

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 - For the quarter ended September 30, 1998

OR

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

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New Jersey

13-5267260

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

16825 Northchase Drive, Suite 1200, Houston, Texas

77060-2544

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(281) 423-3300

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) had been subject to such filing
requirements for the past 90 days. Yes X No

Number of shares of common stock outstanding on November 9, 1998: 52,127,813

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1997	September 30, 1998
	-----	-----
Current assets:		
Cash and cash equivalents, including restricted cash of \$9,751 and \$12,660	\$ 106,145	\$ 320,823
Accounts and notes receivable	148,676	157,829
Refundable income taxes	1,941	10,377
Inventories	192,780	191,568
Prepaid expenses	3,348	6,635
Deferred income taxes	1,642	1,923
	-----	-----
Total current assets	454,532	689,155
	-----	-----
Other assets:		
Marketable securities	17,270	20,057
Investment in joint ventures	172,721	171,202
Prepaid pension cost	23,848	24,258
Other	18,592	12,554
	-----	-----
Total other assets	232,431	228,071
	-----	-----
Property and equipment:		
Land	19,479	19,509
Buildings	150,090	142,484
Machinery and equipment	616,309	581,255
Mining properties	88,617	82,636
Construction in progress	2,577	8,420

	-----	-----
	877,072	834,304
Less accumulated depreciation and depletion	465,843	454,275
	-----	-----
Net property and equipment	411,229	380,029
	-----	-----
	\$1,098,192	\$1,297,255
	=====	=====

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NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1997	September 30, 1998
	-----	-----
Current liabilities:		
Notes payable	\$ 13,968	\$ 35,864
Current maturities of long-term debt	77,374	184,460
Accounts payable and accrued liabilities	161,730	206,260
Payable to affiliates	11,512	10,726
Income taxes	10,910	14,108
Deferred income taxes	891	931
	-----	-----
Total current liabilities	276,385	452,349
	-----	-----
Noncurrent liabilities:		
Long-term debt	666,779	304,060
Deferred income taxes	132,797	190,310
Accrued pension cost	44,389	41,738
Accrued postretirement benefits cost	50,951	43,492
Other	148,903	118,312
	-----	-----
Total noncurrent liabilities	1,043,819	697,912
	-----	-----
Minority interest	257	624
	-----	-----
Shareholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	759,281	773,864
Accumulated deficit	(495,421)	(144,800)
Accumulated other comprehensive loss	(129,513)	(126,170)
Treasury stock	(364,971)	(364,879)
	-----	-----
Total shareholders' equity (deficit)	(222,269)	146,370
	-----	-----
	\$ 1,098,192	\$ 1,297,255

Commitments and contingencies (Note 14)

See accompanying notes to consolidated financial statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	1997	1998	1997	1998
Revenues and other income:				
Net sales	\$ 210,344	\$ 221,520	\$ 629,087	\$ 685,794
Other, net	2,956	7,500	11,718	20,769
	-----	-----	-----	-----
	213,300	229,020	640,805	706,563
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	162,499	151,782	502,353	476,026
Selling, general and administrative	30,994	32,069	130,595	98,337
Interest	16,445	15,066	49,160	46,917
	-----	-----	-----	-----
	209,938	198,917	682,108	621,280
	-----	-----	-----	-----
Income (loss) from continuing operations before income taxes and minority interest	3,362	30,103	(41,303)	85,283
Income tax expense (benefit)	(608)	(1,273)	(1,714)	14,174
	-----	-----	-----	-----
Income (loss) from continuing operations before minority interest	3,970	31,376	(39,589)	71,109
Minority interest	23	17	72	36
	-----	-----	-----	-----
Income (loss) from continuing operations .	3,947	31,359	(39,661)	71,073
Discontinued operations	5,814	--	15,956	287,396
Extraordinary item - early extinguishment of debt, net of tax benefit of \$1,293 and \$2,568, respectively	--	(2,400)	-	(4,766)
	-----	-----	-----	-----
Net income (loss)	\$ 9,761	\$ 28,959	\$ (23,705)	\$ 353,703

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	1997	1998	1997	1998
Basic earnings per share:				
Continuing operations	\$.08	\$.61	\$ (.78)	\$ 1.38
Discontinued operations11	--	.32	5.60
Extraordinary item	--	(.05)	--	(.09)
	-----	-----	-----	-----
Net income (loss)	\$.19	\$.56	\$ (.46)	\$ 6.89
	=====	=====	=====	=====
Diluted earnings per share:				
Continuing operations	\$.08	\$.60	\$ (.78)	\$ 1.37
Discontinued operations11	--	.32	5.52
Extraordinary item	--	(.05)	--	(0.09)
	-----	-----	-----	-----
Net income (loss)	\$.19	\$.55	\$ (.46)	\$ 6.80
	=====	=====	=====	=====
Shares used in the calculation of earnings per share:				
Basic	51,146	51,444	51,143	51,356
Dilutive impact of stock options	439	750	--	668
	-----	-----	-----	-----
Diluted	51,585	52,194	51,143	52,024
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	1997	1998	1997	1998
Net income (loss)	\$ 9,761	\$ 28,959	\$ (23,705)	\$ 353,703
Other comprehensive income (loss), net of tax:				
Marketable securities adjustment	2,862	913	4,829	1,812
Currency translation adjustment	935	4,603	(6,570)	1,531
Total other comprehensive income (loss)	3,797	5,516	(1,741)	3,343
Comprehensive income (loss)	\$ 13,558	\$ 34,475	\$ (25,446)	\$ 357,046

See accompanying notes to consolidated financial statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Nine months ended September 30, 1998

(In thousands)

	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income (loss)		Treasury stock	Total
				Currency translation	Marketable securities		
Balance at December 31, 1997	\$ 8,355	\$ 759,281	\$ (495,421)	\$ (133,810)	\$ 4,297	\$ (364,971)	\$ (222,269)
Net income	--	--	353,703	--	--	--	353,703
Other comprehensive income (loss), net	--	--	--	1,531	1,812	--	3,343
Dividends	--	--	(3,082)	--	--	--	(3,082)
Cash received upon settlement of shareholder derivative lawsuit, net of \$3,198 in legal fees and expenses	--	11,211	--	--	--	--	11,211
Tax benefit of stock options exercised	--	3,372	--	--	--	--	3,372
Treasury stock reissued	--	--	--	--	--	92	92
Balance at September 30, 1998	\$ 8,355	\$ 773,864	\$ (144,800)	\$ (132,279)	\$ 6,109	\$ (364,879)	\$ 146,370

See accompanying notes to consolidated financial statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine months ended September 30, 1997 and 1998

(In thousands)

	1997	1998
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ (23,705)	\$ 353,703
Depreciation, depletion and amortization	25,711	25,531
Noncash interest expense	17,040	17,291
Deferred income taxes	(1,910)	1,958
Change in accounting for environmental remediation costs	30,000	--
Discontinued operations:		
Net gain from sale of Rheox	--	(286,071)
Income from operations of Rheox	(15,956)	(1,325)
Other, net	(9,848)	(9,453)
	-----	-----
	21,332	101,634
Change in assets and liabilities:		
Accounts and notes receivable	(29,417)	(26,697)
Inventories	45,742	(13,670)
Prepaid expenses	(2,967)	(3,501)
Accounts payable and accrued liabilities	14,162	12,994
Income taxes	7,293	(14,572)
Other, net	(5,598)	11,808
Rheox, net	20,266	(25,864)
	-----	-----
Net cash provided by operating activities	70,813	42,132
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of Rheox	--	435,080
Capital expenditures	(22,154)	(12,731)
Collection of note receivable	--	6,875
Investment in joint venture, net	5,836	(371)
Proceeds from disposition of property and equipment	2,912	486
Rheox, net	(1,185)	(26)
	-----	-----
Net cash provided (used) by investing activities	(14,591)	429,313
	-----	-----

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Nine months ended September 30, 1997 and 1998

(In thousands)

	1997	1998
	-----	-----
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ --	\$ 30,491
Principal payments	(173,739)	(170,853)
Deferred financing costs	(2,343)	--
Settlement of shareholder derivative lawsuit, net ..	--	11,211
Dividends	--	(3,082)
Rheox, net	108,775	(117,500)
Other, net	252	90
	-----	-----
Net cash used by financing activities	(67,055)	(249,643)
	-----	-----
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	(10,833)	221,802
Currency translation	(1,068)	506
Sale of Rheox	--	(7,630)
Balance at beginning of period	114,115	106,145
	-----	-----
Balance at end of period	\$ 102,214	\$ 320,823
	=====	=====
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	\$ 35,262	\$ 21,972
Income taxes, net	1,317	47,839

See accompanying notes to consolidated financial statements.

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NL INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION:

NL Industries, Inc. conducts its titanium dioxide pigments ("TiO2") operations through its wholly-owned subsidiary, Kronos, Inc. In January 1998 the specialty chemicals business of Rheox, Inc., a wholly-owned subsidiary of NL, was sold. At September 30, 1998 Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 58% and 19%, respectively, of NL's outstanding common stock, and together may be deemed to control NL. At September 30, 1998 Contran and its subsidiaries held approximately 92% of Valhi's outstanding common stock, and Valhi and other entities related to Harold C. Simmons held approximately 53% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries

(collectively, the "Company") at December 31, 1997 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at September 30, 1998 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods ended September 30, 1997 and 1998 have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior-year amounts have been reclassified to conform to the current year presentation, including reporting the Company's specialty chemicals business as a discontinued operation. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 Annual Report").

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, no later than the first quarter of 2000. SFAS No. 133 establishes accounting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives will be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives will depend upon the intended use of the derivative. The Company is currently studying this newly-issued accounting rule, and the impact of adopting SFAS No. 133, if any, has not yet been determined but will be dependent upon the extent to which the Company is then a party to derivative contracts or engaged in hedging activities. At September 30, 1998 the Company is not a party to any derivative contracts or engaged in any hedging activities covered by SFAS No. 133.

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NOTE 2 - EARNINGS PER SHARE:

Basic earnings per share are based on the weighted average number of common shares outstanding during each period. Diluted earnings per share are based on the weighted average common shares outstanding and the dilutive impact of outstanding stock options.

NOTE 3 - BUSINESS SEGMENT INFORMATION:

The Company's continuing operations are conducted by Kronos in one business segment - TiO2.

	Three months ended September 30,		Nine months ended September 30,	
	1997	1998	1997	1998
	(In thousands)			
Net sales	\$ 210,344	\$ 221,520	\$ 629,087	\$ 685,794
Other income, excluding corporate	2,306	2,036	9,476	4,719
	212,650	223,556	638,563	690,513
Cost of sales	162,499	151,782	502,353	476,026
Selling, general and administrative, excluding corporate	25,243	26,750	85,798	83,339

Operating income	24,908	45,024	50,412	131,148
General corporate income (expense):				
Securities earnings, net	590	4,345	1,817	12,747
Expenses, net	(5,691)	(4,200)	(44,372)	(11,695)
Interest expense	(16,445)	(15,066)	(49,160)	(46,917)
	-----	-----	-----	-----
	\$ 3,362	\$ 30,103	\$ (41,303)	\$ 85,283
	=====	=====	=====	=====

Corporate expenses, net decreased in the first nine months of 1998 due to the \$30 million noncash charge taken in the first quarter of 1997 related to the adoption of a new method of accounting for certain environmental remediation costs.

NOTE 4 - INVENTORIES:

	December 31, 1997	September 30, 1998
	-----	-----
	(In thousands)	
Raw materials	\$ 45,844	\$ 37,984
Work in process	8,018	11,472
Finished products	107,427	107,468
Supplies	31,491	34,644
	-----	-----
	\$192,780	\$191,568
	=====	=====

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NOTE 5 - MARKETABLE SECURITIES:

	December 31, 1997	September 30, 1998
	-----	-----
	(In thousands)	
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	\$ 6,939	\$ 11,254
Unrealized losses	(328)	(1,856)
Cost	10,659	10,659
	-----	-----
Aggregate market	\$ 17,270	\$ 20,057
	=====	=====

NOTE 6 - INVESTMENT IN JOINT VENTURES:

	December 31, 1997	September 30, 1998
	-----	-----
	(In thousands)	
TiO2 manufacturing joint venture	\$170,830	\$171,202
Other	1,891	--
	-----	-----
	\$172,721	\$171,202
	=====	=====

NOTE 7 - OTHER NONCURRENT ASSETS:

	December 31, 1997	September 30, 1998
	-----	-----
	(In thousands)	
Deferred financing costs, net	\$ 9,973	\$ 6,427
Intangible assets, net	4,228	2,613
Other	4,391	3,514
	-----	-----
	\$18,592	\$12,554
	=====	=====

NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	December 31, 1997	September 30, 1998
	-----	-----
	(In thousands)	
Accounts payable	\$ 64,698	\$ 50,831
	-----	-----
Accrued liabilities:		
Employee benefits	40,110	35,169
Environmental costs	9,000	48,146
Interest	6,966	15,371
Other	40,956	56,743
	-----	-----
	97,032	155,429
	-----	-----
	\$161,730	\$206,260
	=====	=====

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NOTE 9 - OTHER NONCURRENT LIABILITIES:

	December 31, 1997	September 30, 1998
	-----	-----
	(In thousands)	
Environmental costs	\$125,502	\$ 79,355
Insurance claims and expenses	11,436	12,200
Employee benefits	10,835	10,626
Deferred income	--	13,333
Other	1,130	2,798
	-----	-----
	\$148,903	\$118,312
	=====	=====

NOTE 10 - NOTES PAYABLE AND LONG-TERM DEBT:

	December 31, 1997	September 30, 1998
	-----	-----

(In thousands)

Notes payable - Kronos (DM 25,000 and DM 60,500, respectively)	\$ 13,968 =====	\$ 35,864 =====
Long-term debt:		
NL Industries:		
11.75% Senior Secured Notes	\$250,000	\$244,000
13% Senior Secured Discount Notes	169,857 -----	118,583 -----
	419,857 -----	362,583 -----
Kronos:		
DM bank credit facility (DM 288,322 and DM 207,322, respectively)	161,085	124,419
Joint venture term loan	42,429	--
Other	3,282 -----	1,518 -----
	206,796 -----	125,937 -----
Rheox - bank term loan	117,500 -----	-- -----
	744,153	488,520
Less current maturities	77,374 -----	184,460 -----
	\$666,779 =====	\$304,060 =====

The Company redeemed the 13% Senior Secured Discount Notes on October 15, 1998 at the redemption price of 106% of the principal amount, in accordance with the terms of the Senior Secured Discount Notes indenture. As a result, the accreted value of the Senior Secured Discount Notes has been classified as a current liability at September 30, 1998.

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NOTE 11 - INCOME TAXES:

The difference between the provision for income tax expense attributable to income from continuing operations before income taxes and minority interest and the amount that would be expected using the U.S. federal statutory income tax rate of 35% is presented below.

