for the release of funds to pay for Eligible Uses shall be accompanied with a joint written approval by SERA and the NL Companies. SSA covenants and agrees that, prior to making a request for reimbursement under the Financial Assurance Agreement, SSA shall first utilize any state grant funds, EIT loans, or other public grants which have been received by SERA to perform remediation at the Property and are available to SSA.

(B) If at any time SSA determines that the estimated cost of the remaining remedial activities to satisfy the Assumed Environmental Liabilities ("Remaining Estimated Costs") are less than the funds remaining in the Financial Assurance Agreement, SSA may submit a request for a release of funds from the Financial Assurance Agreement so that the remaining funds held under the Financial Assurance Agreement will equal the Remaining Estimated Costs. Such a request by SSA shall be accompanied with a certification and supporting documentation from SSA's environmental consultant, and the requested funds shall be released to SSA provided that SERA and the NL Companies approve in writing such a request. In the event that SERA and/or the NL Companies disagrees with such a request by SSA, such disagreeing party shall provide SSA with written notice within thirty (30) days of SSA's request, and, within five (5) days of such written disagreement notice, SSA, SERA and the NL Companies shall meet in a good faith effort to resolve any disagreement between the parties. If SERA and the NL Companies fail to disapprove of SSA's request within such thirty (30) day period, SSA shall deliver written notice to SERA and the NL Companies of such failure. If SERA and the NL Companies shall then fail to deliver a written disapproval notice within ten (10) days of such SSA notice, SSA request for reimbursement shall be deemed to be approved by SERA and the NL Companies.

(C) The Financial Assurance Agreement shall also provide that (1) in the event of a default by SSA that leads to SERA's removal of SSA as the party performing the remediation for the Assumed Environmental Liabilities, SERA shall have the full benefit of and access to any funds remaining in the Financial Assurance for use in completing any and all of the environmental investigation and/or remediation obligations associated with the Assumed Environmental Liabilities (including, but not limited to, use of such funds as security for repayment of any EIT loan(s) or use of such funds to pay for investigation or remediation costs); and (2) in the event of a default by SERA that leads to the NJDEP's removal of SERA as the lead remediator and the NL Companies are designated by NJDEP as the lead remediator of the Property, the NL Companies shall have the full benefit of and access to any funds remaining in the Financial Assurance for use in completing any and all of the environmental investigation and/or remediation obligations associated with the Assumed Environmental Liabilities.

(D) Subject to SSA's ability to reduce the amount of Financial Assurance in accordance with the terms of this Section 9.a.iii., SSA's obligation to maintain the Financial Assurance shall not terminate until both of the following conditions have been satisfied: (1) written confirmation from the NJDEP, in one or more letters, that no further action is required with respect to all Assumed Environmental Liabilities; and (2) the Financial Assurance no longer is required to secure repayment of any EIT loan(s). In the event that the above conditions described in this subsection have been satisfied with the exception of the ongoing obligation by SSA to operate and maintain any engineering and institutional controls utilized at the Property (the "O&M Obligations"), SSA, SERA and the NL Companies shall mutually agree, which agreement shall not be unreasonably conditioned, denied or delayed, on the estimated cost of the O&M Obligations (the "O&M Cost Estimate"), and any funds remaining in the Financial Assurance in excess of the O&M Cost Estimate shall be released to SSA.

iv. Intentionally Omitted.

v. NJDEP Matters.

(A) Memorandum of Understanding.

(1) On or by the Initial Closing, SERA shall enter into a Memorandum of Understanding with the NJDEP in a form reasonably acceptable to the NL Companies and SSA, pursuant to which SERA shall be the lead party for performance of all Assumed Environmental Liabilities relating to the Property. SERA shall furnish the NL Companies, SSA and the County with a copy of the fully-executed Memorandum of Understanding between SERA and the NJDEP.

(2) In accordance with the terms of Section 5 of this Agreement, SSA hereby agrees to perform any and all of SERA's obligations under the Memorandum of Understanding.

(B) NRD Liabilities Release. On or by the Initial Closing, the NJDEP shall have resolved any claims it may have for any and all NRD Liabilities by entering into a settlement agreement with the NL Companies and SSA pursuant to which the NL Companies and SSA shall receive a release with respect to the NRD Liabilities.

(C) Brownfield Development Area Designation. On or by the Initial Closing, SERA shall have applied for, and the NJDEP shall have granted SERA's application for, designation of the Property as a Brownfield Development Area.

(D) HDSRF/EIT Release. On or by the Initial Closing, the NJDEP shall have entered into a settlement agreement with the NL Companies and SSA in a form reasonably acceptable to the NL Companies and SSA, pursuant to which the NJDEP shall release the NL Companies, and to the extent applicable, SSA, from any claims or liabilities relating to any HDSRF grant funds or EIT loan(s) provided to SERA in connection with the Property.

(E) Consent Order. On or by the Initial Closing, the NJDEP will enter an administrative consent order or orders with SSA, in a form reasonably acceptable to the NL Companies, pursuant to which the NJDEP shall unconditionally covenant not to sue SSA, and its respective affiliates, partners, successors (including successors in title), assigns and tenants (collectively the "Released Parties") for any and all claims or liability that the NJDEP has or may have against the Released Parties relating to the Raritan River Liabilities; provided, however, that such consent order(s) may not provide SSA with any contribution protection or release of liability for any Exacerbation River Liabilities.

(F) HDSRF Grant Application/Covenant of Best Efforts. On or by the Initial Closing, SERA shall have submitted the necessary application(s) to receive HDSRF grants funds. SERA covenants that it shall use its best efforts to submit the necessary application(s) to receive EIT loan funds as expeditiously as possible, and to continue to pursue the HDSRF grant and EIT loan applications (including submitting all necessary supporting documents and information) so as to secure the grants and loans as expeditiously as possible.

vi. Environmental Insurance. On or by the Initial Closing, SSA shall, at its sole cost and expense, obtain and maintain one or more environmental insurance policies to be issued by AIG, XL or Chubb in substantially the same form as the form attached hereto as Exhibit P, with a minimum term of ten (10) years, with aggregate limits of not less than $20 Million, and a self-insured retention of not more than $250,000, to cover: (i) any and all third-party claims for bodily injury and property damage (excluding NRD Liabilities) relating to known environmental conditions at the Property; and (ii) any and all claims for bodily injury, property damage, or remediation liability associated with unknown environmental conditions at the Property, including but not limited to all necessary operation and maintenance related to such unknown environmental conditions, if any. The NL Companies, SERA and the County shall be named as additional insureds on each such policy. Without limiting the generality thereof and notwithstanding anything to the contrary reflected in Exhibit P, each such policy shall: (i) make clear that the insured vs. insured exclusion will not apply as among the parties to this Agreement; (ii) contain a waiver of subrogation in favor of the NL Companies, SERA and the County; (iii) be non-cancellable, except in the event of non-payment of premium and provide for notice to the NL Companies in such event; (iv) contain an endorsement that the policy is intended to be primary coverage; and (v) be subject to a final review and approval by the NL Companies, which approval shall not be unreasonably withheld, conditioned or delayed. Notwithstanding anything to the contrary above, the NL Companies shall not be named as an additional insured with respect to any coverage provided for NRD Liabilities and Raritan River Liabilities. A certificate for each such policy evidencing the coverage provided thereunder and that the NL Companies, the County and SERA have been named as additional insureds shall be provided to the NL Companies, the County and SERA. Assurance of payment of the premiums for such policies shall be provided as follows:

(A) At the Initial Closing, SSA shall provide evidence of payment in full of the premiums for each policy for its full term; or

(B) If SSA elects to pay the premiums over time, then at the Initial Closing, SSA shall provide evidence of payment in full of the premiums for each policy for the first year of coverage, and shall provide a letter of credit for the remaining balance of the premiums.

vii. Appraisals. On or by the Initial Closing, the County shall have obtained appraisals establishing a fair market value (A) of at least Three Million Dollars ($3,000,000) for the C Parcels Easement and the Parcel B Easement (the "Easement Appraisal") and (B) of at least Thirteen Million Eight Hundred Thousand Dollars ($13,800,000) for the fee interest in Parcel A (the "Parcel A Appraisal") (collectively, the Easement Appraisal and the Parcel A Appraisal, the "Appraisals") and the Parcel A Appraisal may be revised or updated to meet the NJDEP requirements. The County shall select an appraiser of its choice to perform the Easement Appraisal. With respect to the Parcel A Appraisal, promptly following the execution and delivery of this Agreement, the County shall promptly select an appraiser to perform the Parcel A Appraisal from the NJDEP approved list for open space acquisitions and, thereafter, diligently pursue completion thereof.

viii. Court Consent Order. On or by the Initial Closing, the Court shall have executed the Consent Order and delivered a copy thereof to the NL Companies.

b. Conditions to Obligations of the Parties at the Second Closing. All obligations of the parties at the Second Closing hereunder are subject to the fulfillment prior to or at the Second Closing Date of each of the following conditions, any one or more of which may be waived in writing by the party or parties for whose benefit the condition is imposed.

i. Completion of Initial Closing. All conditions prerequisite to the Initial Closing shall have been satisfied and the Initial Closing shall have been completed.

ii. Representations and Warranties. The representations and warranties of SSA, SERA, the NL Companies and the County in this Agreement shall be true and complete in all material respects (with the exception of the representations and warranties which have been previously qualified by materiality which shall be true and correct) at and as of the Second Closing Date as though such representations and warranties were made at and as of such time.

iii. Capping of Parcel A. SSA shall have delivered to SERA, the NL Companies and the County a No Further Action Letter or equivalent document from the NJDEP that all required capping on Parcel A has been completed.

c. Conditions to Obligations of the Parties at the Third Closing. All obligations of the parties at the Third Closing hereunder are subject to the fulfillment prior to or at the Third Closing Date of each of the following conditions, any one or more of which may be waived in writing by the party or parties for whose benefit the condition is imposed.

i. Completion of Initial and Second Closings. All conditions prerequisite to the Initial and Second Closings shall have been satisfied and the Initial and Second Closings shall have been completed.

ii. Representations and Warranties. The representations and warranties of SSA, SERA, the County and the NL Companies in this Agreement shall be true and complete in all material respects (with the exception of the representations and warranties which have been previously qualified by materiality which shall be true and correct) at and as of the Third Closing Date as though such representations and warranties were made at and as of such time.

d. Best Efforts to Satisfy Closing Conditions. The parties shall use their best efforts to satisfy all conditions to each closing and shall take all such actions, expend such sums and incur such costs as may be reasonable and appropriate in order to accomplish the transactions contemplated hereby.