Nine months ended
September 30,

1997 1998

(In thousands)

Expected tax expense (benefit)	\$ (14,456)	\$ 29,849
Non-U.S. tax rates	(462)	281
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return ...	2,171	2,142
Refund of prior-year dividend withholding tax	--	(8,219)
Change in valuation allowance	10,459	(9,798)
U.S. state income taxes	--	200
Other, net	574	(281)

	-----	-----
Income tax expense (benefit)	\$ (1,714)	\$ 14,174
	=====	=====

NOTE 12 - OTHER INCOME, NET:

	Three months ended September 30,		Nine months ended September 30,	
	1997	1998	1997	1998

	(In thousands)			
Corporate interest and dividend income	\$ 869	\$ 4,345	\$ 1,817	\$ 12,747
Currency transaction gains, net ..	155	986	3,220	2,703
Noncompete agreement income	--	1,000	--	2,667
Trade interest income	759	525	2,047	1,562
Gain (loss) from disposition of .. property and equipment	172	2,452	(130)	
Other, net	(311)	472	2,182	1,220
	-----	-----	-----	-----
	\$ 2,956	\$ 7,500	\$ 11,718	\$ 20,769
	=====	=====	=====	=====

NOTE 13 - DISCONTINUED OPERATIONS:

The Company sold the net assets of its Rheox specialty chemicals business for \$465 million cash (before fees and expenses) in the first quarter of 1998, including \$20 million attributable to a five-year agreement by the Company not to compete in the rheological products business. The Company recognized an after-tax gain of approximately \$286 million on the sale of this business segment. A portion of the \$380 million after-tax proceeds was used to reduce outstanding indebtedness by approximately \$231 million.

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Condensed income statement data related to discontinued operations for the interim periods ended September 30, 1997 and 1998 are as follows. Interest expense has been allocated to discontinued operations based on the amount of debt specifically attributed to Rheox's operations.

	Nine months ended September 30,	
	1997	1998

	(In thousands)	
Operations:		
Net sales	\$ 111,336	\$ 12,630
	=====	=====
Operating income	\$ 34,315	\$ 2,900
Interest and other expenses	8,933	797
	-----	-----
Income before income taxes and minority interest	25,382	2,103

Income tax expense	9,463	778
Minority interest	(37)	--
	-----	-----
	15,956	1,325
Gain from sale of Rheox, net of tax expense of \$86,222	--	286,071
	-----	-----
	\$ 15,956	\$ 287,396
	=====	=====

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

	Nine months ended September 30,	
	-----	-----
	1997	1998
	-----	-----
	(In thousands)	
Cash flows from:		
Operating activities	\$ 20,266	\$ (26,493)
Investing activities - capital expenditures and other	(26) (1,185)	
Financing activities - indebtedness, net	108,775	(117,500)
	-----	-----
	\$ 127,856	\$ (144,019)
	=====	=====

NOTE 14 - COMMITMENTS AND CONTINGENCIES:

For descriptions of certain legal proceedings, income tax and other commitments and contingencies related to the Company, reference is made to (i) Management's Discussion and Analysis of Financial Condition and Results of Operations, (ii) Part II, Item 1 - "Legal Proceedings," (iii) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998, and (iv) the 1997 Annual Report.

In July 1998 the Company reached an agreement (the "Tioxide Purchase") to (i) acquire the North American TiO2 operations of Imperial Chemical Industries plc's ("ICI") subsidiary, Tioxide Group Limited, and a Tioxide TiO2 plant in England, and (ii) cancel certain rights to chloride-process technology licensed to Tioxide by the Company in connection with the formation of Louisiana Pigment Company ("LPC") in 1993. The aggregate amount to be paid to ICI is approximately \$365 million, including a \$30 million fee for the cancellation of technology rights and approximately \$50 million in working capital. The purchase is subject to regulatory clearances, completion of the purchase by E.I. du Pont de Nemours & Co. of ICI's remaining non-North American TiO2 business (the "DuPont Purchase"), and other conditions customary to transactions of this type.

The operations to be acquired include Tioxide's 50%-interest in LPC, a manufacturing joint venture of the Company and Tioxide that operates a chloride-process TiO2 plant in Louisiana with capacity of approximately 120,000 metric tons per annum ("mtpa"); Tioxide's 75,000 mtpa sulfate-process TiO2 plant in Grimsby, England; Tioxide's 52,000 mtpa finishing plant in Tracy, Quebec; and Tioxide's North American marketing and distribution business.

Upon completion of the DuPont Purchase and the Tioxide Purchase, the Company expects to become the world's third largest manufacturer of TiO₂, increasing its productive capacity by approximately 135,000 mtpa.

Assuming regulatory clearances are received in 1998, the Company expects the Tioxide Purchase to close in the first quarter of 1999.

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

RESULTS OF OPERATIONS

	Three months ended		% Change	Nine months ended		% Change
	September 30,			September 30,		
	1997	1998		1997	1998	
	-----			-----		
	(In millions)			(In millions)		
Net sales	\$210.3	\$221.5	+5%	\$629.1	\$685.8	+9%
Operating income	\$ 24.9	\$ 45.0	+81%	\$ 50.4	\$131.1	+160%
Percent changes in TiO ₂ :						
Sales volume			-9%			-2%
Average selling prices (in billing currencies)			+17%			+17%

Kronos' operating income in the third quarter and first nine months of 1998 increased from the comparable periods in 1997 due to higher average selling prices, partially offset by lower sales volume and the absence of \$9.7 million of income from refunds of German franchise taxes received in the third quarter of 1997. Kronos expects its fourth-quarter 1998 operating income will exceed its fourth-quarter 1997 operating income primarily because of higher average fourth-quarter 1998 TiO₂ selling prices, partially offset by moderately lower fourth-quarter 1998 sales volume.

Average TiO₂ selling prices for the third quarter of 1998 were 17% higher than the third quarter of 1997 and 2% higher than the second quarter of 1998.

Kronos' third-quarter sales volume decreased 9% from the record sales volume in the year-earlier period as demand moderated. Sales volume in the first nine months of 1998 was 2% lower than the year-earlier period primarily reflecting lower sales volume in Asia, partially offset by higher sales volume in Europe. As a result of lower second-half 1998 demand for TiO₂, Kronos anticipates its TiO₂ sales volume for full-year 1998 will be slightly below that of calendar year 1997.

Kronos' cost of sales as a percentage of net sales decreased in the third quarter and first nine months of 1998 primarily due to higher average selling prices. Kronos' selling, general and administrative expenses decreased in the third quarter and first nine months of 1998 due to lower distribution costs associated with lower sales volume and favorable effects of foreign currency translation, partially offset by the impact of the German franchise tax refunds received in the third quarter of 1997.

A significant amount of sales are denominated in currencies other than the U.S. dollar, and fluctuations in the value of the U.S. dollar relative to other currencies decreased the dollar value of sales for the third quarter and first nine months of 1998 by \$3 million and \$26 million, respectively, compared to the comparable 1997 periods.

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

	Three months ended		Difference	Nine months ended		Difference
	September 30,			September 30,		
	1997	1998		1997	1998	
	-----	-----		-----	-----	
	(In millions)					
Securities earnings ...	\$.6	\$ 4.3	\$ 3.7	\$ 1.8	\$ 12.7	\$10.9
Corporate expenses, net	(5.7)	(4.1)	1.6	(44.3)	(11.6)	32.7
Interest expense	(16.4)	(15.1)	1.3	(49.2)	(46.9)	2.3
	-----	-----	-----	-----	-----	-----
	\$ (21.5)	\$ (14.9)	\$ 6.6	\$ (91.7)	\$ (45.8)	\$45.9
	=====	=====	=====	=====	=====	=====

Securities earnings increased due to higher average balances available for investment. Corporate expenses, net in the first nine months of 1998 was lower than the comparable period in 1997 due to the \$30 million noncash charge taken in the first quarter of 1997 related to the Company's adoption of SOP No. 96-1, "Environmental Remediation Liabilities." This charge is included in selling, general and administrative expense in the Company's consolidated statements of income.

The Company expects general corporate interest income and interest expense to be lower in the fourth quarter of 1998 compared to the third quarter of 1998 due to the redemption of the remaining 13% Senior Secured Discount Notes on October 15, 1998.

Income taxes in the third quarter of 1998 include a tax benefit of \$8.2 million resulting from a refund of prior-year German dividend withholding taxes.

The Company sold the net assets of its Rheox specialty chemicals business in the first quarter of 1998 and, as a result of the sale, Rheox's results are reported as discontinued operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the nine months ended September 30, 1997 and 1998 are presented below.

	Nine months ended	
	September 30,	
	1997	1998
	-----	-----
	(In millions)	
Net cash provided (used) by:		
Operating activities	\$ 70.8	\$ 42.1
Investing activities	(14.6)	429.3
Financing activities	(67.0)	(249.6)
	-----	-----
Net cash provided (used) by operating, investing and financing activities	\$ (10.8)	\$221.8
	=====	=====

The TiO2 industry is cyclical and changes in economic conditions within the industry significantly impact the earnings and operating cash flows of the Company. Cash flow from operations, before changes in assets and liabilities,

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in the 1998 period improved significantly from the comparable period in 1997 due to higher operating income. Changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) used cash in the first nine months of 1998 but provided cash in the first nine months of 1997 primarily due to reductions in inventory levels in the 1997 period and higher payments of income taxes in the 1998 period as a result of the gain on sale of Rheox.

The sale of the Company's specialty chemicals business in the first quarter of 1998 resulted in net proceeds of \$380 million after current income taxes and other expenses. In the first nine months of 1998, the Company used a portion of the net proceeds to repay certain indebtedness, as described below, and on October 15, 1998, used a portion of the net proceeds to redeem the remaining \$119 million of 13% Senior Secured Discount Notes at the redemption price of 106% of the principal amount, in accordance with the terms of the Discount Notes indenture.

During the first nine months of 1998, the Company used a portion of the net proceeds to (i) prepay \$118 million of the Rheox credit facility, (ii) prepay \$42 million of Kronos' share of the LPC joint venture term loan, (iii) make \$65 million of open-market purchases of the Company's 13% Senior Secured Discount Notes at prices ranging from \$101.25 to \$105.19 per \$100 of their principal amounts, and (iv) purchase \$6 million of the Senior Secured Notes and \$61 thousand of the Senior Secured Discount Notes at a price of \$100 and \$96.03 per \$100 of their principal amounts, respectively, pursuant to a June 1998 pro rata tender offer to Note holders as required under the terms of the indenture.

The Company prepaid DM 81 million (\$44 million when paid) of its DM term loan in the first quarter of 1998. A portion of the funds for such prepayment of the DM term loan was provided by a first-quarter DM 35 million (\$19 million when borrowed) increase in outstanding borrowings under the Company's short-term non-U.S. credit facilities. In the second quarter of 1998, the Company repaid DM 20 million (\$11 million when paid) of the DM revolving credit facility.

In order to complete the Tioxide Purchase, the Company expects to borrow approximately \$250 million in bank financing.

At September 30, 1998 the Company had cash and cash equivalents aggregating \$321 million (14% held by non-U.S. subsidiaries), including restricted cash equivalents of \$13 million. The Company's subsidiaries had \$91 million available for borrowing at September 30, 1998 under existing non-U.S. credit facilities.

In the third quarter of 1998, the Company paid a regular quarterly dividend of \$.03 per share to shareholders aggregating \$1.5 million. Dividends paid during the first nine months of 1998 totaled \$3.1 million. In October 1998 the Company's Board of Directors declared a regular quarterly dividend of \$.03 per share to shareholders of record as of December 16, 1998 to be paid on December 30, 1998.

In June 1998, as a result of the settlement of a shareholder derivative lawsuit on behalf of the Company, Valhi transferred \$14.4 million in cash to the

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Company, and the Company agreed to pay plaintiffs' attorneys' fees and expenses of \$3.2 million.

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

The Company previously reached an agreement with the German tax authorities and paid certain tax deficiencies of approximately DM 44 million (\$28 million when paid), including interest, which resolved significant tax contingencies for years through 1990. In the third quarter of 1998, the Company received a DM 14 million (\$8.2 million when received) refund of 1990 German dividend withholding taxes. The German tax authorities were required to refund such amounts based on a recent German Supreme Court decision in favor of another taxpayer. The refund resulted in a reduction of the settlement amount from DM 44 million referred to above to DM 30 million for years through 1990. No further withholding tax refunds are expected.

Certain other significant German tax contingencies aggregating an estimated DM 172 million (\$102 million at September 30, 1998) through 1997 remain outstanding and are in litigation. Of these, one primary issue represents disputed amounts aggregating DM 160 million (\$95 million at September 30, 1998) for years through 1997. The Company has received tax assessments for a substantial portion of these amounts. No payments of tax or interest deficiencies related to these assessments are expected until the litigation is resolved. During 1997 a German tax court proceeding involving a tax issue substantially the same as this issue was decided in favor of the taxpayer. The German tax authorities have appealed that decision to the German Supreme Court. The Company believes that a decision by the German Supreme Court will be rendered within a year and will likely determine the outcome of the Company's primary dispute with the German tax authorities. Although the Company believes that it will ultimately prevail in this matter, the Company has granted a DM 94 million (\$56 million at September 30, 1998) lien on its Nordenham, Germany TiO2 plant in favor of the City of Leverkusen, and a DM 5 million (\$3 million at September 30, 1998) lien in favor of the German federal tax authorities. If the Company does not prevail, these contingencies will increase the Company's tax liability for 1990 and each year thereafter, and the Company would seek to negotiate payment over a period of time.

In addition, during 1997 the Company reached an agreement with the German tax authorities regarding certain other issues not in litigation for the years 1991 through 1994, and agreed to pay additional tax deficiencies of DM 9 million (\$5 million at September 30, 1998), most of which was paid in the third quarter of 1998.

During 1997 the Company received a tax assessment from the Norwegian tax authorities proposing tax deficiencies of NOK 51 million (\$7 million at September 30, 1998) relating to 1994. The Company has appealed this assessment and has begun litigation proceedings. Although the Company believes that it will ultimately prevail, the Company has granted a lien for the full amount of the tax assessment on its Fredrikstad, Norway TiO2 plant in favor of the Norwegian tax authorities.

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

The Company has been named as a defendant, potentially responsible party ("PRP"), or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites, mining locations and facilities currently or previously owned, operated or used by the Company, certain of which are on the U.S. Environmental Protection Agency's (the "U.S. EPA") Superfund National Priorities List or similar state lists. On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant. The Company believes it has adequate accruals (\$128 million at September 30, 1998) for reasonably estimable costs of such matters, but the Company's ultimate liability may be affected by a number of factors, including changes in remedial alternatives and costs, and the allocations of such costs among PRPs. It is not possible to estimate the range of costs for certain sites. The upper end of the range of reasonably possible costs to the Company for sites for which it is possible to estimate costs is approximately \$160 million. The Company's estimates of such liabilities have not

been discounted to present value, and the Company has not recognized any potential insurance recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising from the sale of lead pigments and lead-based paints. There is no assurance that the Company will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings in pending and possible future cases. However, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment and paint litigation is without merit. The Company has not accrued any amounts for such pending litigation. Liability that may result, if any, cannot be reasonably estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. Examples of such proposed legislation include bills which would permit civil liability for damages on the basis of market share, rather than requiring plaintiffs to prove that the defendant's product caused the alleged damage. The Company currently believes the disposition of all claims and disputes, individually and in the aggregate, should not have a material adverse effect on the Company's consolidated financial

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position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future.

The Company is in the process of evaluating and upgrading its computer systems (both information technology ("IT") systems and non-IT systems involving embedded chip technology) and software applications (collectively referred to as "systems") to ensure that the systems function properly beginning January 1, 2000. To achieve its year 2000 compliance plan, the Company is utilizing internal and external resources to identify, correct or reprogram, and test its systems.

The Company has conducted an inventory of its IT systems worldwide and is currently testing the systems and applications that have been corrected or reprogrammed for year 2000 compliance. The Company has completed a preliminary inventory of its non-IT systems and is in the process of validating the inventory and correcting or replacing date-deficient systems. The Company uses a number of packaged software products that have been upgraded to a year 2000 compliant version in the normal course of business. Excluding the cost of these software upgrades, the Company's cost of becoming year 2000 compliant is expected to be approximately \$2 million, of which about one-third has been spent through September 1998. The Company expects its major IT systems to be year 2000 compliant by March 1999, and expects its non-IT systems to be year 2000 compliant by September 1999.

As part of its year 2000 compliance plan, the Company has requested confirmations from its major domestic and foreign software vendors, hardware vendors and primary suppliers, that they are developing and implementing plans to become, or are, year 2000 compliant. Confirmations received to date from the Company's software vendors, hardware vendors and primary suppliers indicate that generally they are in the process of implementing remediation plans to ensure that their systems are compliant by December 31, 1999. The major software vendors used by the Company have already delivered year 2000 compliant software. The Company plans to request confirmations from its major customers that they are developing or implementing plans to become year-2000 compliant.

The Company is developing a contingency plan to address potential year 2000 related business interruptions that may occur on January 1, 2000, or thereafter. This plan is expected to be completed in the second quarter of 1999.

Although the Company expects its systems to be year 2000 compliant before December 31, 1999, it cannot predict the outcome or success of the year 2000 compliance programs of its vendors, suppliers, and customers. The Company also cannot predict whether its major software vendors, who continue to test for year 2000 compliance, will find additional problems that would result in unplanned upgrades of their applications after December 31, 1999. As a result of these uncertainties, the Company cannot predict the impact on its financial condition or results of noncompliant year 2000 systems that the Company directly or indirectly relies upon. Should the Company's year 2000 compliance plan not be successful or be delayed beyond January 2000, the consequences to the Company could be far-reaching and material, including an inability to produce TiO2 at its manufacturing facilities, which could lead to an indeterminate amount of lost

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revenue. Other potential negative consequences could include plant malfunction, impeded communications or power supplies, or slower transaction processing and financial reporting.

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

The Company conducts substantial operations in Europe. The functional currency of the Company's German, Belgian, Dutch and French operations will convert to the euro from their respective national currencies over a two-year period beginning in 1999. The euro conversion may impact the Company's operations including, among other things, changes in product pricing decisions necessitated by cross-border price transparencies. Such changes in product pricing decisions could impact both selling prices and purchasing costs and, consequently, favorably or unfavorably impact results of operations.

The Company has a significant amount of outstanding DM-denominated indebtedness and such debt will become euro-denominated effective January 1, 1999. Modifications of information systems to handle euro-denominated transactions will be required, although the modifications are not expected to be extensive.

The Company has begun to assess and evaluate the expected impact of the euro conversion on its business. Such evaluations are still in process but are expected to be concluded by the end of 1998. The Company expects to spend and charge to expense less than \$1 million in evaluation and conversion costs. Because of the inherent uncertainty of the ultimate affect of the euro conversion, the Company cannot accurately predict the impact on its results of operations, financial condition or liquidity.

The Company periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, the Company in the past has sought, and in the future may seek, to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, issue additional securities, modify its dividend policy, restructure ownership interests, sell interests in subsidiaries or other assets, or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of its business, the Company may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals industry. In the event of any acquisition or joint venture transaction, the Company may consider using available cash, issuing equity securities or increasing its indebtedness to the extent permitted by the agreements governing the Company's existing debt.

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The statements contained in this Report on Form 10-Q ("Quarterly Report") that are not historical facts, including, but not limited to, statements found under the captions "Results of Operations" and "Liquidity and Capital Resources" above, are forward-looking statements that involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this Quarterly Report could differ materially from those stated in such forward-looking statements and the Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Quarterly Report and in the 1997 Annual Report, including, without limitation, the portions of such reports under the captions referenced above, and the uncertainties set forth from time to time in the Company's other public reports and filings and public statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1997 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998 for descriptions of certain previously-reported legal proceedings.

State of Illinois v. NL Industries, Inc., et al. (No. 88-CH-11618). In October 1998 the Supreme Court of Illinois declined the State's petition to review the previously reported decisions in favor of the Company.

DeLeon v. Exide Corp. and NL Industries, Inc., (No. DV98-02669-B). In August 1998 the plaintiffs dismissed this previously-reported case without prejudice.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

10.1 - 1998 Framework Agreement between ICI, DuPont and the Registrant dated July 24, 1998.

10.2 - July 24, 1998 Agreement between ICI and the Registrant.

10.3 - Form of Hivedown Agreement to be entered into between Tioxide Europe Limited and Newco.

10.4 - Form of Share Sale and Purchase Agreement of Newco to be entered into between Tioxide Europe Limited and the Registrant.

10.5 - Form of Product Exchange Agreement to be entered into between Newco and Tioxide Europe Limited.

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10.6 - Form of Share Sale and Purchase Agreement of Tioxide Americas Inc. to be entered into between ICI American Holdings Inc. and the Registrant.

10.7 - Form of Share Sale and Purchase Agreement of Tioxide Canada Inc. to be entered into between Tioxide Group Limited and ICI Omicron B.V. and the Registrant.

10.8 - Form of Americas Liability Agreement to be entered into between ICI and the Registrant.

10.9 - Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 1998.

10.10 - Intercorporate Services Agreement by and between Valhi, Inc. and the Registrant effective as of January 1, 1998.

10.11 - Intercorporate Services Agreement by and between Tremont Corporation and the Registrant effective as of January 1, 1998.

10.12 - Intercorporate Services Agreement by and between Titanium Metals Corporation and the Registrant effective as of January 1, 1998.

10.13 - Intercorporate Services Agreement by and between CompX International Inc. and the Registrant effective as of January 1, 1998.

27.1 - Financial Data Schedule for the nine-month period ended September 30, 1998.

(b) REPORTS ON FORM 8-K

Reports on Form 8-K for the quarter ended September 30, 1998 and through the date of this report:

August 28, 1998 - reported Items 5 and 7.
October 19, 1998 - reported Items 5 and 7.
October 21, 1998 - reported Items 5 and 7.

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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: November 9, 1998

By /s/ Susan E. Alderton

Susan E. Alderton
Vice President and
Chief Financial Officer

Date: November 9, 1998

By /s/ Dennis G. Newkirk

Dennis G. Newkirk
Vice President and Controller
(Principal Accounting Officer)

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Dated 24 July 1998

IMPERIAL CHEMICAL INDUSTRIES PLC

and

E.I. DU PONT DE NEMOURS AND COMPANY

and

N L INDUSTRIES, INC.

1998
FRAMEWORK AGREEMENT

THIS AGREEMENT (the "AGREEMENT") is made on 24 July 1998 between:

- (1) IMPERIAL CHEMICAL INDUSTRIES PLC, a company incorporated under the laws of England, whose registered office is at Imperial Chemical House, 9 Millbank, London, SW1P 3JF ("ICI");
- (2) E.I. DU PONT DE NEMOURS AND COMPANY, a corporation incorporated under the laws of the State of Delaware, USA, having its principal office at 1007 Market Street, Wilmington, Delaware, 19898 USA ("DUPONT"); and
- (3) N L INDUSTRIES, INC., a corporation incorporated under the laws of the State of New Jersey, USA, whose principal place of business is at 16825 Northchase Drive, Suite 1200, Houston, Texas, 77060 USA (the "PURCHASER").

WHEREAS:

- (A) ICI or Affiliates of ICI are the holders of the Americas Shares. TEL is the owner of the Newco Business. ICI and DuPont have agreed that Tioxide Group Limited will sell the TEL Shares to DuPont (U.K.) Limited.
- (B) ICI, DuPont and the Purchaser have agreed that, subject to the terms and conditions contained in this agreement, the transactions described in recitals (C), (D) and (E) shall occur.
- (C) The Americas Shares will be sold by ICI or its Affiliates and purchased for cash by the Purchaser or an Affiliate of the Purchaser (or both).
- (D) Immediately following completion of the TEL Sale, the Newco Business will be sold to Newco by TEL pursuant to the terms of the Hivedown Agreement. Under the terms of the Hivedown Agreement, the Newco Patent and Know-How Licence is to be entered into providing Newco with rights necessary for the operation of the Newco Business as it will have been conducted immediately prior to the completion of the Newco Share Sale Agreement. The Newco Shares

will immediately thereafter be sold by TEL and purchased for cash by the Purchaser or an Affiliate of the Purchaser (or both).

(E) The parties have agreed to enter into this agreement to set out, among other things, the terms and conditions on which each will enter into agreements and cause their Affiliates to enter into agreements and to take all other necessary steps in order to implement the matters described in (C) and (D) above.

(F) The parties have agreed to guarantee the obligations of their respective Affiliates referred to above.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this agreement:

"AFFILIATES" means with respect to a specified entity, an entity that directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common Control with the entity specified, provided that, without limiting the generality of the foregoing, in relation to ICI and DuPont and their respective subsidiary companies, the term "AFFILIATES" shall not include any entity in which a party has a fifty per cent. or less ownership interest. For the purposes hereof, "Control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and operating policies of the entity in respect of which the determination is being made, through the ownership of voting securities, contract, voting trust or otherwise;

"AGREED FORM" means, in relation to any document, the form of that document which has been initialled on the date this agreement is signed for the purpose of identification by or on behalf of the parties to this agreement or, in relation to a document that only concerns certain parties, by such parties;

"AMERICAS BUSINESS" means the whole of the issued share capital of TAI and the whole of the issued share capital of TCI incorporating the entire business and operations of those companies as of the date of this agreement but excluding from either any matter or item attributable to the LPC Business;

"AMERICAS IMPLEMENTATION AGREEMENTS" means the Americas Sale Agreements and those other agreements to be entered into on the Completion Date by ICI or Affiliates of ICI as at the Completion Date (or both) and the Purchaser or Affiliates of the Purchaser as at the Completion Date (or both) under this agreement which are listed in Schedule 2 Part II and are in Agreed Form, unless otherwise stated in such Schedule;

"AMERICAS SALE" means the sale of the Americas Shares pursuant to the Americas Sale Agreements;

"AMERICAS SALE AGREEMENTS" means the share sale agreements relating to TAI and TCI ("AMERICAS SHARE SALE AGREEMENTS") to be entered into on the Completion Date between ICI and/or Affiliates of ICI, as the case may be, and the relevant Purchaser Affiliate and the Americas Technology Agreements and an "AMERICAS SALE AGREEMENT" means any of them;

"AMERICAS SHARES" means:

135,000 common shares of TCI legally and beneficially held at the date hereof by Tioxide Group Limited and 37,000 Class A Special Shares of TCI legally and beneficially held at the date hereof by ICI Omicron BV, together constituting the entire issued share capital of TCI; and 10,750 shares of common stock of US\$1 each in TAI legally and beneficially held at the date hereof by ICI American Holdings Inc, constituting the entire issued share capital of TAI;

"AMERICAS TECHNOLOGY AGREEMENTS" means the agreements listed as 3.1 to 3.5, 5 and 6 in Schedule 2 Part II;

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are generally open for normal business in both London and New York and (where any action is required by this agreement to be taken in Canada) Montreal;

"BUSINESSES" means the Newco Business, the Americas Business and the LPC Business and a reference to "BUSINESS" means any one of them as the context may require;

"COMPANIES" means TAI, TCI and Newco;

"COMPLETION DATE" has the meaning given to it in sub-Clause 2.7;

"CONDITIONS PRECEDENT" means the conditions precedent set out in Schedule 1;

"CONSENTS" means all such licenses, consents, approvals and permissions of third parties as may be necessary, in order to enable the Businesses to be carried on following the Completion Date in the same manner as they are or shall be carried on at the date of this agreement or the Completion Date (excluding any Permit);

"Data Rooms" means the room or rooms at the offices of Linklaters, in relation to the Newco Business, the Americas Business and the LPC Business (other than the LPC Interests), containing information made available to the Purchaser and indexed in the Agreed Form;

"DEFAULT INTEREST" means interest at the rate equal to LIBOR plus 200 basis points compounded monthly;

"DUPONT GROUP" means DuPont and its Affiliates at the Completion Date;

"ENTERPRISE VALUE" has the meaning ascribed thereto in Schedule 3;

"FINAL DISCLOSURE LETTERS" means the disclosure letters from ICI in relation to the Newco Sale Agreements and from ICI in relation to the Americas Sale Agreements to be delivered to the Purchaser in accordance respectively with Clauses 6 and 9;

"HIVEDOWN AGREEMENT" means the agreement in the Agreed Form between TEL and Newco relating to the sale of the Newco Business;

"HSR ACT" means the US Hart-Scott-Rodino Antitrust Improvements Act of 1976 (as amended) and the rules and regulations thereunder;

"HSR CONDITION" has the meaning given in Schedule 1;

"ICI'S AUDITORS" means KPMG Audit Plc of 8 Salisbury Square, London, EC4Y 8BB;

"ICI GROUP" means ICI and its Affiliates from time to time;

"ICI'S CONTROLLER'S MANUALS" means the control manuals in existence at 14 July 1997 and which are compiled in accordance with UK GAAP used for accounting purposes within the ICI Group and which are recorded on disk form as attached and identified as Annex 1 (and which consist of an introduction to the Group Controller's Manual, Bulletin Board Accounting Language, Bulletin Board Reporting, Accounting Definitions and Conventions, Accounting Policies and Procedures, Controls, Reporting);

"INDEPENDENT EXPERT" has the meaning given in sub-Clause 11.2;

"IMPLEMENTATION AGREEMENTS" means the Americas Implementation Agreements and the Newco Implementation Agreements;

"INITIAL AMERICAS DISCLOSURE LETTER" means the disclosure letter in the Agreed Form in relation to the Americas Business and the LPC Business (other than the LPC Interests);

"INITIAL NEWCO DISCLOSURE LETTER" means the disclosure letter in the Agreed Form in relation to the Newco Business;

"LIBOR" means the rate for deposits in US Dollars for a period of one month which appears on the Reuters Screen ISDA Page (or such other page as the parties may agree) at approximately 11.00 a.m., London time, on the first day of the period to which any interest period relates (the "RELEVANT DATE"). If such rate does not appear on the Reuters Screen ISDA Page on the Relevant Date, the rate for that Relevant Date will be determined as if the parties had specified that the rate for the Relevant Date will be determined on the basis of the rates at which deposits in US Dollars are offered by Midland Bank plc at approximately 11.00 a.m., London time, on the Relevant Date to prime banks in the London interbank market for a period of one month commencing on that Relevant Date for amounts of US\$10,000,000;

"LONGSTOP DATE" means 31 December 1998;

"LPC" means the Louisiana Pigment Company, Limited Partnership, care of The Corporation Trust Company, Corporation Trust Centre, 1200 Orange Street, Wilmington, Delaware 19801 USA;