10. Closings.

a. Subject to the satisfaction or, to the extent permissible by law, waiver (in writing, by the party or parties designated with respect to specific conditions as identified in Section 11.a.i. below) on or before the Initial Closing Date, the Second Closing Date or the Third Closing Date, as the case may be, of the conditions described in the applicable subsection of Section 9 hereof, the parties hereto shall be obligated to consummate the transactions contemplated pursuant to the applicable subsections of Sections 1 and 2 hereof. The parties shall use their best efforts to cause the Initial Closing to take place at 10 a.m. prevailing Eastern Time at the offices of SERA's counsel on the Initial Closing Date or such other location, date and time as the parties shall mutually agree, provided, however, that in no event shall the Initial Closing Date be later than August 1, 2008.

b. Nothing contained in this Section 10 shall limit a party's right to terminate this Agreement under Section 11.

11. Termination.

a. Termination Rights. The Agreement may be terminated with prior written notice by the terminating party to the other parties, as follows:

i. Prior to the Initial Closing, provided that the applicable party has complied with the provisions of Section 9.d. above, by (A) SSA if the following conditions have not been satisfied (through no fault or other action or omission taken by or under the control of SSA) or waived in writing by SSA by the Initial Closing: subsections 9.a.i. through 9.a.iv, 9.a.v.(A)-(F), 9.a.vi., or 9.a.vii.; (B) by the NL Companies if the conditions subsection 9.a. have not been satisfied (through no fault or other action or omission taken by or under the control of the NL Companies) or waived in writing by the NL Companies by the Initial Closing; and (C) by the County or SERA if the following conditions have not been satisfied (through no fault or omission taken by or under the control of the County or SERA) or waived by the County or SERA by the Initial Closing: subsections 9.a.i. through 9.a.iii, 9.a.v.(A), 9.a.v.(B), 9.a.v.(C), 9.a.vi., 9.a.vii., or 9.a.viii.

ii. After the Initial Closing, by any party, if a Default has occurred and has not been timely cured.

b. SSA's Failure to Consummate Initial Closing. If: (1) all parties other than SSA have satisfied all of their respective conditions precedent to closing set forth in Section 9 of this Agreement and SSA fails to consummate the Initial Closing on the Initial Closing Date for any reason other than (i) a termination by SSA under 11.a.i. above; (ii) the bankruptcy or insolvency of SSA's lender(s) or (iii) the rescission or withdrawal of the financial commitments of SSA's lender(s); or (2) the Initial Closing does not occur on the Initial Closing Date and SSA has breached its obligations pursuant to Section 9.d. above and all other parties have satisfied their obligations under Section 9.d. above (items (1) and (2) hereof each referred to as a "SSA Consummation Breach"), then:

i. the NL Companies shall be entitled to receive from SSA, for the NL Companies' damages as a result of such breach, a liquidated damages payment in the amount of Five Hundred Thousand Dollars; and

ii. Except for the provisions of this Section 11.b. which shall remain in full force and effect, this Agreement shall automatically terminate and become null and void and none of the parties to this Agreement shall have any further obligations or liabilities.

c. Consequences of Termination.

i. Upon a termination: under Section 11.a.i. above, this Agreement shall become null and void and none of the parties to this Agreement shall have any further obligations or liabilities under this Agreement.

ii. Upon a termination under Section 11.a.ii. above, the non-defaulting parties shall each have the rights and remedies available to each of them under Section 13 below. In such event, any provisions of this Agreement which survive termination shall only survive with respect to the Parcels which have been conveyed to SSA, with the exception of the NL Companies' obligations under Section 5, and the parties' rights and obligations under Sections 7, 8, 13 and 15 of this Agreement, which shall survive the termination of this Agreement with respect to the entire Property.

12. Events of Default. The following events shall constitute an event of default under this Agreement (a "Default"):

a. SSA fails to comply with any provision of this Agreement and such failure continues for more than fifteen (15) days from SSA's receipt of written notice or such longer period of time reasonably required to cure such failure;

b. Any party fails to comply with any of its obligations under this Agreement and such failure continues for more than fifteen (15) days from the defaulting party's receipt of written notice or such longer period of time reasonably required to cure such failure; or

c. Any material representation and warranty set forth in Section 8.a is untrue as of the date it was made or becomes untrue at any time between the execution and delivery of the Transaction Documents and the completion of the Third Closing.

d. SSA is removed as the lead remediator of the Property by SERA.

e. The NJDEP terminates its Memorandum of Understanding with SERA and removes SERA as the lead remediator of the Property.

13. Remedy for Default Causing Failure of Second and/or Third Closing. In the event of a Default after the Initial Closing that results in the non-occurrence of the Second and/or Third Closing, the then-unpaid portion of the Condemnation Price shall be adjusted in accordance with this Section 13, and such adjusted remaining Condemnation Price shall become immediately due and payable to the NL Companies by SERA as follows:

a. The NL Companies and SERA shall participate in a binding arbitration before a panel of three neutral arbitrators to determine the value of Parcel A and/or Parcel B, as the case may be.

i. The NL Companies and SERA each shall select one arbitrator. The arbitrators selected by those parties shall, within ten (10) days of their appointment, select a third arbitrator. In the event that they are unable to do so, the parties shall request that the Hon. Robert A. Longhi, J.S.C. (retired) or some other mutually agreed third party select the third arbitrator. Prior to the commencement of hearings, each of the arbitrators shall provide an oath or undertaking of impartiality.

ii. The arbitration shall occur and be concluded within 120 days after receipt by the parties of notice that the Second or Third Closing, as the case may be, will not occur.

iii. The arbitration shall be conducted in accordance with the provisions of N.J.S.A. 20:3-12(c)-(f) governing hearings of condemnation commissioners appointed pursuant to the Eminent Domain Act of 1971.

iv. For purposes of the arbitration, the portion of the Property being valued shall be valued "as if remediated" in accordance with Housing Authority of New Brunswick v. Suydam Investors, LLC, 177 N.J. 2 (2003), with a valuation date of July 1, 2002, and in accordance with the Court's "Order Denying Application of the Project Enhancement Rule" dated May 31, 2005.

v. The arbitrators' award shall be rendered within ten (10) days after the conclusion of the arbitration hearings.

vi. The results of the arbitration shall be final, binding and not appealable.

vii. A judgment on the award of the arbitrators may be entered in any court having jurisdiction.

viii. The NL Companies and SERA shall each pay 50% of the arbitrators' fees and costs.

ix. The NL Companies and SERA each shall bear their own costs with respect to the arbitration.

b. At the conclusion of the arbitration, an award shall be entered setting the amount owed to the NL Companies by SERA as the greater of (i) the value of Parcel A and/or Parcel B, as the case may be, as determined by the arbitrators, or (ii) the total amount of compensation that was to be paid to the NL Companies for Parcel A and/or Parcel B, as the case may be, pursuant to Section(s) 2.b and/or 2.c above. The parties agree that the amount of the arbitration award shall be considered unpaid compensation that the NL Companies are owed as a result of SERA's taking of the Property by eminent domain.

c. SERA shall pay to the NL Companies in immediately-available, same-day funds via wire transfer the amount owed by SERA as specified in the arbitrators' award within thirty (30) days following issuance of the arbitrators' award. If, on the 30th day after issuance of the arbitrators' award, SERA has not made full payment to the NL Companies, interest shall begin to accrue at the prevailing post-judgment interest rate established by the Superior Court of New Jersey, continuing until SERA has made full payment to the NL Companies, including payment of all accrued interest.

d. The County shall remain entitled to payment from SERA for the remaining unpaid balance of the County Loan, including all accrued interest, administrative fees and costs, and the County shall have all rights and remedies available at law or in equity with respect to such debt.

e. Upon their respective receipt from SERA of full payment of the amounts owed pursuant to this Section 13, the NL Companies shall release the NL Companies' claimed equitable lien on the Property and the County shall release the County's Mortgage.

14. Survival of Representations, Warranties and Agreements. Subject to subsection 11.b., each term and condition of this Agreement, together with the applicable representations and warranties contained herein, shall survive the execution of this Agreement and each Closing Date until the completion of each respective term and condition along with the applicable representations and warranties.

15. Cooperation. The parties hereby acknowledge and agree that the utmost cooperation of each of the parties to this Agreement is fundamental to the resolution of all of the outstanding issues among the parties. The parties shall utilize good faith best efforts to cooperate with the other parties in the performance of their respective obligations under this Agreement, which obligations shall survive all of the Closings hereunder and shall continue in effect until such time as all parties' obligations under this Agreement have been fully satisfied in all respects. The NL Companies, SERA and the County's cooperation obligations hereunder shall include, without limitation: (i) with respect to SERA and the County only, granting SSA full and unfettered access to the C Parcels, Parcel A and Parcel B for the performance of investigatory and/or remedial activities; (ii) responding to reasonable written requests by SSA and its agents for environmental information, reports or data relating to the Property, to the extent available and subject to the conditions that any and all such information would be provided "AS IS" and without warranty of any type or nature, including without limitation, any warranty of accuracy, or fitness for a particular purpose and that any and all warranties related to such information are hereby expressly disclaimed; (iii) granting SSA direct access to the parties' consultants, including, but not limited to Environmental Resources Management and Cabrera Services, subject to the approval of the NL Companies, which approval shall not be unreasonably withheld, conditioned or delayed; and (iv) with respect to SERA and the County only, waiving any and all conflicts, and requesting that the parties' consultants waive any and all conflicts, relating to SSA's retention of a party's consultant relating to the Property; provided that, SSA's retention of a party's consultant shall be at SSA's sole cost and expense.

16. Notices. All notices, demands or other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when delivered personally to the recipient, (b) when sent to the recipient by telecopy (receipt electronically confirmed by sender's telecopy machine) if during normal business hours of the recipient, otherwise on the next Business Day, or (c) one Business Day after the date when sent to the recipient by reputable same or next day courier service (charges prepaid). Such notices, demands and other communications shall be sent to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the NL Companies:
NL Industries, Inc. and/or
NL Environmental Management Services, Inc.
5430 LBJ Freeway, Suite 1700
Dallas, TX 75240
Attention: General Counsel
Telecopy No.: (972) 450-1444

With a copy to:
Christopher R. Gibson, Esq.
Archer & Greiner, P.C.
One Centennial Square
Haddonfield, NJ 08033
Telecopy No.: (856) 795-0574

If to SSA:
Sayreville Seaport Associates, L.P.
2701 Renaissance Boulevard, 4th Floor
King of Prussia, PA 19444
Attention: Richard Heany, President
Telecopy No.: (610) 337-5599

With a copy to:
Macartney, Mitchell & Campbell, LLC
2701 Renaissance Boulevard, 4th Floor
King of Prussia, PA 19444
Attention: Sean E. Mitchell, Esquire
Telecopy No.: (215) 754-4217

If to SERA:
Sayreville Economic and Redevelopment Agency
167 Main Street
Sayreville, NJ 08872
Attention: Executive Director
Telecopy No.: (732) 390-2922

With a copy to:
Hoagland, Longo, Moran, Dunst & Doukas, LLP

40 Paterson Street
New Brunswick, NJ 08903
Attention: Michael J. Baker, Esquire
Telecopy No.: (732) 545-4579

If to the County:
Middlesex County Administration Building, 2nd Floor
John F. Kennedy Square, P.O. Box 871
New Brunswick, NJ 08901
Attention: County Counsel
Telecopy No.: (732) 745-4539

With a copy to:
Wilentz, Goldman & Spitzer, P.A.
90 Woodbridge Center Drive
Woodbridge, NJ 07095
Attention: John A. Hoffman, Esquire
Telecopy No.: (732) 855-6177

17. Publicity. Except as required by applicable law, no party to this Agreement nor any of their respective affiliates shall issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated hereunder without the prior consultation and consent of the other parties.

18. Equitable Relief. Each party acknowledges and agrees that any breach or threatened breach of this Agreement is likely to cause the other party irreparable harm for which money damages may not be an appropriate or sufficient remedy. Each party therefore agrees that a non-breaching party is entitled to receive injunctive or other equitable relief to remedy or prevent any breach or threatened breach of this Agreement. Such remedy is not the exclusive remedy for any breach or threatened breach of this Agreement, but is in addition to all other rights and remedies available at law or in equity. Notwithstanding the foregoing, in no event shall any party under this Agreement have any equitable right against SSA to compel SSA to consummate the Initial Closing, the Second Closing or the Third Closing.

19. No Waiver. No forbearance, failure or delay in exercising any right, power or privilege is waiver thereof, nor does any single or partial exercise thereof preclude any other or future exercise thereof, or the exercise of any other right, power or privilege.

20. Severability. If and to the extent any provision of this Agreement is held invalid or unenforceable at law, such provision will be deemed stricken from the Agreement and the remainder of the Agreement will continue in effect and be valid and enforceable to the fullest extent permitted by law.

21. Binding Agreement; No Assignment. This Agreement is binding upon and inures to the benefit of the parties and their heirs, executors, legal and personal representatives, successors and assigns, as the case may be. No party shall assign this Agreement or its obligations hereunder by operation or law or otherwise without the prior written consent of all of the remaining parties.

22. Governing Law and Venue. This Agreement shall be deemed executed in the State of New Jersey, and is to be governed under and construed by New Jersey law, without regard to its choice of law provisions. The parties agree that jurisdiction and venue for any action to enforce this Agreement are properly in the applicable federal or state court for New Jersey.

23. Attorneys Fees. If any party employs attorneys to enforce against any other party any rights arising out of or relating to this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs.

24. Warranty as to Authority. Each party represents and warrants that to the extent necessary, this Agreement has been duly and validly authorized and approved by all requisite corporate or other official action, that no further action is necessary to make this Agreement valid and binding on that party, and that the party representative who signs this Agreement is authorized to bind that party through his or her signature below.

25. Entire Agreement, Counterparts. This Agreement is the entire agreement between the parties hereunder and may not be modified or amended except by a written instrument signed by all of the parties. Each party has read this Agreement, understands it and agrees to be bound by its terms and conditions. There are no understandings or representations with respect to the subject matter hereof, express or implied, that are not stated herein. This Agreement may be executed in counterparts, and signatures exchanged by facsimile are effective for all purposes hereunder to the same extent as original signatures.

26. Headings. The descriptive headings of the sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

27. Time of the Essence. Time shall be of the essence with respect to all dates and deadlines for performance under this Agreement.

28. Agreement is Controlling. In the event that any provision of the Redevelopment Agreement, the Sale Agreement, any Exhibit to this Agreement or any other Transaction Document is inconsistent with the provisions of this Agreement, this Agreement shall be controlling.

[Signature page follows.]

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

NL INDUSTRIES, INC.

By:
Name: /s/ Robert D. Graham
Title: Vice President and General Counsel

NL ENVIRONMENTAL MANAGEMENT SERVICES, INC.

By:
Name: /s/ Robert D. Graham
Title: President

SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY

By:
Name: /s/ Raniero Travisano
Title: Chairman SERA

SAYREVILLE SEAPORT ASSOCIATES, L.P.

By: Sayreville Seaport Associates Acquisition Company, LLC, its General Partner

By:
Name: /s/ Richard Heany
Title: President

COUNTY OF MIDDLESEX

By:
Name: /s/ Stephen J. Dalina
Title: Deputy Director Board of Chosen Freeholders

EXHIBIT A
MEMORANDUM OF REDEVELOPMENT AGREEMENT
Attached.

EXHIBIT A
MEMORANDUM OF REDEVELOPMENT AGREEMENT

This is a Memorandum of Redevelopment Agreement being made as of March, 2008 between SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY ("SERA"), a public body corporate and politic, organized and existing under the laws of the State of New Jersey, acting in the capacity of redevelopment entity pursuant to the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. (the "LRHL") having an address 161 Main Street, Sayreville, New Jersey 08872, and SAYREVILLE SEAPORT ASSOCIATES, L.P., a Delaware limited partnership ("SSA"), having offices at 2701 Renaissance Boulevard, 4th Floor, King of Prussia, PA 19406.

NOW, THEREFORE, for good and valuable consideration, it is agreed as of the date set forth above by and between SERA and SSA, as follows:

1. Property. SERA is the fee simple owner of certain parcels of real property, commonly known as the NL Industries, Inc. site and designated as Parcel A [as described on Exhibit A attached to this Memorandum] ("Parcel A"), Parcel B [as described on Exhibit B attached to this Memorandum] ("Parcel B"), and C2, C1-7, C1-6, C1-5, C1-4, C1-3, C1-2, C1-1, C3-1 and C3-2 [as described on Exhibit C attached to this Memorandum) [and Parcels C2, C-7, CI-6, C1-5, C1-4, C1-3, C1-2, C1-1, C3-1 and C3- 2 are sometimes hereafter referred to as "Parcel C"] situated within the Sayreville Waterfront Redevelopment Area (the "SWRA"), consisting of approximately 425 +/acres of land located in the Borough of Sayreville ("Borough"), Middlesex County, New Jersey, as shown on Borough tax map (collectively, the "Property).

2. Redevelopment Agreement. SERA and SSA have entered into a certain Redevelopment Agreement of even date herewith for the redevelopment of the Property (the "Redevelopment Agreement"), which Redevelopment Agreement sets forth all of the terms, covenants, conditions, representations and agreements of the parties.

3. Proposed Redevelopment Project. The proposed redevelopment project for the Property is a mixed use development consisting of residential, retail and commercial office uses, along with associated public amenities more particularly set forth in the Redevelopment Agreement.

4. Phasing of Redevelopment Project. Pursuant to the Redevelopment Agreement, the redevelopment of the Property is contemplated to be performed in phases as follows:

(a) After the initial closing scheduled for May 1, 2008, the redevelopment of the C Parcels is contemplated to be performed in phases and may consist of any combination of the uses set forth in Paragraph 3 above; and

(b) After the second closing scheduled for December 1, 2008, Parcel A will be preserved for open space and recreational purposes; and

(c) After third and final closing scheduled for October 15, 2010, the redevelopment of Parcel B is contemplated to be performed in phases and may consist of any combination of the uses set forth in Paragraph 3 above.

5. Compliance with LRHL. The Redevelopment Agreement contains covenants which SSA is obligated to comply with, including, but not limited to, each of the covenants set forth in N.J.S.A. 40A:12A-9.