"LPC BUSINESS" means the LPC Interests, sales sourced from LPC and any Stocks, Operating Debtors, Operating Creditors less than one year (the definitions of such terms in Schedule 3 being applied to LPC) and other assets or liabilities relating to LPC as determined and distinguished from the Americas Business in accordance with Schedule 5 to this agreement;

"LPC INTERESTS" means all partnership interests held by ICI or its Affiliates in LPC pursuant to the Joint Venture Agreement dated as of 18 October 1993, as amended, between TAI and Kronos Louisiana, Inc.;

"LPC TERMINATION AGREEMENT" means the agreement listed as 5 in Schedule 2 Part II;

"NBQ" means the land known as Nettleton Bottom Quarry as defined in a conveyance dated 1 June 1978 between Roade Aggregates Limited and Apollo Site Services Limited; "NEWCO" means a subsidiary of TEL being the purchaser of the Newco Business pursuant to the Hivedown Agreement;

"NEWCO BUSINESS" means the business to be sold to Newco pursuant to the Hivedown Agreement;

"NEWCO IMPLEMENTATION AGREEMENTS" means the Newco Sale Agreements and those other agreements which are listed in Schedule 2 Part I and are in Agreed Form, unless otherwise stated in such Schedule;

"NEWCO PATENT AND KNOW-HOW LICENCE" means the licence in the Agreed Form to be entered into between DuPont and Newco pursuant to the Hivedown Agreement;

"NEWCO SALE" means the sale of Newco to the Purchaser in accordance with the Newco Sale Agreements;

"NEWCO SALE AGREEMENTS" means the share sale agreement relating to the sale of Newco ("NEWCO SHARE SALE AGREEMENT") to be entered into on the Completion Date between TEL and the relevant Purchaser Affiliate, the Hivedown Agreement and the Newco Technology Agreements; and a "NEWCO SALE AGREEMENT" means any one of them;

"NEWCO SHARES" means all the issued share capital of Newco held by TEL following completion of the TEL Sale and to be sold to the Purchaser or the relevant Purchaser Affiliate pursuant to the Newco Share Sale Agreement;

"NEWCO TECHNOLOGY AGREEMENTS" means the Newco Patent and Know-How Licence and the agreements listed as 4.1 to 4.4 in Schedule 2 Part I;

"ORDINARY COURSE OF BUSINESS" means the ordinary course of business consistent with past custom and practice including, without limitation, quantity and frequency, taking into account the relevance

and reasonableness of the same and with allowance made for the inherently cyclical nature of the titanium dioxide industry;

"PERMITS" means all licences, permits, authorisations, registrations and approvals (formal and informal) required by law or regulation or issued or granted by statutory or local authorities to the Seller or the relevant Company for the purposes of operation of the Businesses (but excluding planning permissions issued by relevant planning authorities (save for Environmental Authorisations as defined in the relevant Implementation Agreements) and the Regulatory Conditions);

"PROPOSED TRANSACTIONS" means the transactions (other than the TEL Sale) contemplated by Clauses 3 and 4;

"PURCHASER GROUP" means the Purchaser and its Affiliates from time to time;

"RECORD DATE" has the meaning given in sub-Clause 2.5;

"REGULATORY CONDITIONS" means the anti-trust approvals referred to in sub-Clause 2.3.1;

"SALE AGREEMENTS" means the Newco Sale Agreements and the Americas Sale Agreements;

"SELLER" means the relevant entity holding the relevant shares to be sold or other assets to be transferred or rights to be granted under, as the context may require, the Newco Sale Agreements and the Americas Sale Agreements;

"TAI" means Tioxide Americas Inc, a corporation incorporated under the laws of the State of Delaware, USA of 2001 Butterfield Road, Suite 601, Downers Grove, Illinois 60515, USA;

"TCI" means Tioxide Canada Inc, a corporation incorporated under the laws of the Province of Quebec, Canada (registered number 1140405920) of 1690 Route Marie Victorin, Tracy, Quebec, J3R IM7, Canada;

"TEL" means Tioxide Europe Limited, a company incorporated in England (registered number 832447) of Lincoln House, 137/143 Hammersmith Road, London W14 OQL;

"TEL COMPLETION DATE" means the time of completion of the TEL Sale;

"TEL SALE" means the sale of the TEL Shares by Tioxide Group Limited to Du Pont (U.K.) Limited;

"TEL SHARES" means the entire issued share capital of TEL;

"UK GAAP" means generally accepted accounting principles in the United Kingdom; and

"WSL CONTRACT" means the purchase contract dated 28 May 1987 (as amended) for the supply of ilmenite between (1) Tioxide Group plc as agent for TEL (formerly Tioxide UK Ltd), Tioxide Australia Ltd and Tioxide Espana S.A. and (2) Westralian Sands Ltd.

1.2 Any express reference to an enactment includes references to:

- 1.2.1 that enactment as amended, extended or applied by or under any other enactment before or after this agreement;
- 1.2.2 any enactment which that enactment re-enacts (with or without modification); and
- 1.2.3 any subordinate legislation made (before or after this agreement) under any enactment, including one within sub-Clauses 1.2.1 or 1.2.2 above,

except to the extent that any of the matters referred to in sub-Clauses 1.2.1 to 1.2.3 occurring after the date of this agreement increase or alter the liability of any party under this agreement.

- 1.3 The singular shall include the plural and vice versa and words denoting persons shall include bodies corporate and unincorporated associations of persons and, unless otherwise stated, shall include permitted successors or assigns of such persons.
- 1.4 Sub-Clauses 1.1 to 1.3 apply unless the contrary intention appears.
- 1.5 The headings in this agreement do not affect its interpretation.
- 1.6 Any Schedule or Annex to this agreement shall take effect as if set out in this agreement and references to this agreement shall include its Schedules and Annexes.

2 CONDITIONS PRECEDENT

- 2.1 The obligations of the parties under Clauses 3 and 4 and sub-Clauses 16.1 and 16.2 are subject to the Conditions Precedent and completion of this agreement is subject to sub-Clause 2.8.
- 2.2 The parties shall use all reasonable efforts to procure that the Conditions Precedent are fulfilled as soon as possible after the date of this agreement.
- 2.3
- 2.3.1 Subject to the terms and conditions of this agreement, each party will use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable in relation to antitrust and regulatory approvals necessary to complete the Proposed Transactions. In furtherance and not in limitation of the foregoing, each party agrees to make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the Proposed Transactions as promptly as practicable and in any event within 10 Business Days of the date hereof and to supply as promptly as practicable any additional information and documentary material that may be reasonably requested pursuant to the HSR Act and to take all other actions necessary or desirable to cause the expiration or termination of the applicable waiting periods under the HSR Act as soon as practicable.
- 2.3.2 Each party shall, in connection with the efforts referred to in sub-Clause 2.3.1:
- (i) use all reasonable efforts to co-operate in all respects with each other in connection with any filing or submission, or the timing thereof;
 - (ii) in connection with any investigation or other inquiry, including any proceeding initiated by a private party, keep the other parties informed on a timely basis in all material respects of any material communication received by such party from, or given by such party to, the Office of Fair Trading (the "OFT"), the Bundeskartellamt (the "BK"), the European Commission (the "EC"), the US Federal Trade Commission (the "FTC"), the Antitrust Division of the US Department of Justice (the "DOJ") or any other governmental authority and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the Proposed Transactions, and permit any other party to review any material communication given by or to it; and
 - (iii) consult with each other, in advance of any meeting or conference with such governmental authorities or, in connection with any proceeding by a private party, with any other person provided that in relation to unsolicited communications, the obligations in this sub-Clause shall be such as are practicable in the relevant circumstances.
- 2.3.3 The parties will use all reasonable endeavours to obtain such approvals as promptly as possible and, in this regard,

provide all information reasonably requested, shall assist and co-operate with one another to make the necessary filings and take such other steps as may be commercially reasonably required to secure the non-objection of the relevant antitrust and regulatory authorities, provided that nothing in this sub-Clause 2.3.3 shall be construed to require any party to conduct its commercial affairs in a manner other than in accordance with its own independent business judgement.

- 2.3.4 The parties will use all reasonable efforts to take all action and to do all things necessary in order to consummate and make effective the transactions contemplated by this agreement (including satisfaction, but not waiver, of all Conditions Precedent).
- 2.4 The Conditions Precedent shall be deemed to have been fulfilled when they have been satisfied within the terms described in Schedule 1.
- 2.5 Each party shall promptly advise the others once the Conditions Precedent which relate to that party have been fulfilled. The date that the last of the Conditions Precedent (other than Condition Precedent number 12 relating to the TEL Sale) has been so fulfilled shall be the "Record Date" and the Completion Date shall be determined in accordance with the provisions of sub-Clause 2.7 below. The parties shall be deemed to have satisfied or waived any Conditions Precedent (as applicable) by signing and completing the Sale Agreements in accordance with sub-Clause 2.7 below.
- 2.6 If the Conditions Precedent (other than Condition Precedent number 12 relating to the TEL Sale) have not been fulfilled by the Longstop Date, or earlier upon the written agreement of the parties that such Conditions Precedent cannot so be met, any of the parties shall have the right (but not the obligation) to terminate this agreement by notice in writing, to be given after the Longstop Date or earlier by written agreement between the parties, in which case no party shall have any rights or obligations under this agreement except under Clauses 14, 15, 19, 25 and 26 which shall survive the termination of this agreement.
- 2.7 The TEL Sale shall be completed at midnight London time on the last day of the calendar month (or if that last day is a Friday or not a Business Day on the first Business Day thereafter) following the month in which the Record Date falls. The date and time of signature and of completion of the Hivedown Agreement and any documents to be entered into pursuant thereto will be immediately thereafter. The date and time of signature and completion (the "Completion Date" for the purposes of this agreement) of the other Sale Agreements will be immediately following completion of the Hivedown Agreement as referred to above.
- 2.8 The parties agree that:
- (a) the signature and completion of the Sale Agreements will not take place unless completion of the TEL Sale has taken place; and
 - (b) the signature and completion of each of the Newco Share Sale Agreement and each of the Americas Share Sale Agreements will be simultaneous and none will be completed unless all are completed.
- 2.9 Immediately after the TEL Completion Date but before the Hivedown Agreement is entered into, the Purchaser shall serve written notice upon DuPont and TEL and DuPont shall procure TEL to serve written notice on the Purchaser, in each case confirming that all conditions precedent to the Newco Sale are satisfied and that TEL and the Purchaser each has an unconditional obligation pursuant to this agreement to execute and complete the Newco Share Sale Agreement. Accordingly, TEL will have ceased to be the beneficial owner of the Newco Shares before the Hivedown Agreement is entered into.

3.1 Subject to the prior satisfaction of the Conditions Precedent, the parties will and will procure that their relevant Affiliates enter into and complete in the following order:

3.1.1 in accordance with Clause 2.7 (so as to take place immediately following completion of the TEL Sale), the Hivedown Agreement and any deed, document or agreement to be entered into pursuant thereto; and

3.1.2 on the Completion Date, the Newco Implementation Agreements and the Americas Implementation Agreements.

3.2 The consideration due to the relevant parties in relation to the sales of the Americas Shares and the Newco Business and the LPC Termination Agreement contemplated under the Implementation Agreements shall be calculated in accordance with Schedule 3 and the relevant Implementation Agreements. The Enterprise Value for each of the Americas Business, the LPC Business (excluding the value of the LPC Interests) and the Newco Business and the agreed consideration for the LPC Interests shall be as shown in Schedule 3.

4 TECHNOLOGY AGREEMENTS

On the Completion Date the parties will and/or will procure that their relevant Affiliates will enter into and complete the Newco Technology Agreements and Americas Technology Agreements.

5 CONDUCT OF BUSINESS

5.1 Pending the execution and delivery of the Implementation Agreements (or the earlier termination of this agreement), neither ICI nor DuPont, nor any of their Affiliates, nor any of their officers, employees, representatives or agents, will solicit or initiate any discussions or negotiations with, or participate in any negotiations with, or provide any information to or otherwise cooperate in any other way with, or facilitate or encourage any effort or attempt by, any corporation, partnership, person or other entity or group (other than NL, its Affiliates and its directors, officers, employees, agents and representatives) concerning any acquisition of the Americas Shares, the Intellectual Property which is the subject of the Americas Technology Agreements, the LPC Interests, the Newco Business, the Newco Shares, or the Intellectual Property which is the subject of the Newco Technology Agreements.

5.2 ICI agrees, pending the execution and delivery of the Implementation Agreements (or the earlier termination of this agreement), to conduct each of the Businesses only in the Ordinary Course of Business. ICI shall also use its reasonable commercial endeavours to: (i) maintain the business and properties of TAI, TCI and the Newco Business, and preserve intact their business organisations and goodwill, (ii) keep available the services of their officers and employees and (iii) maintain satisfactory relationships with suppliers, customers and others having a business relationship with the Businesses.

6 ICI WARRANTIES AND REPRESENTATIONS

6.1 ICI warrants and represents to the Purchaser that:

6.1.1 subject to satisfaction of the Conditions Precedent (in each case in relation to the obligations referred to in sub-Clause 2.1 but not in relation to any other obligations):

(i) it has the requisite power and authority to enter into and perform this agreement;

(ii) it has obtained and satisfied all corporate, regulatory and other approvals, or any other conditions, necessary to execute and perform this agreement;

(iii) this agreement constitutes the legally valid and binding obligations of ICI enforceable in accordance with its terms; and

(iv) compliance with the terms of this agreement and each relevant Americas Implementation Agreement will not constitute a default under any provision of:

(a) ICI's memorandum or articles of association; or

(b) (i) any order, judgment or decree; or (ii) any statute, rule or regulation; or (iii) any other restriction of any kind by which ICI is bound; and

6.1.2 none of ICI and its Affiliates has employed any investment banker, broker or finder, or incurred any liability for any brokerage fees, commissions, finder's fees or similar payments in connection with the Proposed Transactions for which the Purchaser or its Affiliates or any of the Companies or LPC may be liable.

6.2 ICI and the Purchaser agree that the Warranties to be given under the Americas Share Sale Agreements (in this Clause, Warranties having the meaning given in the relevant Americas Share Sale Agreement) will be given at the Completion Date and will be given subject to any matter which is fairly disclosed in the Final Disclosure Letter applicable to each Americas Share Sale Agreement. ICI and the Purchaser agree that ICI may require to amend the Initial Americas Disclosure Letter or the Disclosure Documents (as defined in the Initial Americas Disclosure Letter) (together in this Clause 6, the "INITIAL AMERICAS DISCLOSURE DOCUMENTS") in accordance with sub-Clause 6.3 below by adding to, amending or removing the specific matters identified, referred to and/or disclosed therein in each case in the event of them being incomplete or inaccurate.

6.3 ICI undertakes to the Purchaser that it will fairly disclose to the Purchaser in writing any matter or thing known to ICI before or after the date of this agreement and prior to the TEL Completion Date which, if not disclosed, would constitute a breach of any of the Warranties (if they had been given at the date of this agreement) or which constitutes an amendment which is required pursuant to sub-Clause 6.2 above in order to amend any factual errors or omissions in the Initial Americas Disclosure Documents. Such disclosure or any such amendment shall be made not later than 14 days before the TEL Completion Date in respect of matters or things which are known to ICI at or before the Record Date and shall be incorporated in the Final Disclosure Letter applicable to each Americas Share Sale Agreement. In relation to matters or things which only become known to ICI after the Record Date, such disclosure or amendment shall be fairly disclosed or communicated in writing as soon as practicable before the TEL Completion Date and shall be incorporated in the Final Disclosure Letter applicable to each Americas Share Sale Agreement. ICI shall provide the Purchaser with amendments to the Initial Americas Disclosure Documents on a regular basis (being every four to six weeks) during the period from the date hereof to the TEL Completion Date.

Any such amendments to the information contained in the Initial Americas Disclosure Documents shall, to constitute a valid disclosure against the Warranties, be required to be expressly incorporated in the Final Disclosure Letters applicable to the Americas Share Sale Agreements.

ICI undertakes to the Purchaser that only those specific categories of general disclosure contained in the Initial Americas Disclosure Letters will be contained in the Final Disclosure Letters in relation to the Americas Sale Agreements and that such specific categories will not be amended in any way.

7 PURCHASER'S WARRANTIES AND REPRESENTATIONS

7.1 The Purchaser warrants and represents to ICI and DuPont that:

7.1.1 subject to satisfaction of the Conditions Precedent (in each case in relation to the obligations referred to in sub-Clause 2.1 but not in relation to any other obligation):

(i) it has the requisite power and authority to enter into and to perform this agreement;

(ii) it has obtained and satisfied all corporate, regulatory and other approvals, or any other significant conditions, necessary to execute and perform this agreement;

(iii) this agreement constitutes the legally valid and binding obligations of the Purchaser enforceable in accordance with its terms; and

(iv) compliance with the terms of this agreement and each relevant Implementation Agreement will not constitute a default under any provision of:

(a) the Purchaser's by-laws or other constitutional documents; or

(b) (i) any order, judgment or decree; or (ii) any statute, rule or regulation or (iii) any other restriction of any kind by which the Purchaser is bound; and

7.2 none of the Purchaser and its Affiliates has employed any investment banker, broker or finder, or incurred any liability for any brokerage fees, commissions, finder's fees or similar payments in connection with the Proposed Transactions, for which ICI or DuPont or their Affiliates (excluding, following the Completion Date, the Companies and LPC) may be liable.

8 DUPONT WARRANTIES AND REPRESENTATIONS

DuPont warrants and represents to the Purchaser that:

8.1 subject to satisfaction of the Conditions Precedent (in each case in relation to the obligations referred to in sub-Clause 2.1 but not in relation to any other obligation):

(i) it has the requisite power and authority to enter into and to perform this agreement;

(ii) it has obtained and satisfied all corporate, regulatory and other approvals, or any other significant conditions, necessary to execute and perform this agreement;

(iii) this agreement constitutes the legally valid and binding obligations of DuPont enforceable in accordance with its terms; and

(iv) compliance with the terms of this agreement and each relevant Newco Implementation Agreement will not constitute a default under any provision of:

(a) DuPont's by-laws or other constitutional documents; and

(b) (i) any order, judgment or decree; or (ii) any statute, rule or regulation; or (iii) any other restriction of any kind by which DuPont is bound;

8.2 none of DuPont or its Affiliates has employed any investment banker, broker or finder, or incurred any liability for any brokerage fees, commissions, finder's fees or similar payments in connection with the Newco Sale Agreements for which the Purchaser or its Affiliates or any of the Companies may be liable.

9 NEWCO DISCLOSURE DOCUMENTS

9.1 ICI and the Purchaser agree that the Warranties to be given under the Newco Share Sale Agreement (in this Clause Warranties having the meaning given in the Newco Share Sale Agreement) will be given at the Completion Date and will be given subject to any matter which is fairly disclosed in the Final Disclosure Letter applicable to the Newco Share Sale Agreement. ICI and the Purchaser agree that ICI may require to amend the Initial Newco Disclosure Letter or the Disclosure Documents (as defined in the Initial Newco Disclosure Letter) (together, the "INITIAL NEWCO DISCLOSURE DOCUMENTS") in accordance with sub-Clause 9.2 below by adding to, amending or removing the specific matters identified, referred to and/or disclosed therein in each case in the event of them being incomplete or inaccurate.

9.2 ICI undertakes to the Purchaser that it will fairly disclose to the Purchaser in writing any matter or thing known to ICI before or after the date of this agreement and prior to the TEL Completion Date which, if not disclosed, would constitute a breach of any of the Warranties (if they had been given at the date of this agreement) or which constitutes an amendment which is required pursuant to sub-Clause 9.1 above in order to amend any factual errors or omissions in the Initial Newco Disclosure Documents. Such disclosure or any such amendment shall be made not later than 14 days before the TEL Completion Date in respect of matters or things which are known to ICI at or before the Record Date and shall be incorporated in the Final Disclosure Letter applicable to the Newco Share Sale Agreement. In relation to matters or things which only become known to ICI after the Record Date such disclosure or amendment shall be fairly disclosed or communicated in writing as soon as practicable before the TEL Completion Date and shall be incorporated in the Final Disclosure Letter applicable to the Newco Share Sale Agreement. ICI shall provide the Purchaser with amendments to the Initial Newco Disclosure Documents on a regular basis (being every four to six weeks) during the period from the date hereof to the TEL Completion Date.

Any such amendments to the information contained in the Initial Newco Disclosure Documents shall, to constitute a valid disclosure against the Warranties, be required to be expressly incorporated in the Final Disclosure Letter applicable to the Newco Share Sale Agreement.

ICI undertakes to the Purchaser that only those specific categories of general disclosure contained in the Initial Newco Disclosure Letter will be contained in the Final Disclosure Letter in relation to the Newco Sale Agreements and that such specific categories will not be amended in any way.

10 TRIGGER EVENTS

10.1 If in consequence of any one or more Trigger Events (as defined below) there is a Material Adverse Effect (as defined below) which is not remedied by ICI or its Affiliates at no cost to the Purchaser or, as the case may be TAI or TCI or Newco, before the TEL Completion Date, then, provided the Purchaser or its Affiliates have not knowingly caused or contributed to such Material Adverse Effect (to the extent it would not have constituted such a Material Adverse Effect without such contribution), the Purchaser shall have the right, by notice served on both ICI and DuPont at any time during the period from the date of this agreement to immediately prior to the TEL Completion Date, to terminate its obligation to purchase the Newco Shares and the Americas Shares which in the event of exercise of such right by the Purchaser shall be its exclusive remedy and shall extinguish any claim by the Purchaser or any of its Affiliates for damages (whether arising in contract, tort or otherwise) in connection with this agreement provided that on such termination the provisions of sub-Clause 2.6 shall apply mutatis mutandis.

10.2 In the event that there is a dispute as to whether a right to terminate under sub-Clause 10.1 exists, the matter shall be referred to the Independent Expert for determination in accordance with sub-Clause 11.2. If completion of the Sale Agreements would have occurred but for the application of the provisions of sub-Clause 10.1, and if the determination is that the right to terminate does not

exist, the date of that determination shall be treated as the Record Date for the purposes of sub-Clause 2.5 and this Clause shall apply in relation to the new Record Date.

10.3 For the purposes of this Clause 10:

"TRIGGER EVENT" means:

10.3.1 any amendment to or variation of the Initial Newco Disclosure Documents or the Initial Americas Disclosure Documents or other disclosure pursuant to sub-Clauses 6.3 and 9.2 in the period following signature of this agreement and before the TEL Completion Date in respect of any matter or thing which but for notification to the Purchaser under sub-Clauses 6.3 and 9.2 above would constitute a breach of the Warranties (as defined in sub-Clauses 6.2 and 9.1) if they had been given at the date of this agreement or the Purchaser otherwise becoming aware, without being in breach of this agreement, of a matter or thing which would constitute a breach of such Warranties, if they had been given at the date of this agreement; or

10.3.2 without prejudice to sub-Clause 10.3.1 above, where any such amendment or variation is made to correct an error or omission in the information contained in the Initial Newco Disclosure Documents or the Initial Americas Disclosure Documents, the Purchaser shall be entitled to use such information for the purpose of calculating whether, together with any other Trigger Event(s), a Material Adverse Effect has occurred; or

10.3.3 contractual terms not being available (immediately prior to the expiry of the period referred to in sub-Clause 10.1) for the Newco Business to be supplied, for a period of at least 2 years following the Completion Date, with volumes of ilmenite ore consistent with those consumed by the Newco Business over the 12 months ending on the date of this agreement at prices substantially similar to those payable by TEL under the WSL Contract from time to time.

"MATERIAL ADVERSE EFFECT" means a diminution in the aggregate value of the Americas Business and the Newco Business having regard to their aggregate Enterprise Value as determined by reference to Schedule 3 of US\$35,000,000 or more as a result of any one or more Trigger Events occurring prior to the TEL Completion Date ignoring any such diminution: (a) which would be reflected in an adjustment pursuant to the provisions of this agreement or the Sale Agreements as at the Completion Date to the aggregate consideration for the purchase of the Americas Shares or the Newco Business; and (b) to the extent that the diminution in value has been remedied by ICI at no cost to the relevant Companies or Businesses Provided that where any adverse effect arising from one or more Trigger Event(s) is not reasonably capable of calculation in monetary terms, the question as to whether a Material Adverse Effect has occurred whether wholly or partly as a result of such Trigger Event(s) shall, failing agreement between the parties, be determined by the Independent Expert.

11 INDEPENDENT ACCOUNTANT AND EXPERT

11.1 INDEPENDENT ACCOUNTANT

11.1.1 If any party (a "COMPLAINANT") wishes to refer any matter in dispute in accordance with Schedule 3 for determination under this Clause, it shall give notice to the others (or if the matter concerns only one or some of the others, then only to such other or others) (the "OTHERS") requiring the appointment of an independent accounting firm of international reputation (the "INDEPENDENT ACCOUNTANT"). Accounting firms who have acted as auditors of the Complainant or the Others or their respective Affiliates, during the five years preceding the date of this agreement, shall be excluded from such appointment. If the Complainant and the Others are

unable to agree upon the Independent Accountant within 14 days of such notice, then the Independent Accountant shall be appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either the Complainant or any of the Others.

11.1.2 If the Independent Accountant delays or becomes unwilling or incapable of acting or if for any other reason the President for the time being of the Institute of Chartered Accountants in England and Wales thinks fit he may discharge the Independent Accountant and, in the absence of agreement between the Complainant and the Others, appoint another in its place.

11.1.3 The Independent Accountant shall act as an expert and not as an arbitrator and its decision shall (in the absence of manifest error) be final and binding on the Complainant and the Others. The Independent Accountant shall afford the Complainant and the Others the opportunity of making written representations to it and shall make its determination within 40 days of its appointment.

11.1.4 The fees and expenses of the Independent Accountant shall be borne by the Complainant and the Others in equal shares unless the Independent Accountant otherwise determines.

11.2 INDEPENDENT EXPERT

11.2.1 If a Complainant wishes to refer any matter in dispute for determination under this sub-Clause 11.2, the Complainant may give notice to the Others requiring the matter to be referred to an independent expert (the "INDEPENDENT EXPERT") agreed by the Complainant and the Others. If the Complainant and the Others are unable to agree upon the Independent Expert within 14 days of such notice then the Independent Expert shall be appointed by the chairman for the time being of the Institute of Arbitrators on the application of the Complainant or any of the Others.

11.2.2 If the Independent Expert delays or becomes unwilling or incapable of acting or if for any other reason the chairman for the time being of the Institute of Arbitrators thinks fit he may discharge the Independent Expert and, in the absence of agreement between the Complainant and the Others, appoint another in his or her place.

11.2.3 The Independent Expert shall act as an expert and not as an arbitrator and his or her decision shall (in the absence of manifest error) be final and binding on the Complainant and the Others. The Independent Expert shall afford the Complainant and the Others the opportunity of making written representations to him or her and shall make his or her determination within 40 days of appointment.

11.2.4 The fees and expenses of the Independent Expert shall be borne by the Complainant and the Others in equal shares unless the Independent Expert otherwise determines.

12 LIABILITY IN RELATION TO THE NEWCO SALE AND THE HIVEDOWN AGREEMENT

12.1 The Purchaser agrees for itself and in respect of its Affiliates that, other than as expressly provided in this agreement, the Americas Implementation Agreements and the Newco Implementation Agreements, no representation or warranty is given (express or implied) and no liability is accepted by ICI, DuPont or any of their respective Affiliates or any of their respective directors, employees, agents or advisers (respectively the "ICI SELLING GROUP" and the "DUPONT SELLING GROUP" and together the "SELLING GROUP"), as to the accuracy or completeness of any information in the Data Rooms (or any further information supplied on request or any communication in relation thereto) or as to the reasonableness of any assumptions on which any

of it is based.

12.2 The Purchaser for itself and in respect of its Affiliates (including the Companies for the purpose of this Clause 12) agrees that, other than as a result of fraud on the part of either any member of the DuPont Selling Group or of any member of the ICI Selling Group as relevant (in which case only the members of the relevant Selling Group shall be liable):

(i) no member of the Selling Group shall incur any liability whatsoever to the Purchaser or any of its Affiliates arising out of or in connection with the acquisition of the Newco Shares or the Americas Shares and entry into by the Purchaser of the Newco Sale Agreements and the Americas Sale Agreements; and

(ii) the Purchaser shall have no right of action whatsoever against any member of the Selling Group in connection with or arising out of the purchase of the Companies;

both other than as provided in this agreement, the Americas Implementation Agreements and the Newco Implementation Agreements.

12.3 The Purchaser for itself and its Affiliates undertakes to the Selling Group to waive any liability which such parties may incur by reason of the Purchaser's or its Affiliates' use of or reliance upon any information or documentation provided by such party and their advisers in relation to the sale of the Companies, other than as provided in this agreement, the Americas Implementation Agreements and the Newco Implementation Agreements.

12.4 It is agreed that none of ICI, DuPont, the Purchaser or any of their respective Affiliates are partners under this agreement or any other agreement herein referred to for any purpose, except the partnership agreement dated 20 December 1993 (as amended) between Affiliates of ICI and Affiliates of the Purchaser with respect to LPC.

12.5 The Purchaser acknowledges (for itself and its Affiliates) that DuPont and ICI have agreed between themselves arrangements in the Agreed Form regarding the conduct of any claim under any of the Newco Implementation Agreements which also gives rise to or constitutes a claim under the same or equivalent provisions of the agreements between ICI or any of its Affiliates (on the one hand) and DuPont or any of its Affiliates (on the other hand) relating to the TEL Sale.

If DuPont notifies the Purchaser that the conduct of any claim under any of the Newco Implementation Agreements is to be assumed and controlled by ICI or any of its Affiliates in accordance with such arrangements then the Purchaser agrees (subject to the terms of the Newco Implementation Agreements) to co-operate and deal accordingly so that references in the Newco Implementation Agreements to "the Seller" in the context of the conduct of any such claim shall be deemed to mean ICI or any of its Affiliates and the Purchaser (for itself and its Affiliates) acknowledges that any payment or settlement by ICI or any of its Affiliates to or with the Purchaser (or any of its Affiliates) in respect of any claim made by the Purchaser (or any of its Affiliates) against DuPont or its Affiliates under any of the Newco Implementation Agreements shall discharge DuPont or its Affiliates' liability to the Purchaser (or any of its Affiliates) under any such Newco Implementation Agreement in respect of such claim to the extent of any payment or settlement so made. The provisions of this Clause are without prejudice to the Purchaser's rights under the Newco Implementation Agreements.