6. Purpose. This Memorandum is executed for the purpose of giving notice of the existence of the Redevelopment Agreement and the terms thereof. Reference is made to the Redevelopment Agreement for the full description of the rights and duties of SERA and SSA, and this Memorandum shall in no way affect or modify any of the terms and conditions of the Redevelopment Agreement, all of which remain in full force and effect, or the interpretation of rights and duties of the SERA and SSA. A complete copy of the Redevelopment Agreement will be kept on file with the Secretary of the Sayreville Economic and Redevelopment Agency located at Borough Hall, 167 Main Street, Sayreville, New Jersey 08872.

IN WITNESS WHEREOF, each party has caused this Memorandum to he duly executed on its respective behalf as of the day and year first above written.

WITNESS:

SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY

By:
Ranieri Travisano, Chairman

SAYREVILLE SEAPORT ASSOCIATES, L.P

By: Sayreville Seaport Associates Acquisition Company, LLC, its General Partner

By:
Richard Heany, President

ACKNOWLEDGMENTS

STATE OF NEW JERSEY, COUNTY OF SS:

I CERTIFY that on March , 2008, Richard Heany, President of Sayreville Seaport Associates, L.P., personally came before me and stated to my satisfaction that this person (or if more than one, each person):

(a) Was the maker of the annexed instrument; and,
(b) Executed this instrument as his/her own act duly authorized by the represented entity.

STATE OF NEW JERSEY, COUNTY OF MIDDLESEX SS:

I CERTIFY that on March , 2008, Ranieri Travisano, Chairman of the Sayreville Economic and Redevelopment Agency, personally came before me and stated to my satisfaction that this person (or if more than one, each person):

(a) Was the maker of the annexed instrument; and,

(b) Executed this instrument as his/her own act duly authorized by the represented entity.

{00035555;}

EXHIBIT A
[Attach Parcel A Legal Description]

Includes professional description of property performed by CME Associates for the periods October 2004 revised April 2008 for Parcel A.

{00035555;}

EXHIBIT B
[Attach Parcel B Legal Description]

Includes professional description of property performed by CME Associates for the periods October 2004 revised April 2008 for Parcel B.

EXHIBIT C
[Attach C Parcels Legal Description]

Includes professional description of property performed by CME Associates for the period December 2007 for Parcel C.

EXHIBIT B
MEMORANDUM OF PURCHASE AND SALE AGREEMENT
Attached.

EXHIBIT B
MEMORANDUM OF PURCHASE AND SALE AGREEMENT

This is a Memorandum of Purchase and Sale Agreement being made as of March 2008 between SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY ("Seller"), a public body corporate and politic, organized and existing under the laws of the State of New Jersey, acting in the capacity of redevelopment entity pursuant to the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. (the "LRHL") having an address 161 Main Street, Sayreville, New Jersey 08872, and SAYREVILLE SEAPORT ASSOCIATES, L.P., a Delaware limited partnership ("Purchaser"), having offices at 2701 Renaissance Boulevard, 4th Floor, King of Prussia, PA 19406.

1. Property. Seller is the fee simple owner of certain parcels of real property, commonly known as the NL Industries, Inc. site and designated as Parcels A ("Parcel A"), Parcels B ("Parcel B"), and C2, C1-7, C1-6, C1-5, C1-4, CI-3, C1-2, C1-1, C3-1 and C3-2 (and Parcels C2, C-7, C1-6, C1-5, C1-4, C1-3, C1-2, CI-1, C3-1 and C3-2 are sometimes hereafter referred to as the "C Parcels") situated within the Sayreville Waterfront Redevelopment Area (the "SWRA"), consisting of approximately 425 +1- acres of land located in the Borough of Sayreville ("Borough"), Middlesex County, New Jersey, as shown on Borough tax map (collectively, the "Property).

2. Agreement. Seller and Purchaser will enter into an Agreement of Sale ("Agreement") for the purchase the Property.

3. Settlement. Pursuant to the Agreement, title to the Property is contemplated to close ("Settlement") based on the following schedule:

a. The "Initial Closing" shall occur on or before May 1, 2008 (the "Initial Closing Date"). At the Initial Closing, Purchase will purchase from Seller that portion of the Property commonly referred to by the parties as the C Parcels, which C Parcels are more particularly described on Exhibit A attached hereto, subject to conditions set forth in the Settlement Agreement and Release.

b. The "Second Closing" shall occur on or before December 1, 2008 (the "Second Closing Date"). At the Second Closing, Purchaser will purchase from Seller the development rights to that portion of the Property commonly referred to by the parties as Parcel A, which Parcel A is more particularly described on Exhibit B attached hereto and which, subject to the conditions set forth in the Settlement Agreement and Release, shall be transferred by Purchaser to Parcel C and/or Parcel B or shall otherwise be preserved so as to accrue to the benefit of Purchaser for use in the redevelopment of the C Parcels and Parcel B.

c. The "Third Closing" shall occur on or before October 15, 2010 (the "Third Closing Date"). At the Third Closing, Purchaser will purchase from Seller that portion of the Property commonly referred to by the parties as Parcel B, which Parcel B is more particularly described on Exhibit C attached hereto, subject to conditions set forth in the Settlement Agreement and Release.

4. Public Notice: Further Information - This Memorandum gives public notice of the impending purchase under the Agreement. This Memorandum inures to the benefit of and binds the respective successors and assigns of Seller and Purchaser. Parties seeking further information as to status or otherwise are directed to communicate with: Michael J. Baker, Esq., Hoagland, Longo, Moran, Dunst & Doukas, LLP, Attorneys for Seller, 40 Paterson Street, New Brunswick, New Jersey 08901.

IN WITNESS WHEREOF, each party has caused this Memorandum to be duly executed on its respective behalf as of the day and year first above written.

WITNESS: SELLER:

SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY

By:
Ranieri Travisano, Chairman

PURCHASER:

SAYREVILLE SEAPORT ASSOCIATES, L.P

By:
Richard Heany, President

ACKNOWLEDGMENTS

STATE OF NEW JERSEY, COUNTY OF SS:

I CERTIFY that on March _____, 2008, Richard Heany, President of Sayreville Seaport Associates, L.P., personally came before me and stated to my satisfaction that this person (or if more than one, each person):

(a) Was the maker of the annexed instrument; and,
(b) Executed this instrument as his/her own act duly authorized by the represented entity.

STATE OF NEW JERSEY, COUNTY OF MIDDLESEX SS:

I CERTIFY that on March _____, 2008, Ranieri Travisano, Chairman of the Sayreville Economic and Redevelopment Agency, personally came before me and stated to my satisfaction that this person (or if more than one, each person):

(a) Was the maker of the annexed instrument; and,
(b) Executed this instrument as his/her own act duly authorized by the represented entity.

EXHIBIT A
[Attach Parcel C Legal Description]

Includes professional description of property performed by CME Associates for the period December 2007 for Parcel C.

{00035555;}

EXHIBIT B
[Attach Parcel A Legal Description]

Includes professional description of property performed by CME Associates for the period October 18, 2004 revised April 2, 2008 for Parcel A.

EXHIBIT C
[Attach B Parcels Legal Description]

Includes professional description of property performed by CME Associates for the period October 2004 revised April 2008 for Parcel B.

EXHIBIT C-1, C-2
DESCRIPTION OF B AND C PARCELS EASEMENT
Attached.

Includes professional description of proposed 50-foot wide public access easement along with an aerial photograph of entire waterfront.

EXHIBIT C
C PARCELS LEGAL DESCRIPTION
Attached.

Includes professional description of property performed by CME Associates for the period December 2007 for Parcel C.

EXHIBIT D
PARCEL A LEGAL DESCRIPTION
Attached

Includes professional description of property performed by CME Associates for the period October 18, 2004 revised April 2, 2008 for Parcel A.

EXHIBIT E
DESCRIPTION OF PARCEL A DEVELOPMENT RIGHTS
Attached

EXHIBIT E
DESCRIPTION OF PARCEL A DEVELOPMENT RIGHTS

The Sayreville Waterfront Redevelopment Plan, adopted by ordinance of the Borough Sayreville on or about January 1999, as same may have been or may be amended from time to time, sets forth the permitted uses for the development of Parcel A. Those development rights may be transferred to Parcel B and/or Parcel C, or may be otherwise preserved so as to accrue to the benefit of the Redeveloper for use in the redevelopment of Parcel B and/or Parcel C, (a) provided that the Second Closing occurs, and (b) subject to any applicable conditions set forth in the Settlement Agreement and Release, and Purchase and Sale Agreement.

EXHIBIT F
PARCEL B LEGAL DESCRIPTION
Attached.

Includes professional description of property performed by CME Associates for the period October 2004 revised April 2008 for Parcel B.

EXHIBIT G

NL INDUSTRIES, INC., Plaintiff, vs. SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY, Defendant.	SUPERIOR COURT OF NEW JERSEY LAW DIVISION MIDDLESEX COUNTY DOCKET NO. L-6018-02 Civil Action
SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY, Plaintiff, vs. NL INDUSTRIES, INC., et al., Defendants.	DOCKET NO. L-6130-02 (Consolidated Actions)

CONSENT ORDER FOR WITHDRAWAL OF DEPOSIT

THIS MATTER having been opened to the Court upon the joint application of the condemnees NL Industries, Inc. and NL Environmental Management Services, Inc. (collectively "NL") by their attorneys, Archer & Greiner, P.C., and the condemnor Sayreville Economic and Redevelopment Agency ("SERA") by its attorneys, Hoagland, Longo, Moran, Dunst & Doukas, LLP, for an Order directing payment of $33,550,000 (Thirty-Three Million Five Hundred Fifty Thousand Dollars), together with all interest accrued thereon, currently held on deposit with the Clerk of the Superior Court, to Archer & Greiner, P.C., to be held in trust for NL; and the aforesaid parties having executed an agreement for the settlement of the above-captioned actions that provides for the release of the above-described funds; and the Court having considered the joint request for entry of this Consent Order; and all other parties whose interests SERA originally alleged in its Verified Complaint to be taking having previously been voluntarily dismissed from these consolidated actions; and good cause having been shown;

IT IS, on this _____ day of _____, 2008, **AGREED AND ORDERED** as follows:

1. Pursuant to N.J.S.A. 20:3-23, the Clerk of the Superior Court of New Jersey is hereby authorized and directed to pay the sum of $33,550,000.00, together with all interest accrued thereon, out of the money deposited by SERA with the Clerk of the Superior Court in connection with these consolidated actions to Archer & Greiner, P.C. to be held in trust for NL and distributed in accordance with the terms of the parties' settlement agreement.