12.6 It is agreed between DuPont and the Purchaser (for itself and on behalf of Newco) that in circumstances where the subject matter of any claim under any of the Newco Implementation Agreements also gives rise to or constitutes a claim or dispute between DuPont or its Affiliates and Newco under or pursuant to the Hivedown Agreement then the provisions of the Newco Implementation Agreements dealing with the notification, assistance and conduct of any claim, dispute or proceedings shall prevail over and override any corresponding or similar provisions contained in the Hivedown Agreement. The Purchaser

shall procure that Newco complies with the provisions of this Clause.

12.7

12.7.1 ICI, DuPont and the Purchaser agree to co-operate generally and take all steps which may reasonably be required (including without limitation making appropriate applications to the relevant governmental and/or local authorities) to arrange for the transfer or assignment to Newco or the re-issue in the name of Newco of each of the Permits (insofar as they relate to the Newco Business) with effect from the Completion Date in each case upon terms which will enable Newco to continue to conduct the Newco Business with effect from the Completion Date substantially in the manner in which the Newco Business is conducted prior to the Completion Date. Any direct costs arising from the obligations under this sub-Clause 12.7 will be divided equally among the parties. Furthermore, each of the parties shall use all reasonable efforts to effect each such transfer, assignment or re-issue as promptly as practicable after the date of this agreement.

12.7.2 ICI and DuPont shall together use reasonable endeavours to obtain such consents from third parties as may be reasonably required to enable Newco to obtain the benefit of the software licences which are necessary for the operation of the Newco Business as at the Completion Date at no additional licence fee.

12.7.3 If such consents are not obtained, ICI and DuPont shall procure such additional software licences as are necessary for the operation by Newco of the Newco Business as at the Completion Date. ICI and DuPont shall each be liable for 50 per cent of the costs of such additional software licence fees.

12.8 Other than in respect of the members of the Selling Group's compliance with the provisions of sub-Clause 12.7, the Purchaser hereby accepts and agrees that none of the Selling Group shall be liable for any failure or refusal by any relevant governmental or local authority to arrange or effect the transfer or assignment to Newco or the re-issue in the name of Newco of any of the Permits as aforesaid.

12.9 It is agreed between DuPont (for itself and on behalf of its Affiliates) and the Purchaser (for itself and on behalf of Newco) that the indemnity given by Newco in favour of TEL in respect of Newco Liabilities (as defined in the Hivedown Agreement) pursuant to Clause 7.3 of the Hivedown Agreement (the "NEWCO INDEMNITY") shall not apply if and to the extent that the subject matter of any claim under the Newco Indemnity also gives rise to or constitutes a claim by the Purchaser and/or relevant Purchaser Affiliate under or pursuant to the Newco Share Sale Agreement.

12.10 For the purposes of sub-Clauses 12.7 and 12.8 the expression "PERMITS" shall include any registrations which may be required for Newco for taxation purposes.

12.11 With effect from the Record Date, or earlier with the agreement of the parties (such agreement not to be unreasonably withheld), the parties shall use such reasonable endeavours as they are each able to do so as to procure that TEL and Newco meet their obligations under the first sentence of paragraph 3 of Schedule 7 of the Hivedown Agreement (as if the obligations under the first sentence of paragraph 3 had come into effect on the Record Date, or earlier as aforesaid) but subject to the provisions of paragraph 13 of Schedule 7 of the Hivedown Agreement. For the purpose of this sub-Clause 12.11, references to "consents" in such paragraph 3 shall be deemed to include the Consents.

12.12

12.12.1 If the Purchaser (which for the purpose of this sub-Clause 12.12 shall not include its successors in title) or any relevant Affiliate ("PURCHASER COMPANIES") has not by 1 September 2003 renewed the planning approval no. W/66/338/84

in relation to NBQ issued on 27 September 1988 on appeal against the decision of Lincolnshire County Council (the "APPROVAL") expiring on 1 September 2003 relating to the disposal of digester residue for a further term of a minimum of 8 years on terms enabling the continued use of NBQ for its current waste disposal purposes, then, subject to compliance by the Purchaser Companies with the provisions of this sub-Clause 12.12, ICI shall on written notice from the Purchaser Companies given on or within ten working days after 1 September 2003 (a "COMPLETION NOTICE") purchase, or procure the purchase of, NBQ, on the terms set out in Clause 12.12.4 from the Purchaser Companies.

12.12.2 ICI's obligation in sub-Clause 12.12.1 is conditional on the following obligations of the Purchaser Companies, from the Completion Date:

- (i) to use and manage NBQ during the period of its ownership materially in accordance with Environmental Law, the standards of the relevant regulatory authorities, the conditions of any Permits and planning permissions relating thereto and good industry practice, in a manner conducive to the renewal of the Approval;
- (ii) to use NBQ solely for the purpose of the disposal of digester residue arising from the sulphate TiO₂ process at the Grimsby Site (as such term is defined in the Newco Share Sale Agreement); such residue disposed to be broadly similar in quality, quantity and type to that currently disposed at the date of this agreement and materially consistent with the requirements of the Approval and any Permits relating thereto;
- (iii) to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable in relation to obtaining the renewal of the Approval for a term of at least 8 years, including acceding to the reasonable demands of the relevant regulatory authorities and in particular to submit an application for such a renewal on or before 31 December 2001.

12.12.3 The Purchaser Companies shall from the Completion Date:

- (i) use all reasonable efforts to be a "fit and proper person" within the meaning of the Environmental Protection Act 1990;
- (ii) promptly inform ICI of all material matters relating to the process for the renewal of the Approval, including providing copies of correspondence, and permitting ICI reasonable opportunity to participate in the process (at ICI's expense) and including providing a copy of the application for the renewal of the Approval to ICI prior to its submission to the relevant planning authority. Expense incurred by the Purchaser Companies in relation to the renewal of the Approval shall be borne by the Purchaser Companies; and
- (iii) not create or permit or suffer to be created any encumbrances over NBQ which shall subsist at the date of the transfer of NBQ to the Buyer.

12.12.4 The following conditions shall apply on any sale of NBQ by the Purchaser Companies to the "BUYER" (ICI or a company nominated by ICI);

- (i) The price payable for NBQ shall be GBP1;
- (ii) The Purchaser shall sell with Full Title Guarantee;
- (iii) Completion shall take place ten working days after the receipt of a Completion Notice before 2.00 pm at the

registered office of ICI or at such other date, time or place as may be agreed between ICI and the Purchaser;

(iv) The Purchaser Companies shall prior to completion deduce to the Buyer the title to NBQ insofar as it differs from the title at the date of this agreement and the Buyer shall not raise any requisition in respect of any matter arising before the date of this agreement;

(v) NBQ will be sold subject to:

(a) all overriding interests as defined in the Land Registration Act 1925 as amended;

(b) all matters referred to in the registers of the title under which NBQ is to be registered (other than financial charges and encumbrances created in breach of sub-Clause 12.12.3 (iii));

(c) all matters subject to which NBQ is to be sold to the Purchaser insofar as they remain valid, subsisting and affect the title at the completion of the sale to the Buyer;

as well as those encumbrances referred to in Standard Condition 3.1.2.

12.12.5 NBQ will be sold with vacant possession on completion of its sale.

12.12.6 The transfer of NBQ will contain covenants by the Buyer to comply with the following obligations insofar as the Purchaser Companies may remain liable (directly or indirectly) for them after the date of the transfer:

(i) obligations arising from matters referred to in the registered title of NBQ;

(ii) obligations arising under any documents subject to which NBQ is sold to the Purchaser;

and to indemnify the Purchaser Companies against any non-compliance.

12.12.7 The transfer of NBQ will contain an undertaking by the Purchaser to indemnify and keep indemnified on a continuing basis the Buyer (for itself and its affiliates) against any Adverse Consequences (as defined in the Americas Share Sale Agreements) ICI or the Buyer may suffer as a result of the failure of the Purchaser Companies to comply with their obligations under sub-Clauses 12.12.2 and 12.12.3 including, without limitation, any Environmental Liabilities arising therefrom;

12.12.8 The agreement set out in this sub-Clause 12.12 incorporates the Standard Conditions of Sale (Third Edition) ("STANDARD CONDITIONS"). In case of conflict between this sub-Clause 12.12 and the Standard Conditions, this sub-clause 12.12 prevails. Terms used or defined in the Standard Conditions have the same meanings when used in this sub-clause 12.12.

12.12.9 On the transfer of NBQ to the Buyer:

(i) ICI shall indemnify the Purchaser Companies against all and any Loss relating to NBQ and arising from or associated with any Environmental Liability arising on or after 1 September 2003;

(ii) From the date on which NBQ is transferred to the Buyer and until such time as the transfer of the Waste Management Licence is effected, ICI shall comply with all conditions of the Waste Management Licence and any requirement or written or oral communication received from any regulatory

authority in relation to the same.

- (iii) Both ICI and the Purchaser Companies shall use their reasonable efforts to procure the transfer of the Waste Management Licence to ICI as soon as possible following the transfer of NBQ to the Buyer.
- (iv) For the purposes of this sub-Clause 12.12 the following definitions apply:

"ENVIRONMENT" means the natural and man-made environment and all or any of the following media namely air (including air within buildings and air within other natural or man-made structures above or below ground), water (including water under or within land or in drains or sewers and inland waters) and land and any living organisms (including humans) or systems supported by those media;

"ENVIRONMENTAL LAW" means all present and future rules of common law, acts, regulations, standards or codes, applicable rights or obligations under European Community Law, any notices, directions, impositions or requirements issued, imposed, or directed by any regulatory authority relating to the Environment, the protection of human health and safety or the Environment including without limitation all laws relating to emissions, seepages, discharges, escapes, releases, leaks or threatened escapes, releases, and leaks of pollutants, contaminants or hazardous substances relating to the creation, handling, storage or disposal of same and for the avoidance of doubt, includes any law introducing any materially more onerous or stringent requirements than were applicable at the date hereto including but not limited to Part IIA of the Environmental Protection Act 1990 (and the relevant draft guidance as at the date hereto) and sections 161A to 161D of the Water Resources Act 1991 whether or not in force at the date hereto;

"ENVIRONMENTAL LIABILITY" means the clean-up and restoration of NBQ, compliance with the Waste Management Licence or the surrender, revocation or transfer of the same, compliance with any requirement, request or communication from a regulatory authority in relation to Environmental Laws, any monitoring, investigation, remediating, removing, abating, cleaning-up, containing or otherwise taking corrective action and shall include post-remedial monitoring or responding to requests for information in relation to NBQ, and shall also include any actual or potential claim by a third party in relation to site clean-up or restoration of the land or any of the aforementioned matters;

"LOSS" means any losses, claims, penalties, fines, costs, expenses, liabilities, obligations, judgements, damages or settlement payments which are suffered or incurred directly or indirectly by the Purchaser Companies after sale of NBQ to the Buyer in relation to any Environmental Liability;

"WASTE MANAGEMENT LICENCE" means the waste management licence (number L142) issued to Tioxide Europe Limited, Grimsby, South Humberside DN31 2SW or any similar waste management licence relating to NBQ in force at 1 September 2003.

13 INTEREST

If any sum due for payment under or in accordance with this agreement is not paid on the due date the party in default shall pay Default Interest on that sum from the due date until the date of actual payment calculated on a day to day basis.

14 ANNOUNCEMENTS

No party shall make or permit any member of the ICI Group, DuPont Group or the Purchaser Group, as the case may be, to make any announcement concerning this agreement or any ancillary matter except as required by law or any competent regulatory body or with the prior written approval of the other parties which shall not be unreasonably withheld or delayed.

15 CONFIDENTIALITY

15.1 For the purposes of this Clause:

15.1.1 "CONFIDENTIAL INFORMATION" means:

- (i) all information received by the Purchaser Group from the ICI Group relating to ICI, its Affiliates and the businesses conducted by the ICI Group and all information received by the Purchaser Group from DuPont or its Affiliates relating to DuPont or its Affiliates, (in both cases whether pursuant to, or in relation to, this agreement or any of the Newco Implementation Agreements or the Americas Implementation Agreements); and
- (ii) all information received by the ICI Group and the DuPont Group from the Purchaser Group relating to the Purchaser, its Affiliates and the businesses conducted by the Purchaser Group (whether pursuant to, or in relation to, this agreement or any of the Newco Implementation Agreements or the Americas Implementation Agreements);

including, in all cases, not only written information but information transferred orally, visually, electronically, or by any other means. The term "Confidential Information" shall not include:

- (a) information that is in the public domain at the date of this agreement;
- (b) information that subsequently comes into the public domain, otherwise than as a result of a breach of this agreement, but only after it has come into the public domain;
- (c) information which the receiving party or its Representatives obtain from a third party not under any confidentiality obligation to the disclosing party respecting such information;
- (d) information which the receiving party or its Representatives at the time of disclosure already has in its possession and which is not subject to any obligation of secrecy on their part to the disclosing party;
- (e) information which is independently developed by employees of the receiving party or its Representatives who had no access to the information disclosed by the disclosing party; or
- (f) information which relates exclusively to the Businesses after completion of the Newco Sale Agreements and Americas Sale Agreements which the Purchaser or its Affiliates disclose publicly.

15.1.2 "REPRESENTATIVES" means Affiliates, directors, officers, employees, agents or representatives of any party or its Affiliates, and their respective solicitors, accountants, consultants and financial advisers.

- 15.2 Each party undertakes for a period of 5 years from the date of this agreement (subject to such other period specified in a Newco Implementation Agreement or an Americas Implementation Agreement in relation to particular information) following the Completion Date to maintain Confidential Information received by it, its Affiliates or its Representatives relating to any other party or any other party's Affiliates in confidence and not disclose that Confidential Information to any person other than its Representatives, except as required by law or any competent regulatory authority or with the prior written approval of such other party, which shall not be unreasonably withheld or delayed.
- 15.3 Each party undertakes only to disclose to its Representatives such Confidential Information relating to the disclosing party or parties or the disclosing party's or parties' Affiliates as is reasonably required for the purposes of performing the obligations under this agreement or the Newco Implementation Agreements or the Americas Implementation Agreements and only to those Representatives whom it has informed of the confidential nature of the Confidential Information and who undertake to keep it confidential. Each party shall be responsible for breach of such confidentiality undertaken by it or its Representatives and undertakes to indemnify and hold harmless the disclosing party or parties, its Affiliates or any successor to such business against all actions, proceedings, costs, claims, demands, liabilities, losses or expenses (including legal expenses) arising from such breach.
- 15.4 In the event that, after receipt of Confidential Information, any party, or any person or Representative to whom it has transmitted Confidential Information, becomes legally required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation, demand or similar process, or otherwise) to disclose any of the Confidential Information received, the legally compelled party shall provide the disclosing party with prompt written notice of that requirement so that the disclosing party may seek a protective order or other appropriate remedy but shall not be obliged to delay disclosure if to do so would be in breach of any conditions for such disclosure imposed by the authority compelling disclosure and in any event should the disclosing party not be successful in seeking or obtaining a protective order or other appropriate remedy, the disclosing party shall waive compliance with the provisions of this agreement for such particular case to enable the legally compelled party or its Representative to comply with any such legal requirement.
- 15.5 Each party will only use (or permit the use by its Representatives of) the Confidential Information received by it or its Representatives for the purposes of the transactions contemplated by this agreement.
- 15.6 Nothing in this Clause 15 shall make a party liable to any other party for any of its Representatives in relation to breaches of this Clause which occur after the time when such Representative becomes the Representative of another party to this agreement. Nothing in this sub-Clause 15.6 shall affect any duty owed personally by such Representative.
- 15.7 Nothing in this Clause 15 shall supersede or vary the obligations of the parties set out in any of the Newco Technology Agreements, the Americas Technology Agreements or any other agreement, the confidentiality provisions of which exist on the date of this agreement.
- 15.8 Notwithstanding any provision to the contrary, the provisions of this Clause shall survive termination of this agreement.