2. In the event that the parties' settlement agreement is terminated prior to distribution of the funds paid to Archer & Greiner, P.C. pursuant to Paragraph 1 of this Consent Order, NL shall within fifteen (15) days of termination of the parties' settlement agreement redeposit with the Clerk of the Superior Court of New Jersey the sum of $33,550,000.00, which SERA previously deposited into Court as estimated just compensation in connection with these consolidated actions pursuant to N.J.S.A. 20:3-18 and this Court's Order for Payment Into Court and for Possession entered on March 23, 2005.

3. Counsel for NL shall serve a copy of this Consent Order upon counsel for SERA within _____ days of its entry.

, J.S.C.

Verified as to amount on deposit
with the Clerk of the Superior Court

The undersigned hereby consent
to the form and entry of this Order.

Christopher R. Gibson, Esquire
Archer & Greiner, P.C.
Attorneys for NL Industries, Inc. and NL Environmental Management Services, Inc.

Dated:

Michael J. Baker, Esquire
Hoagland, Longo, Moran, Dunst & Doukas, LLP
Attorneys for Sayreville Economic and Redevelopment Agency

Dated:

3202946v1

EXHIBIT H

NL INDUSTRIES, INC.,

Plaintiff,

vs.

SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY,

Defendant.

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION
MIDDLESEX COUNTY
DOCKET NO. L-6018-02

Civil Action

SAYREVILLE ECONOMIC AND REDEVELOPMENT AGENCY,

Plaintiff,

vs.

NL INDUSTRIES, INC., et al.,

Defendants.

DOCKET NO. L-6130-02

(Consolidated Actions)

STIPULATION OF DISMISSAL WITH PREJUDICE

IT IS HEREBY STIPULATED AND AGREED by and between the undersigned that all claims asserted by or against Sayreville Economic and Redevelopment Agency, NL Industries, Inc., and NL Environmental Management Services, Inc. in the above-captioned consolidated actions are dismissed with prejudice. Each side agrees to bear its own attorney fees and costs associated with this matter.

Christopher R. Gibson, Esquire
Archer & Greiner, P.C.
Attorneys for NL Industries, Inc. and NL Environmental Management Services, Inc.

Dated:

Michael J. Baker, Esquire
Hoagland, Longo, Moran, Dunst & Doukas, LLP
Attorneys for Sayreville Economic and Redevelopment Agency

Dated:

3020627v1

EXHIBIT I

DISCHARGE OF EQUITABLE LIEN

An Equitable Lien arose by operation of law, and in accordance with the Eminent Domain Act of 1971 ("Eminent Domain Act"), N.J.S.A. 20:3-1, et seq., by virtue of the taking through eminent domain of certain real property in the Borough of Sayreville, Middlesex County, New Jersey designated on Exhibit A attached hereto (the "Property"). The Property was owned by NL Industries, Inc. and/or NL Environmental Management Services, Inc. (collectively "NL") until its taking through eminent domain by the Sayreville Economic and Redevelopment Agency pursuant to an action filed in July 2002 in the Superior Court of New Jersey, Law Division, Middlesex County under docket number L-6130-02.

The Equitable Lien arose and attached to the Property to secure payment to NL of just compensation owed to NL pursuant to the Eminent Domain Act, the Fifth Amendment of the United States Constitution, and Article I, Paragraph 20 of the New Jersey Constitution as a result of the taking of the Property. Notices of Lis Pendens relating to the Equitable Lien were recorded by the Middlesex County Clerk on August 8, 2002 in Book # 31 at Page 47, on April 26, 2007 in Book #35 at Page 112, and on December 19, 2007 in Book #35 at Page 604.

The Equitable Lien with respect to the Property has been PAID IN FULL or otherwise SATISFIED and DISCHARGED. It may now be discharged of record. This means that the Equitable Lien with respect to the Property is now canceled and void.

The undersigned each sign and CERTIFY to this Discharge of Equitable Lien on September 25, 2008.

Witnessed or Attested by:

_____

NL INDUSTRIES, INC.

By: _____(Seal)
Name: _____
Title: _____

NL ENVIRONMENTAL MANAGEMENT SERVICES, INC.

_____

By: _____(Seal)
Name: _____
Title: _____

STATE OF TEXAS, COUNTY OF DALLAS :s.s.

I CERTIFY that on , 2009, before me the undersigned witnessing authority, personally appeared _____, who is the _____ of NL INDUSTRIES, INC., who I am satisfied is the person who signed the within instrument, and he/she acknowledged that he/she signed, sealed and delivered the same as such officer aforesaid, and that the within instrument is the voluntary act and deed of such corporation.

_____
Print Name:_____
Title:_____
Commission Expires:_____

STATE OF TEXAS, COUNTY OF DALLAS :s.s.

I CERTIFY that on , 2009, before me the undersigned witnessing authority, personally appeared _____, who is the _____ of NL ENVIRONMENTAL MANAGEMENT SERVICES, INC., who I am satisfied is the person who signed the within instrument, and he/she acknowledged that he/she signed, sealed and delivered the same as such officer aforesaid, and that the within instrument is the voluntary act and deed of such corporation.

_____
Print Name:_____
Title:_____
Commission Expires:_____

3562920v1

EXHIBIT A
(Attach Parcel A Legal Description)

Includes professional description of property performed by CME Associates for the period of October 2004 revised April 2008 for Parcel C.

EXHIBIT J

DISCHARGE OF EQUITABLE LIEN

An Equitable Lien arose by operation of law, and in accordance with the Eminent Domain Act of 1971 ("Eminent Domain Act"), N.J.S.A. 20:3-1, et seq., by virtue of the taking through eminent domain of certain real property in the Borough of Sayreville, Middlesex County, New Jersey designated on Exhibit A attached hereto (the "Property"). The Property was owned by NL Industries, Inc. and/or NL Environmental Management Services, Inc. (collectively "NL") until its taking through eminent domain by the Sayreville Economic and Redevelopment Agency pursuant to an action filed in July 2002 in the Superior Court of New Jersey, Law Division, Middlesex County under docket number L-6130-02.

The Equitable Lien arose and attached to the Property to secure payment to NL of just compensation owed to NL pursuant to the Eminent Domain Act, the Fifth Amendment of the United States Constitution, and Article I, Paragraph 20 of the New Jersey Constitution as a result of the taking of the Property. Notices of Lis Pendens relating to the Equitable Lien were recorded by the Middlesex County Clerk on August 8, 2002 in Book # 31 at Page 47, on April 26, 2007 in Book #35 at Page 112, and on December 19, 2007 in Book #35 at Page 604.

The Equitable Lien with respect to the Property has been PAID IN FULL or otherwise SATISFIED and DISCHARGED. It may now be discharged of record. This means that the Equitable Lien with respect to the Property is now canceled and void.

The undersigned each sign and CERTIFY to this Discharge of Equitable Lien on June 8, 2009.

Witnessed or Attested by:

_____

NL INDUSTRIES, INC.

By: _____(Seal)
Name: _____
Title: _____

NL ENVIRONMENTAL MANAGEMENT SERVICES, INC.

_____

By: _____(Seal)
Name: _____
Title: _____

STATE OF TEXAS, COUNTY OF DALLAS :s.s.

I CERTIFY that on , 2009, before me the undersigned witnessing authority, personally appeared _____, who is the _____ of NL INDUSTRIES, INC., who I am satisfied is the person who signed the within instrument, and he/she acknowledged that he/she signed, sealed and delivered the same as such officer aforesaid, and that the within instrument is the voluntary act and deed of such corporation.

_____
Print Name:_____
Title:_____
Commission Expires:_____

STATE OF TEXAS, COUNTY OF DALLAS :s.s.

I CERTIFY that on , 2009, before me the undersigned witnessing authority, personally appeared _____, who is the _____ of NL ENVIRONMENTAL MANAGEMENT SERVICES, INC., who I am satisfied is the person who signed the within instrument, and he/she acknowledged that he/she signed, sealed and delivered the same as such officer aforesaid, and that the within instrument is the voluntary act and deed of such corporation.

_____
Print Name:_____
Title:_____
Commission Expires:_____

3562920v1

EXHIBIT A
(Attach Parcel B Legal Description)

Includes professional description of property performed by CME Associates for the period of October 2004 revised April 2008 for Parcel A.

EXHIBIT K

DISCHARGE OF EQUITABLE LIEN

An Equitable Lien arose by operation of law, and in accordance with the Eminent Domain Act of 1971 ("Eminent Domain Act"), N.J.S.A. 20:3-1, et seq., by virtue of the taking through eminent domain of certain real property in the Borough of Sayreville, Middlesex County, New Jersey designated on Exhibit A attached hereto (the "Property"). The Property was owned by NL Industries, Inc. and/or NL Environmental Management Services, Inc. (collectively "NL") until its taking through eminent domain by the Sayreville Economic and Redevelopment Agency pursuant to an action filed in July 2002 in the Superior Court of New Jersey, Law Division, Middlesex County under docket number L-6130-02.

The Equitable Lien arose and attached to the Property to secure payment to NL of just compensation owed to NL pursuant to the Eminent Domain Act, the Fifth Amendment of the United States Constitution, and Article I, Paragraph 20 of the New Jersey Constitution as a result of the taking of the Property. Notices of Lis Pendens relating to the Equitable Lien were recorded by the Middlesex County Clerk on August 8, 2002 in Book # 31 at Page 47, on April 26, 2007 in Book #35 at Page 112, and on December 19, 2007 in Book #35 at Page 604.

The Equitable Lien with respect to the Property has been PAID IN FULL or otherwise SATISFIED and DISCHARGED. It may now be discharged of record. This means that the Equitable Lien with respect to the Property is now canceled and void.

The undersigned each sign and CERTIFY to this Discharge of Equitable Lien on _____, 2009.

Witnessed or Attested by:

_____

NL INDUSTRIES, INC.

By: _____(Seal)
Name: _____
Title: _____

_____

NL ENVIRONMENTAL MANAGEMENT SERVICES, INC.

By: _____(Seal)
Name: _____
Title: _____

STATE OF TEXAS, COUNTY OF DALLAS :s.s.

I CERTIFY that on , 2009, before me the undersigned witnessing authority, personally appeared _____, who is the _____ of NL INDUSTRIES, INC., who I am satisfied is the person who signed the within instrument, and he/she acknowledged that he/she signed, sealed and delivered the same as such officer aforesaid, and that the within instrument is the voluntary act and deed of such corporation.

_____
Print Name:_____
Title:_____
Commission Expires:_____

STATE OF TEXAS, COUNTY OF DALLAS :s.s.

I CERTIFY that on , 2009, before me the undersigned witnessing authority, personally appeared _____, who is the _____ of NL ENVIRONMENTAL MANAGEMENT SERVICES, INC., who I am satisfied is the person who signed the within instrument, and he/she acknowledged that he/she signed, sealed and delivered the same as such officer aforesaid, and that the within instrument is the voluntary act and deed of such corporation.

_____
Print Name:_____
Title:_____
Commission Expires:_____

3562920v1

EXHIBIT A
(Attach Parcel C Legal Description)

Includes professional description of property performed by CME Associates for the period of October 2004 revised April 2008 for Parcel B.

EXHIBIT L
FORM OF RELEASE OF MORTGAGE
Attached.

RELEASE OF PART OF MORTGAGED PROPERTY

This Release is made on 200

BY the Lender(s)

COUNTY OF MIDDLESEX

whose address is c/o County Counsel's Office, County of Middlesex, Administration Building, 75 Bayard Street, New Brunswick, NJ 08901 referred to as "I,"

To the Borrower(s)

SAYREVILLE ECONOMIC AND REDEVELOPMENT

whose address is 167 Main Street, Sayreville, NJ 08901 referred to as "You."

If more than one person signs this Release, the word "1" shall mean "We."

I. Release. I hold a mortgage on a property owned by you. I also hold the note and/or other agreement for the loan repayment obligations that is secured by the mortgage. I agree to change the mortgage by removing some of the property covered by the mortgage. This property is released or freed from the mortgage. The rest of the property (not released) remains subject to the mortgage. I have been paid $for making this Release.

2. Mortgage. The mortgage I hold is dated March 1, 2005 , and was made by and between COUNTY OF MIDDLESEX

to

SAYREVILLE ECONOMIC AND REDEVELOPMENT

The mortgage was recorded on April I , 2005, in the office of the Middlesex County Clerk, in Book 10506 of Mortgages on Page 317-339. The original amount of the mortgage was $39,000,000.00.

3. Release of Property. The property which is released from and no longer subject to the mortgage is known as Parcel located at in the Borough of Sayreville in the County of Middlesex and State of New Jersey. The property includes: (a) the land; (b) all buildings that are located on the land; (c) all fixtures that are attached to the land or building(s) for example: furnaces, bathroom fixtures and kitchen cabinets; and (d) all other rights that I now have relating to the property. The legal description for Parcelis attached hereto as Schedule "A".

4. Who is bound. This Release is binding upon me and all who succeed to my rights as holder of the mortgage.

5. Signatures. I agree to this Release. If this Release is made by a corporation its proper corporate officers sign and its corporate seal is affixed.

ATTEST: COUNTY OF MIDDLESEX

David B. Crabiel

STATE OF NEW JERSEY

SS

COUNTY OF MIDDLESEX

I certify that on , 2008, Margaret E. Pemberton, personally came before me
and acknowledged under oath, to my satisfaction, that:

(a) She is the Clerk of the Middlesex County Board of Chosen Freeholders, the Grantee named in this document;

(b) She is the attesting witness to the signing of this document by the proper authorized representative, David B. Crabiel, the Director of the Middlesex County Board of Chosen Freeholders;

(c) This document was signed and delivered by the County as its voluntary act duly authorized by a proper resolution of the Board of Chosen Freeholders;

(d) She knows the proper seal of the County which was attached to this document; and

(e) She signed this proof to attest to the truth of these facts.

Margaret E. Pemberton, Clerk Middlesex County Board of Chosen
Freeholders

Signed and sworn to before me on , 2008

Name:
Attorney at Law of the State of New Jersey
Notary Public of the State of New Jersey

Record and Return to:

EXHIBIT M
TIDAL WETLANDS MAP
Attached.

Includes three topographic surveys prepared by Jeromie Lange.

EXHIBIT N
SCHEDULE OF ENVIRONMENTAL PERMITS

1. NJPDES Stormwater Discharge Permit (NJ0000931)
2. NJPDES Groundwater Discharge Permit (ID# NJ0051764)
3. Sanitary Landfill Air Permit (APC ID No. 18426; Activity ID Number PCP040001)
4. Waterfront Development Permit 1219-98-0004.2 (for mitigation for wetland disturbance caused by the Dike Repair project)
5. Waterfront Development Permit 1219-04-005.1WFD040001(IP Upland) (for Landfill Closure)
6. Freshwater Wetlands Permit 1219-04-0005.1FWW040001(FWGP5), 1219-04-0005.1FWW040002(FWGP7) (for Landfill Closure)
7. Waterfront Development Permit for NJPDES Outfall Repair - application pending

EXHIBIT O
FINANCIAL ASSURANCE AGREEMENT

THIS **FINANCIAL ASSURANCE AGREEMENT** (the "Agreement"), made as of this 1- day of , 2008, by and among the **Sayreville Economic and Redevelopment**

Agency, a municipal redevelopment agency ("SERA"), **Sayreville Seaport Associates, L.P.,** a Delaware limited partnership with an office at 2701 Renaissance Boulevard, 4th Floor, King of Prussia, PA 19406, (hereinafter referred to as "SSA"), **NL Industries, Inc.,** a New Jersey Corporation ("NL"), **NL Environmental Management Services, Inc.,** a New Jersey Corporation ("NL EMS" and together with NL, the "NL Companies"), and **Bank of America, N.A.,** a national banking association with an office at 4 Penn Center, Suite 1100, Philadelphia, PA 1903 (the "Bank"), as Agent for all of the financial institutions now or hereafter a party to that certain Loan Agreement (the "Loan Agreement") dated of even date herewith between SSA and the Bank.

WITNESSETH:

WHEREAS, SERA is the legal owner of certain tracts or parcels of land known as the fruitier NL Industries site, as further described on Exhibit A attached to this Agreement (collectively, the "Site");

WHEREAS, SERA has entered into a Ground Lease Agreement with SSA dated as of even date herewith (the "Ground Lease") for the Site;

WHEREAS, SERA, SSA, the NL Companies and the County of Middlesex, New Jersey (the "County") have entered into a Reinstated and Amended Settlement Agreement and Release dated as of June 26, 2008 and that certain Amendment to Reinstated and Amended Settlement Agreement and Release dated of even date herewith (as amended, the "Four Party Agreement"), pursuant to which, inter alia, SERA has agreed to enter into a Memorandum of Understanding ("MOU") with the New Jersey Department of Environmental Protection Agency ("NJDEP"), pursuant to which SERA shall be the party performing the investigation and remediation at the Site to satisfy the "Assumed Environmental Liabilities," as that term is defined in the Four Party Agreement;

WHEREAS, pursuant to the Four Party Agreement, SSA has agreed to assume all responsibility for the Assumed Environmental Liabilities, and to satisfy all of SERA's obligations pursuant to the MOU;

WHEREAS, the Bank has agreed to set aside funds, in accordance with the terms of this Agreement and in accordance with the budget for the Loan (as defined below), for use by SSA, SERA and/or the NL Companies as set forth in this Agreement: (a) to fund a portion of the investigation, oversight and remediation required to satisfy the Assumed Environmental Liabilities, including the costs associated with the remediation of contaminated wetlands at the Site (the "Remediation") and/or (b) to serve as collateral for one or more Economic Infrastructure Trust loans from the New Jersey Environmental Infrastructure Trust to SERA ("EIT Loans"), the proceeds of such EIT Loans to be used to fund a portion of the Remediation (collectively, the "Eligible Uses").

NOW, THEREFORE, in consideration of the mutual promises contained herein, and intending to be legally bound, the parties hereby agree as follows:

I.The Bank acknowledges that the sum of Twenty Million Dollars ($20,000,000)

(the "Set Aside Fund") of the proceeds of the loan (the "Loan") being made by the Bank and other lenders to SSA pursuant to the terms of the Loan Agreement have been designated and reserved for the purpose of funding and serving as financial assurance for the Eligible Uses. Proceeds of the Set-Aside Fund will be made available to be advanced by the Bank in accordance with the terms and conditions of this Agreement. Subject to the terms and except as provided in Paragraph 4(d) of this Agreement, the Bank specifically agrees that at no time will the obligation to fund the proceeds of the Set Aside Fund be terminated, revoked, released, or withdrawn, in whole or in part, regardless of whether SSA is in default of any of its obligations under the Loan, unless and until the Bank first receives written approval from SSA, SERA and the NL Companies to do so.