16 GUARANTEES AND INDEMNITY

- 16.1 Each party undertakes to procure that, subject to the terms of this agreement, its relevant Affiliates enter into the relevant Newco Implementation Agreements or Americas Implementation Agreements on the Completion Date, as the case may be.
- 16.2 The parties shall on the Completion Date enter into a deed of

guarantee in the Agreed Form in relation to the obligations of the parties and their Affiliates after the Completion Date under the Newco Sale Agreements and Americas Sale Agreements and the relevant Implementation Agreements.

16.3 At or as soon as reasonably practicable after the Completion Date, the Purchaser will use its reasonable endeavours to procure, whether by offering its own covenant in substitution for that of a member of the Selling Group or otherwise howsoever (but in no event shall the Purchaser or any of its Affiliates be required to make any payment as a basis for such release), the release of ICI and/or DuPont or any of their respective Affiliates (the "Selling Group") from the guarantees specifically identified in the Final Disclosure Letter applicable to the Newco Share Sale Agreement for the purposes of this provision and pending such release the Purchaser will indemnify and keep indemnified each of the members of the Selling Group from and against any liability (including any claim, demand, proceeding, costs, damages and expenses) which they may suffer or incur under or in relation to such guarantees.

16.4 The Purchaser will indemnify and keep indemnified the Selling Group from and against any liability (including any claim, demand, proceeding, costs, damages and expenses) which they may suffer as a result of the failure of the Purchaser to comply with its obligations under paragraph 2 of Schedule 4.

17 FURTHER ASSURANCE

The parties shall, and shall procure that their Affiliates shall, at their own expense, comply with the terms of this Clause 17 and Schedule 4 and, at all times from the date of this agreement, do all things as may be reasonably required to give effect to this agreement and to all other agreements contemplated hereby, including, without limitation, the execution of all deeds and documents, procuring the convening of all meetings, the giving of all necessary waivers (other than in respect of Conditions Precedent) and consents and the passing of all resolutions and otherwise exercising all powers and rights available to them.

18 NOTICES

18.1 Any notice or other document to be served under this agreement shall be in writing and may be delivered by hand or by courier or sent by fax or by post to the party to be served at its address appearing in this agreement (and marked for the attention of the person whose name is referred to in sub-Clause 18.3 below) or at such other address (or marked for the attention of such other person) as it may have notified to the other parties in accordance with this Clause. Any notice or other document sent by post shall be sent by registered post (if both posted and for delivery within the same jurisdiction) or by registered airmail (if posted for delivery outside the jurisdiction in which it is posted), return receipt requested (or any substantially equivalent service).

18.2 Any notice or document delivered or sent in accordance with sub-Clause 18.1 shall be deemed to have been served:

18.2.1 if delivered by hand or by courier, at the time of delivery;
or

18.2.2 if sent by fax, at the time of delivery if sent between 12.01 a.m. and 6.00 p.m. (local time at the destination) or 10.00 a.m. (local time at the destination) on the Business Day after its transmission (if sent at any other time); or

18.2.3 if posted, at 10.00 a.m. on the second Business Day after it was put into the post if posted for delivery within the same jurisdiction, or at 10.00 a.m. (local time at the destination) on the fifth Business Day after it was put in the post if sent by registered airmail.

18.3 The person to whom notices or documents should be addressed for the purposes of sub-Clause 18.1 is:

18.3.1 if to be served on ICI:

the Company Secretary
Imperial Chemical House
9 Millbank
London SW1P 3JF
Fax: (44) 171 798 5170

18.3.2 if to be served on DuPont:

Vice President & General Manager
White Pigment & Mineral Products
E.I. du Pont de Nemours and Company
Building 36-2nd Floor
Barley Mill Plaza
Wilmington, Delaware U.S.A. 19880
Fax: (1) 302 992 6084

18.3.3 if to be served on the Purchaser:

General Counsel
NL Industries, Inc
16825 Northchase Drive
Suite 1200
Houston, Texas 77060, USA
Fax: (1) 281 423 3333

18.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made by hand, courier or fax or that the envelope containing the notice or document was properly addressed and posted (either by registered post or by registered airmail, as the case may be, in accordance with the requirements of this Clause).

19 COSTS

Save as otherwise provided in this agreement, or as otherwise specifically agreed to in writing by the parties after the date of this agreement, each party shall pay the costs and expenses incurred by it and its Affiliates in connection with the entering into and completion of this agreement including without limitation in respect of their obligations fulfilling the Conditions Precedent.

20 ASSIGNMENT

None of the rights or obligations under this agreement may be assigned or transferred without the prior written consent of the other parties (the "NON-ASSIGNING PARTIES") other than an assignment of the rights (but not the obligations) to an Affiliate of the assigning party provided that:

- 20.1 such assignment shall only be permitted if the assignment has no adverse effect on the Non-assigning Parties;
- 20.2 if the Affiliate to which the rights have been assigned ceases to be an Affiliate of the assigning party, the rights which have been transferred shall be re-transferred to the party which originally assigned those rights or to another Affiliate of that original assigning party; and
- 20.3 it shall be a condition of any such assignment that reasonable notice is given in writing to the Non-assigning Parties of the proposal to assign (identifying the rights proposed to be assigned, the identity of the proposed assignee and such other details relating thereto as the Non-assigning Parties may reasonably require).

21 RTPA

Each of the parties to this agreement confirms on its own behalf and on behalf of each of its Affiliates that is party to any of the Implementation Agreements (as executed) that if by virtue of any provision of this agreement or any of the Newco Implementation Agreements or the Americas Implementation Agreements (as executed) or any other agreement or arrangement of which this agreement or any of the Implementation Agreements forms part, any such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976 (the "RTPA") (provided that any such agreement or arrangement is not a non-notifiable arrangement under Section 27A of the RTPA) none of the parties to any such agreement or arrangement who carries on business within the United Kingdom shall give effect to, or enforce or purport to enforce the agreement or arrangement in respect of any such provision until the day after particulars of the agreement or arrangement (as the case may be) have been furnished to the Director General of Fair Trading under section 24 of the RTPA.

22 CONFLICT WITH OTHER AGREEMENTS

In the event of any conflict between this agreement and any of the Implementation Agreements, this agreement shall prevail (as between the parties to this agreement and as between any other members of the ICI Group, the DuPont Group and the Purchaser Group) save where such other agreement expressly states that it (or any part of it) is overriding this agreement in any respect and the parties to this agreement are either also parties to that other agreement or otherwise expressly and in writing agree that such other agreement shall override this agreement in that respect.

23 WHOLE AGREEMENT

- 23.1 This agreement, the Newco Implementation Agreements, the Americas Implementation Agreements and any other agreements contemplated in this agreement or in those agreements (if and when executed) contain the whole agreement between the parties and their respective Affiliates relating to the transactions contemplated by this agreement and the Newco Implementation Agreements and the Americas Implementation Agreements and supersede all previous agreements between the parties and their respective Affiliates relating to such transactions.
- 23.2 Each of the parties to this agreement acknowledges on its own behalf and on behalf of each of its Affiliates that, in agreeing to enter into this agreement and the Newco Implementation Agreements and the Americas Implementation Agreements, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this agreement or any Implementation Agreement) and waives all rights and remedies which, but for this sub-Clause, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance, provided that nothing in this Clause shall limit or exclude any liability for fraud.
- 23.3 Each obligation, representation and warranty on the part of ICI, DuPont or the Purchaser under this agreement (excluding any obligation fully performed on the Completion Date) shall continue in force after the Completion Date.
- 23.4 Nothing in this agreement or the Implementation Agreements shall be deemed to constitute a partnership between the parties hereto. All obligations of the parties shall be several.

24 AMENDMENTS

No amendment, variation or waiver of this agreement or any provision of this agreement shall be effective unless it is in writing specifically referring to this agreement and duly executed by or on behalf of all the parties.

25 GOVERNING LAW

This agreement is governed by and shall be construed in accordance with English law.

26 JURISDICTION

- 26.1 The parties agree to submit to the exclusive jurisdiction of the English courts for all purposes relating to this agreement and to take no action to avoid, dispute or suggest to such court that such jurisdiction is improper.
- 26.2 DuPont irrevocably appoints Du Pont (U.K.) Limited of Wedgwood Way, Stevenage, Hertfordshire SG1 4QN as its agent for the service of process in England.
- 26.3 The Purchaser irrevocably appoints Herbert Smith (Ref 554) of Exchange House, Primrose Street, London, EC2A 2HS as its agent for service of process in England.

AS WITNESS the hands of the duly authorised representatives of the parties on the date which appears first on page 1.

SCHEDULE 1
CONDITIONS PRECEDENT
(CLAUSE 2)

- 1 In so far as it has jurisdiction over the Proposed Transactions, the Office of Fair Trading indicating in terms reasonably satisfactory to the parties that it is not the intention of the Secretary of State to refer the Proposed Transactions to the Monopolies and Mergers Commission (the "OFT CONDITION").
- 2 In so far as it has jurisdiction over the Proposed Transactions, the Bundeskartellamt approving the Proposed Transactions in terms reasonably satisfactory to the parties (the "BK CONDITION")
- 3 In so far as it has jurisdiction over the Proposed Transactions, the European Commission issuing a decision, pursuant to Article 6(1)(b) of Regulation 4064/89 (or amending Regulation 1310/97) (the "REGULATIONS") declaring in terms reasonably satisfactory to the parties that any concentration arising from the Proposed Transactions is compatible with the common market (the "EC CONDITION").
- 4 In so far as it has jurisdiction over the Proposed Transactions, the European Commission not issuing a decision pursuant to Article 9(3) of the Regulations, to refer the Proposed Transactions to the competent authorities of any Member State of the European Union.
- 5 No Member State of the European Union taking measures pursuant to Article 21 of the Regulations, to protect legitimate interests.
- 6 All waiting periods and any extensions thereof under the HSR Act applicable to the consummation of the Proposed Transactions having been satisfied, expired or terminated (the "HSR CONDITION").
- 7 The Director appointed under the Canadian Competition Act (the "COMPETITION ACT") issuing an advance ruling certificate in terms reasonably satisfactory to the parties under Section 102 of the Competition Act in respect of the sale of TCI by Affiliates of ICI to the Purchaser or the applicable waiting period under Section 123 of the Competition Act having expired and the Director having advised the Purchaser in terms reasonably satisfactory to the parties that he does not intend to apply to the Competition Tribunal for an order under Section 92 or Section 100 of the Competition Act in respect of the

proposed acquisition of TCI (the "COMPETITION ACT CONDITION").

- 8 All other consents and approvals, as are required by law, having been obtained, or all waiting periods (in addition to the HSR Condition, the OFT Condition, the EC Condition, the BK Condition and the Competition Act Condition) (and any extensions thereof) having expired or terminated in any relevant jurisdiction for the purposes of implementing the Proposed Transactions in a form satisfactory to all parties (but only where such parties are directly concerned or interested).
- 9 No order, writ, injunction or decree has been issued which restrains, enjoins or invalidates, or otherwise materially adversely affects, the Proposed Transactions and no action, suit or other proceeding is pending or threatened that has a reasonable likelihood of resulting in any such order, writ, injunction or decree being issued.
- 10 The obligations of ICI and DuPont to consummate the Proposed Transactions contemplated by this agreement are subject, at the option of ICI and DuPont, to the satisfaction of the conditions that:
 - 10.1 all obligations and undertakings of the Purchaser (the breach of which, singly or in the aggregate, would be material) to be performed by the Purchaser under this agreement prior to or at the Completion Date shall have been performed; and
 - 10.2 all warranties and representations made by the Purchaser in this agreement (the breach of which, singly or in the aggregate, would be material) shall be true and correct in all material respects.
- 11 The obligations of the Purchaser to consummate the Proposed Transactions contemplated by this agreement are subject, at the option of the Purchaser, to the satisfaction of the conditions that:
 - 11.1 all obligations and undertakings of ICI (the breach of which, singly or in the aggregate, would be material) to be performed by ICI under this agreement prior to or at the Completion Date shall have been performed;
 - 11.2 all warranties and representations made by ICI in this agreement (the breach of which, singly or in the aggregate, would be material) shall be true and correct in all material respects; and
 - 11.3 all warranties and representations made by DuPont in this agreement (the breach of which, singly or in the aggregate, would be material) shall be true and correct in all material respects.
- 12 The completion of the TEL Sale, for which purpose the definition of TEL Sale shall be deemed to include the execution of the Deed relating to the Tioxide Pension Fund in the Agreed Form.
- 13 All Permits which are material in relation to the operation of the Newco Business having been transferred or assigned to or reissued in the name of Newco or arrangements reasonably satisfactory to the Purchaser having been made for any of the same that cannot be so transferred or assigned or reissued prior to the Completion Date to be so transferred or assigned or reissued after the Completion Date.