2. This Agreement is not to be construed as a guarantee by the Bank that the Remediation will actually be performed, or that Twenty Million Dollars ($20,000,000) is sufficient to pay for any or all of the Eligible Uses, including, without limitation, the Remediation in its entirety. The Bank shall have no obligation nor duty of inquiry to confirm that any notices have been delivered to any party to this Agreement, other than the Bank, or as to the validity or authenticity of any such notice. Except as otherwise provided in Section 7 of this Agreement, Bank shall be entitled to rely on any and all such notices and shall be released from any and all claims by the parties hereto in connection with its reliance on any such notice given pursuant to this Agreement and shall be indemnified, held harmless and defended by the parties involved in any claims brought against the Bank for or in connection with Bank having relied upon or acted in accordance with any notice given to it pursuant to this Agreement.

3. SSA's Use of the Set Aside Fund.

(a)The Set Aside Fund may only be used by SSA for the Eligible Uses.

Without any consent of the Bank, SERA and the NL Companies, but with prior written notice being given to all by SSA, SSA may use or designate all or any portion of the Set Aside Fund as collateral for FAT Loans actually awarded to SERA. Any amount of the Set Aside Fund used or designated as collateral for any EIT Loan shall reduce the amount and availability of the remaining funds allocated to the Set Aside Fund for other Eligible Uses ("Available Funds"). SSA may draw upon Available Funds in the Set Aside Fund for the purpose of paying for the Remediation solely in accordance with Paragraph 3(b) below. SSA may request that SERA and the NI, Companies agree to a reduction of the Set Aside Fund to an amount equal to the remaining estimated costs (as defined pursuant to the Four Party Agreement) in accordance with Paragraph 3(c) below.

(b)(i) In order to draw upon the Available Funds in the Set Aside Fund, to pay for Remediation, SSA and SERA shall jointly submit to the NL Companies a written request to authorize the disbursement of a specified amount of Available Funds, which request shall not be unreasonably withheld, conditioned or delayed. Upon the NL Companies' written approval of such written request, SSA shall then deliver to the Bank the joint written approval of SSA, SERA and the NL Companies to Bank's disbursement to, or for the account of SSA under the Loan Agreement of the specified amount of the Available Funds (a "Written Approval"). At the time SSA submits such Written Approval to the Bank, SSA shall simultaneously send to SERA and the NL Companies copies of such Written Approval and request for funds pursuant thereto. In no event and under no circumstance shall Bank have any obligation to monitor, verify, insure or otherwise see to it that any and all such amounts disbursed from the Set Aside Fund pursuant to a Written Approval are in fact used or utilized by SSA, or any other person or party, for, to or with respect to the Remediation.

(ii) Under the Four Party Agreement, SSA is required to first utilize any state grant funds, EIT Loans or other public grants which have been

received by SERA to perform the Remediation before using any proceeds from the Set Aside Funds for such Remediation. The Four Party Agreement also provides that if the amount of state grant funds, EIT Loans and other public grants received by SERA and available to SSA is insufficient to perform any portion of the Remediation or if SERA has not yet received such public funds or if the costs and expenses to be paid are not reimbursable through such public funds, SSA may submit a Written Approval in accordance with the terms of this Agreement to draw upon the Available Funds in the Set Aside Fund to pay for such portion of the Remediation.

(c) If at any time SSA determines that the estimated cost of the remaining not investigatory and remedial activities to perform the Remediation (the "Remaining Remediation") are less than the funds remaining in the Set Aside Fund which have not been used or allocated as collateral for FIT Loans, SSA may submit a written request to the Bank for a release of funds allocated to the Set Aside Fund so that the remaining funds allocated as the Set Aside Funds pursuant to this Agreement will equal the sum of (X) the Remaining Remediation (the "Reduction Request") and (Y) such amounts as have been used or allocated as collateral for EIT Loans. The Reduction Request shall be accompanied with a certification and supporting documentation from SSA's environmental consultant, along with written approval from SERA and the NL Companies (or an affidavit from SSA that such approval has been deemed approved pursuant to the Four Party Agreement). In the event an affidavit is delivered to the Bank under the immediately preceding sentence, the Bank shall be irrevocably permitted to act and rely on such affidavit and SERA and the NL Companies release the Bank from any and all claims in connection with such affidavit and the applicable party or parties disputing the Bank's action shall indemnify, defend and hold harmless the Bank from any and all claims arising in connection with such affidavit.

(d) Upon the receipt from SSA of either a Written Approval or a Reduction

Request along with the written approval from SER.A and the NL Companies (or an affidavit from SSA that such approval has been deemed approved pursuant to the Four Party Agreement), the Bank shall promptly disburse to SSA the amount requested in the Written Approval, or subject to the terms of the Loan Agreement regarding disbursements, the Reduction Request, along with a written statement to SSA, with a copy to SERA and the NL Companies, setting forth both the amount released and the unrestricted amount available for disbursement of the Set Aside Fund following such release.

4.SERA's and the NL Companies' Use of Set. Aside Fund.

(a) If SSA is in default of its obligations under the Four Party Agreement, after any and all notices and expiration of applicable cure periods as provided for in the Four Party Agreement, and SERA has delivered written notice to SSA and the NL Companies exercising its rights under the Four Party Agreement to remove SSA as the party performing remediation in connection with the Assumed Environmental Liabilities (an "SSA Removal Notice"), SERA may deliver the SSA Removal Notice to the Bank. In the event an SSA Removal Notice is sent to SSA, no Written Approvals, request for use of the Set Aside Fund as collateral for an EIT Loan or a Reduction Request shall be submitted to the Bank by SERA until the expiration of the Objection Period (as defined in Paragraph 4(c) below) without the Bank having actually received a Removal Objection prior to such expiration. If the Bank has not received a Removal Objection (as defined in Paragraph 4(c) below) prior to the expiration of the Objection Period, SERA shall be authorized to draw upon the Set Aside Fund, for the benefit of SSA, provided that SERA submits Written Approval or Reduction Requests to the Bank in accordance with the requirements of Paragraph 3(b) or 3(c) above as if SERA were SSA for purposes of these sections of the Agreement; provided, however, only the NL Companies' approval of the same shall be required. Any Reduction Request pursuant to this Paragraph 4(a) shall not result in a disbursement of funds to SERA, but only a reduction in the amount of Available Funds.

(b) In the event pursuant to the Four Party Agreement, SSA is removed by SERA as the party performing the remediation in connection with the Assumed Environmental Liabilities and, in connection therewith or subsequent thereto, NJDEP removes SERA as the party performing the remediation at the Site due to a default by SERA under the MOU, and NJDEP designates the NL Companies as the lead remediator at the Site (the "SERA Removal Events"), the NL Companies shall be entitled to draw Available Funds in the Set Aside Agreement pursuant to Section 4(b) provided that NL Companies first sends written notice to the Bank, with a copy to SSA and SERA, certifying to Bank that the SERA Removal Events have occurred ("SERA Removal Notice") and provided the Bank does not receive a Removal Objection pursuant to Paragraph 4(c) below, the NL Companies shall be authorized to draw upon the Available Funds in the Set Aside Fund for Remediation, on behalf of SSA, pursuant hereto, provided that the NL Companies submits Written Approvals or Reduction Requests to the Bank in accordance with the requirements of Paragraph 3(b) or 3(c) above as if the NL Companies were SSA for purposes of these sections of the Agreement; provided, however, no approval by SSA or SERA shall be required. Any Reduction Request pursuant to this Paragraph 4(b) shall not result in a disbursement of funds to the NL Companies, but only a reduction in the amount of Available Funds.

(c) Removal Objection.

(i)If SSA or the NL Companies objects to a SSA Removal Notice, or

if SERA objects to a SERA Removal Notice, the objecting party shall provide the Bank, with simultaneous copies to the other parties, with a written notice of objection to the SSA Removal Notice or SERA Removal Notice, specifying the reasons for such objection (a "Removal Objection"), within five (5) days of the Bank's receipt of the SSA Removal Notice or SERA Removal Notice (the "Objection Period"). As among SSA, SERA and the NL Companies, the only valid basis for SSA or the NL Companies to make a Removal Objection objecting to the SSA Removal Notice shall be that SSA was not, in fact, removed by SERA as the party performing the remediation in connection with the Assumed Environmental Liabilities pursuant to the Four Party Agreement. As among SSA, SERA and the NL Companies, the only valid bases for SERA to make a Removal Objection objecting to the SERA Removal Notice shall be the following: (1) SERA was not, in fact, removed by NJDEP as the party performing the remediation of the Site pursuant to the MOU and/or (2) the NL Companies were not designated by NJDEP as the lead remediator of the Site. Upon the Bank's receipt of a Removal Objection, the Bank shall not disburse to SERA or the NL Companies, as the case may be, the amount requested in the Written Approval or Reduction Request (or such other amount as directed by the parties subject to the dispute) until directed to do so by either (a) a joint written letter signed by SSA, SERA and the NL Companies with respect to a SSA Removal Notice or by SERA and the NL Companies with respect to a SERA Removal Notice or (b) as directed by an arbitrator pursuant to an arbitration conducted in accordance with the requirements of Paragraph 4(c)(ii) below.

(ii) If any party sends a Removal Objection prior to the expiration of the Objection Period, then within three (3) days of such Removal Objection, the parties subject to the dispute (which shall not include the Bank) shall meet (either in person or via teleconference) in a good faith effort to resolve any dispute among such parties relating to the SSA Removal Notice or SERA Removal Notice, as the case may be. In the event such parties are able to resolve such dispute at the meeting, such parties that are the subject of the dispute shall, within two (2) business days of the meeting, send a joint written letter to the Bank; instructing the Bank on an ongoing basis which party shall be authorized to submit to the Bank a Reduction Request or a Written Approval. If the parties that are the subject of such dispute cannot resolve any dispute at the meeting, the parties that are the subject of such dispute agree to participate in a binding arbitration before a neutral arbitrator to settle the dispute in accordance with the arbitration provisions contained in Paragraph 4(c)(iii) below.

(iii) Arbitration. In the event arbitration is triggered pursuant to Paragraph 4(c)(ii) above, the parties (other than the Bank) agree as follows: the disputed issue
shall be submitted by the parties that are the subject of the dispute within ten (10) days of completion of the meeting described in Paragraph 4(c)(ii) above to the American Arbitration Association in New Jersey, and shall be determined in accordance with the rules of said Association. The decision of the arbitrator

shall be binding upon the parties and no appeal shall be taken by either to any Court, and the decision of the arbitrator shall be enforceable in any Court of law or equity. Each party shall pay its own attorneys' fees and costs in connection with the arbitration and the each party to the dispute shall pay a proportionate share of the cost of the arbitration.

(d)Notwithstanding anything to the contrary in this Agreement, upon a default by SSA under of any of its obligations under the Loan beyond any applicable notice and cure period or at Maturity of the Loan, whether by scheduled maturity or acceleration due to default or otherwise, the Bank may elect in its sole discretion to fund, on behalf of SSA, and deposit the then remaining funds in the Set Aside Fund (as the same may have been reduced) into a remediation trust fund having a trustee mutually agreed to by SERA and the NL Companies. In the event SERA and the NL Companies have not agreed upon a trustee within three (3) business days of written notice from the Bank, the Bank may deposit the then remaining funds in the Set Aside Fund into a remediation trust fund having a trustee selected by the Bank. Upon the Bank's deposit of such remaining funds into a remediation trust fund selected by the Bank, the Bank shall have no further obligations or liabilities under this Agreement and this Agreement shall automatically become null and void and of no further force or effect as to any obligation of the Bank.

5.The parties hereto covenant and agree that, during such time that any portion of the Set Aside Fund has been pledged as collateral for an EIT Loan, no party shall submit a

Written Approval or Reduction Request to the Bank for such funds that have been so pledged as collateral.

6. In the event that: (i) SSA has been removed by SERA as the party perfouning the remediation in connection with the Assumed Environmental Liabilities; (ii) NJDEP has removed SERA as the party performing the remediation at the Site due to a default by SERA under the MOU and (iii) NJDEP does not designate the NL Companies as the lead remediator at the Site, the Bank shall deposit the then remaining funds in the Set Aside Fund into a remediation trust fund selected by the Bank, and, following such deposit, the Bank shall have no further obligations or liabilities under this Agreement and this Agreement shall automatically become null and void and of no further force or effect as to any obligation of the Bank. The NJDEP may use such deposited funds to perform the Remediation.

7. It is further understood and agreed that the Bank shall, at no time and in no manner, bear any responsibility by reason of this Agreement other than to allocate from the Loan the Set Aside Fund pursuant hereto for the benefit and use of SSA or such other party as authorized pursuant to this Agreement, subject to paying or releasing there from such sum, or sums, as from time to time may hereinafter be authorized pursuant to the terms of this Agreement. Bank shall have no liability and the parties hereto release Bank from any and all claims, causes of action and liabilities in connection with Bank acting upon any purported Written Approval, Reduction Request, SSA Removal Notice, SERA. Removal Notice, a Removal Objection or any other notice or writing as provided for or pursuant to this Agreement or any action taken hereunder by Bank except for Bank's own gross negligence or willful misconduct.

8. The laws of the State of New Jersey shall govern this Agreement. All parties to this Agreement agree to submit to the jurisdiction of the State of New Jersey for all matters pertaining to this Agreement.

9.This Agreement extends to and binds the successors, heirs, administrators and assigns of the parties hereto.

10. By executing this Agreement, the individuals signing this Agreement represent and warrant that they have the authority to execute this Agreement on behalf of the person for whom they are signing and to bind that person to the terms of this Agreement.

11. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against any party whose signature appears thereon, and all of such counterparts shall together constitute one and the same instrument. This Agreement may he signed by facsimile and a facsimile signature shall constitute an original signature. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories.

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SIGNATURE PAGE FOLLOWS

EXHIBIT P

Exhibit P is the form of environmental insurance policy required under the agreement to be issued by AIG for PLL Select premium insurance for the Sayreville site. The insured entity is Sayreville Seaport Associates, L.P.

The "Additional Insureds" are: Bank of America, N.A; Citizens Bank of PA; and US Bank, N.A.

The "Named Insureds" are: Sayreville Economic and Redevelopment Authority; Middlesex County; Sayreville Seaport Associates Acquisition Company, LLC; J. Brian O'Neill; Prudential Insurance Company of America; NL Industries, Inc.; and O'Neill Properties Group.

EXHIBIT Q
FINANCIAL ASSURANCE AGREEMENT

MEMORANDUM OF LEASE

PREPARED BY AND :
Sean E. Mitchell, Esquire
Macartney, Mitchell & Campbell, LLC 2701 Renaissance Blvd., 4th Floor King of
Prussia, PA 19406

MEMORANDUM OF GROUND LEASE AGREEMENT

This MEMORANDUM OF GROUND LEASE AGREEMENT ("Memorandum") is dated as of, 2008 by and between SAYREVILLE ECONOMIC AND

REDEVELOPMENT AGENCY, a public body corporate and politic organized and existing under the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. ("Lessor"), and SAYREVILLE SEAPORT ASSOCIATES, L.P. ("SSA"), a Delaware limited partnership.

BACKGROUND

Lessor and Lessee have entered into a certain Ground Lease Agreement dated as of, 2008 (the "Ground Lease") with respect to certain real property located in

Borough of Sayreville, County of Middlesex, State of New Jersey, together with all easements, rights-ofway and other rights, privileges and appurtenances thereto (the "Leased Premises"). Lessor and Lessee are entering into this Memorandum to state of record certain terms of the Ground Lease.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual undertakings set forth in the Ground Lease, incorporating by this reference in this Memorandum the foregoing Background in its entirety, and intending to be legally bound hereby, Lessor and Lessee agree as follows:

The name and address of Lessor is:Sayreville Economic and Redevelopment Agency
167 Main Street, Sayreville, NJ 08872

The name and address of Lessee is:Sayreville Seaport Associates, L.P.
2701 Renaissance Blvd., 4th Floor, King of Prussia, PA 19406

The date of the Ground Lease is as of¸ 2008.

The demised premises under the Ground Lease consists of the Leased Premises and is described on Exhibit A attached hereto.

The "Commencement Date" of the Ground Lease is , 2008. The term of the Ground Lease begins on the Commencement Date and shall expire on ,
20____.

The Ground Rent is One Dollar ($1.00) for the entire Term of the Lease.

This Memorandum is executed for the purpose of recordation in Middlesex County Recorder of Deeds in order to give notice of certain terms of the Ground Lease, and is not intended, and shall not be construed, to define, limit or modify the Ground Lease. The terms, provisions and conditions of the Ground Lease are incorporated by this reference in this Memorandum as if fully set forth in this Memorandum.

IN WITNESS WHEREOF, the undersigned have each caused this Memorandum of Ground Lease to be duly executed and delivered under seal as of , 2008.

LESSOR:

WITNESS/ATTEST:SAYREVILLE SEAPORT ASSOCIATES, L.P.

By:Sayreville Seaport Associates
Acquisition Company, LLC, its General Partner

By:
Richard Heany, President

LESSEE:

WITNESS/ATTEST: SAYREVILLE ECONOMIC

AND REDEVELOPMENT AGENCY

By:
Name: Title:

COMMONWEALTH OF PENNSYLVANIA :

:ss.

COUNTY OF :

On this ____ day of , 2008, before me, a Notary Public in and for the Commonwealth of Pennsylvania, the undersigned officer, personally appeared, who acknowledged him/herself to be the of SAYREVILLE SEAPORT ASSOCIATES ACQUISITION COMPANY, LLC, the general partner of Sayreville Seaport Associates, L.P., and that he/she as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of such corporation by him/herself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Notary Public

STATE OF NEW JERSEY :

:ss.

COUNTY OF :

On this ____ day of , 2008, before me, a Notary Public in and for the Commonwealth of Pennsylvania, the undersigned officer, personally appeared, who acknowledged him/herself to be the of SAYREVILLE ECONOMIC AND REDEVELOPMENT AUTHORITY, and that he/she as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of such corporation by him/herself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

_____Notary Public

EXHIBIT A
LEGAL DESCRIPTION OF THE LEASED PREMISES

Includes the meets and bounds legal description of real estate leased under the memorandum of lease.

{00037378;1}

EXHIBIT 31.1

CERTIFICATION

I, Harold C. Simmons, certify that:

1) I have reviewed this quarterly report on Form 10-Q of NL Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2010

/s/ Harold C. Simmons
Harold C. Simmons
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Gregory M. Swalwell, certify that:

1) I have reviewed this quarterly report on Form 10-Q of NL Industries, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2010

/s/ Gregory M. Swalwell
Gregory M. Swalwell
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of NL Industries, Inc. (the Company) on Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Harold C. Simmons, Chief Executive Officer of the Company, and I, Gregory M. Swalwell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Harold C. Simmons
Harold C. Simmons
Chief Executive Officer

/s/ Gregory M. Swalwell
Gregory M. Swalwell
Chief Financial Officer

August 3, 2010

Note: The certification the registrant furnishes in this exhibit is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Registration Statements or other documents filed with the Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated in such filing.