SCHEDULE 2
PART I
NEWCO IMPLEMENTATION AGREEMENTS
(CLAUSE 1.1)

- 1 Hivedown Agreement
- 2 Newco Share Sale Agreement

- 3 Product Exchange Agreement between TEL and Newco
- 4 Technology Agreements
 - 4.1 Name Agreement between Newco, TEL and DuPont
 - 4.2 Name Agreement between Newco, TEL and DuPont
 - 4.3 Newco Patent and Know-How Licence
 - 4.4 Technical Assistance Agreement between TEL (or an Affiliate of TEL) and Newco
 - 4.5 Service Agreement for transitional IT services between TEL (or an Affiliate of TEL) and Newco
 - 4.6 Service Agreement (Eutech) between ICI (or an Affiliate of ICI) and Newco
- 5 Deed of Guarantee (to include a guarantee given by the Purchaser in respect of Newco's obligations under the Hivedown Agreement)
- 6 Transfers, in a form reasonably satisfactory to the Purchaser, of the legal interest in respect of the NBQ and Killingholme properties in favour of the Purchaser or any of its Affiliates
- 7 Product Supply Agreement (Newco to DuPont or an Affiliate of DuPont) for:
 - 7.1 Zirconia Frit;
 - 7.2 Titanyl Sulphate;
 - 7.3 Zirconium Orthosulphate Solution
 - 7.4 Trivalent Titanium
- 8 Product Supply Agreement (DuPont or an Affiliate of DuPont to Newco) for Titanium Tetrachloride
- 9 Product Supply Agreement (ICI or an Affiliate of ICI to Newco) for:
 - 9.1 Sulphuric Acid
 - 9.2 Sulphur
 - 9.3 Caustic Soda

SCHEDULE 2
PART II
AMERICAS IMPLEMENTATION AGREEMENTS
(CLAUSE 1.1)

- 1 Americas Share Sale Agreements
- 2 Canadian and US Deeds of Indemnity
- 3 Americas Technology Agreements
 - 3.1 Assignment and Substitution Agreement between Tioxide Group Limited, Tioxide Group Services Limited, DuPont and TCI
 - 3.2 Name Agreement between TEL, TAI and DuPont
 - 3.3 Name Agreement between TEL, TCI and DuPont
 - 3.4 Patent and Know-How Licence between TCI and DuPont

3.5 Venturis Agreement between DuPont and LPC

4 Deeds of Guarantee

5 LPC Termination Agreement between Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Kronos Europe S.A./N.V., Kronos Canada Inc., Kronos Titan GmbH, LPC, Tioxide Group Limited and Tioxide Group Services Limited

6 LPC Licence Agreement between Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Kronos Europe S.A./N.V., Kronos Canada Inc., Kronos Titan GmbH, LPC and Tioxide Europe Limited

SCHEDULE 3
(CLAUSE 3.3)

1 Consideration and Adjustment

(1) In this Schedule 3:

"A FORM" means, in relation to each of TAI and TCI, the quarterly financial reports in the format set forth in Annex 3 which are prepared in accordance with the accounting policies, practices and other requirements set out or referred to in ICI's Controller's Manuals as applied by the relevant Company (with the exception of pensions liabilities which are accounted for in accordance with FAS 87) and prepared at the Completion Date on a basis consistent with that adopted by TAI and TCI in the A Form at 31 December 1997 (with the exception that pensions liabilities shall be reported in Provisions); and if the Completion Date does not fall on the due date for the preparation of an A Form, a financial report prepared on the same basis for the financial period from the latest date at which an A Form was prepared to the Completion Date; and in relation to Newco, a financial report in the format set forth in Annex 3 and in accordance with the accounting policies, practices and other requirements set out or referred to in ICI's Controller's Manuals and prepared as at the Completion Date on a basis consistent with that adopted by TEL for the preparation of A Forms prior to the completion of the Hivedown Agreement;

"ACTUAL NET DEBT" means Net Debt as agreed or determined in accordance with paragraphs (6) to (8) below;

"ACTUAL NET WORKING CAPITAL" means Net Working Capital as at the Completion Date as determined under paragraphs (6) to (8) below;

"ESTIMATED CONSIDERATION" has the meaning given in paragraph (3)(a) below as applicable;

"ESTIMATED COMPLETION STATEMENT" has the meaning given in paragraph (3) below;

"ESTIMATED NET DEBT" has the meaning given in paragraph (3)(b) below;

"ENTERPRISE VALUE" means, for each Company or Business, the value shown against the line described as Enterprise Value shown in the column headed EV in Section 2 of this Schedule 3 against the relevant Company or Business which is the amount which the parties have agreed to represent the fair market value (excluding in relation to TAI any item relating to the LPC Interests) of that Company or Business on a basis free of Net Debt;

"FINAL CONSIDERATION" has the meaning given in paragraph (5)(a) below;

"FINAL COMPLETION STATEMENT" has the meaning given in paragraph (5)(b) below;

"FINAL STOCKS" means the value of Stocks for the relevant Company at

Completion;

"INITIAL STOCKS" means the value of Stocks for the relevant Company or Business as at 28 February 1998;

"INTEREST RATE" means LIBOR plus 25 basis points;

"NET DEBT" means, in relation to a Company, the amount reported as "net debt" on line 70090 of the A Form for that Company as described in ICI's Contoller's Manuals which, for the avoidance of doubt, can be either a negative or a non-negative number;

"NET WORKING CAPITAL" means the aggregate of:

- (c) Operating Debtors; plus

- (d) Stocks (for the purposes of this definition meaning Initial Stocks when used for Net Working Capital as at 28 February 1998 and meaning Final Stocks when used for Actual Net Working Capital); less

- (e) Operating Creditors less than one year.

For the purposes of (b) the Stocks shall be valued in accordance with the document headed "Stocktaking and Valuation Principles" in the Agreed Form marked "NWC-S";

"NET WORKING CAPITAL AS AT 28 FEBRUARY 1998" or "NWC 28" means, for each Company or Business, the value shown in the column headed NWC in Section 2 of this Schedule 3 against the relevant Company or Business which is the amount which the parties have agreed to represent the value of Net Working Capital at 28 February 1998;

"OPERATING CREDITORS LESS THAN 1 YEAR" means, in relation to a Company, the absolute value of the amount reported as creditors of that Company which are external to that Company (including without limitation creditors which are members of, or other business units within, the ICI Group as at the date of the relevant A Form) as defined by reference to "Operating Creditors less than one year" on line 70020 of the A Form for that Company as described in ICI's Contoller's Manuals;

"OPERATING DEBTORS" means, in relation to a Company, debtors of that Company which are external to that Company (including without limitation debtors which are members of, or other business units within, the ICI Group as at the date of the relevant A Form) as defined by reference to "operating debtors" on line 70010 of the A Form for that Company as described in ICI's Contoller's Manuals;

"SHARE SALE AGREEMENTS" means the Americas Share Sale Agreements and/or the Newco Share Sale Agreement (as the context so requires);

"STOCKS" means, in relation to a Company or Business, the stock of fuels, raw materials, ingredients, packaging, office and laboratory supplies, revenue engineering spares, consumable stores, work in progress and finished goods owned by that Company or Business as determined on line 70000 of the A Form for the relevant Company or Business as described in ICI's Contoller's Manuals;

- (2) (a) All payments and values under this Schedule shall be in US Dollars and where an amount is not itself calculated in US Dollars it shall be converted into US Dollars at the mid market closing exchange rate in London for the currency in which that amount is expressed in US Dollars as published in the London Edition of the Financial Times first published thereafter or, where the exchange rate is not published in the London Edition of the Financial Times, at the exchange rate quoted by Citibank N.A. as at the close of business in London for the currency in which that amount is expressed on the Completion Date in relation to amounts in the Final Completion Statement (and in relation to amounts in the Estimated Completion Statement shall be the rate of exchange as at the date which is nine days before the Completion Date).

(b) References to the absolute value of a number X shall be construed as follows:

(i) if X is greater than or equal to zero, the absolute value of X shall be equal to X; and

(ii) if X is less than zero, the absolute value of X shall be X multiplied by -1,

so that, for the purposes of illustration, the absolute value of 1 is equal to 1 and the absolute value of -1 is equal to 1.

ESTIMATED CONSIDERATION PAYABLE AT COMPLETION

(3) In relation to each Share Sale Agreement or, as appropriate, the Hivedown Agreement, no later than seven days before the Completion Date ICI (in relation to TAI and TCI) and TEL (in relation to Newco) shall deliver to the Purchaser a statement (the "ESTIMATED COMPLETION STATEMENT") calculating the Estimated Consideration for the relevant Company on the following basis:

(a) Estimated Consideration for the relevant Company shall be the amount determined by the following formula:

Estimated Consideration = EV minus END plus in the case only of Newco US\$1 (excluding in the case of TAI in relation to any of the foregoing any item or matter attributable to the LPC Interests) plus in the case only of TAI LV

Where (in relation to the relevant Company):

EV = Enterprise Value

END = Estimated Net Debt

LV = X (value of LPC Interests)

(b) Estimated Net Debt shall be the amount which ICI (in relation to TAI and TCI) and TEL (in relation to Newco), estimates (in good faith based on the accounting records and forecasts of the relevant Company (or as the case may be TEL) and after consultation with the Purchaser and (in relation to Newco) DuPont) to be the Net Debt for the relevant Company at the Completion Date.

(c) In relation to the LPC Interests, the consideration shall be US\$X, which shall not be subject to adjustment.

The figure represented by X in this paragraph (3) shall be as agreed between ICI and the Purchaser.

(4) On the Completion Date the relevant Purchaser Affiliate will pay or procure the payment of (in accordance with the provisions of the relevant Share Sale Agreement or as appropriate, the Hivedown Agreement) an amount equal to the Estimated Consideration. In relation to the LPC Termination Agreement, the relevant Purchaser Affiliate shall pay or procure the payment of (in accordance with the provision of the LPC Termination Agreement) an amount equal to the consideration due under such agreement being US\$Y.

The figure represented by Y in this paragraph (4) shall be as agreed between ICI and the Purchaser.

CALCULATION OF THE FINAL CONSIDERATION IN RELATION TO TAI AND TCI

(5) In relation to the Americas Share Sale Agreements:

(a) the Final Consideration for the relevant Company shall be determined by the following formula:

Final Consideration = EV minus AND minus NWC 28 plus ANWC (excluding in the case of TAI in relation to any of the foregoing any item or matter attributable to the LPC Interests) plus in the case only of TAI LV

Where (in relation to the relevant Company):

EV = Enterprise Value

AND = Actual Net Debt

NWC28 = Net Working Capital as at 28 February 1998

ANWC = Actual Net Working Capital

LV = X (value of LPC Interests)

The figure represented by X in this paragraph (5) shall be as agreed between ICI and the Purchaser.

(b) After the Completion Date ICI shall prepare a completion statement as at the Completion Date which shall contain a statement of the Final Consideration in accordance with paragraph 5(a) above based on ICI's calculations (the "FINAL COMPLETION STATEMENT"). The Final Completion Statement shall be prepared using ICI's normal accounting policies and practices as set out or referred to in ICI's Controller's Manuals as applied by the relevant Company on a consistent basis and shall be submitted by ICI to ICI's Auditors for review.

No final consideration adjustment will be made for the Newco Shares under the Newco Share Sale Agreement and the provisions of the Hivedown Agreement will apply. The provisions of sub-paragraphs 1(5) - (9) inclusive will not apply to the Newco Share Sale Agreement.

(6) Within 45 days of the Completion Date, ICI shall issue the Final Completion Statement (distinguishing between the Americas Business and the LPC Business) for the relevant Companies to the Purchaser together with a copy of a report by ICI's Auditors addressed to ICI and substantially in the form set out in Annex 2 to the effect that the Final Completion Statement has been prepared in accordance with this agreement. Although it is ICI's responsibility to prepare the Final Completion Statement, ICI will require the assistance of the employees of the relevant Purchaser Affiliates to fulfil this responsibility and the Purchaser shall ensure such assistance is provided promptly and at no charge. Immediately after delivery of the Final Completion Statement, the Purchaser's Auditors shall have the right, subject to the Purchaser delivering to ICI's Auditors a signed letter in the form set out in Annex 4, to review the Final Completion Statement and ICI's Auditors working papers relating to the Final Completion Statement. Within 45 days of delivery to the Purchaser of the Final Completion Statement and ICI's Auditors report (each of which shall be in English) to the Purchaser's designated location, the Purchaser shall give notice to ICI in writing of any item or items in the Final Completion Statement which it wishes to dispute and the basis on which it disputes that item or those items and the changes to the Final Completion Statement which the Purchaser believes should be made and ICI and the Purchaser shall use their reasonable endeavours to resolve that dispute. Any items in respect of which the Purchaser does not give such notice will be deemed to have been accepted by the Purchaser. Any written resolution reached by ICI and the Purchaser on any disputed item shall be final, conclusive and binding on the parties.

(7) If ICI and the Purchaser agree the Final Completion Statement then any

adjusting payments referred to in paragraph (9) below shall be made by the paying party within seven days of being agreed by the parties.

- (8) If ICI and the Purchaser fail to agree on any element of the Final Completion Statement within 14 days after the Purchaser has given notice in writing to ICI of any item(s) in the Final Completion Statement which the Purchaser wishes to dispute (in accordance with paragraph (6) above) then any agreed amounts shall be paid in accordance with the preceding paragraph and any dispute may be referred by either ICI or the Purchaser for final determination in accordance with sub-Clause 11.1 of this agreement and any amounts thereby found to be due shall be paid by the relevant party not later than seven days after such final determination.
- (9) When the Final Consideration is agreed or otherwise determined in accordance with the three preceding paragraphs the following adjusting payments shall be made:
- (a) an amount equal to the difference between (i) the Estimated Consideration and (ii) the Final Consideration; and
- (b) interest (calculated on a day-to-day basis and compounded monthly) at the Interest Rate on the amount in paragraph (9) (a) above from the Completion Date to the date of payment, calculated on a day to day basis

which shall be paid by the relevant ICI Affiliate to the relevant Purchaser Affiliate (or vice versa, as appropriate).

- (10) In this Schedule, references to lines of A Forms have been chosen by ICI and are believed in good faith to correspond to the matters to which they refer. If, however, that reference when compared to the matter it describes or refers to is incorrect then, subject to the Purchaser's agreement, there shall be substituted for that line reference another line reference (if any) which corresponds to the matter described or referred to. Any dispute between the Purchaser and ICI as to any matter arising under this sub-paragraph (10) shall be referred for final determination in accordance with sub-Clause 11.1 of this Agreement.

2 Enterprise Value (paragraph 1(1) of this Schedule)

	EV US\$	NWC 28 GBP	Uplift of Stocks to fair market value for the purpose of allocation of consideration to classes of assets	US\$
Newco Business	118,410,000	3,950,000 (1)		215,000
TAI:		US\$		
Americas Business	6,857,000	6,857,000		Nil
(1) As provided in the Hivedown Agreement.				
LPC Business (excluding LPC Interests):	Z	15,081,000		1,697,000
TCI:	US\$	CAN \$		US\$
Americas Business	14,733,000	7,444,000		62,000
LPC Business	W	2,575,000		Nil

The figures represented by Z and W in this Section 2 shall be as agreed between ICI and the Purchaser.

SCHEDULE 4
FURTHER ASSURANCE
(CLAUSE 17)

- 1 ICI, DuPont and the Purchaser recognise that it may be necessary for certain of the excluded or shared assets to be used by the ICI Group and/or the DuPont Group and the Companies after the Completion Date. If any such assets are identified by ICI, DuPont or the Purchaser, ICI, DuPont and the Purchaser will negotiate in good faith to reach a sharing arrangement (on a fair, equitable and cost-effective basis) in relation to such assets.
- 2 In accordance with its obligations under the Transfer of Undertakings (Protection of Employment) Regulations 1981 (as amended the "TRANSFER REGULATIONS") in relation to the employees to be employed by Newco, the Purchaser shall promptly provide TEL, ICI or its Affiliates in writing with such information as is reasonably necessary to enable TEL, ICI or its Affiliates to carry out the duties under Regulations 10(2)(d) and 10(6) of the Transfer Regulations and the obligations to consult under the Transfer Regulations and Council Directive 77/187 EEC.
- 3 ICI shall be responsible for the incorporation of Newco.
- 4
- 4.1 Up until the Completion Date (or the earlier termination of this agreement) the parties agree in good faith to co-operate generally and take all steps as may reasonably be required (in so far as each party is able to do so and the same is permitted by law or regulation):-
 - (a) for TEL to split with Newco the WSL Contract (whether by partial assignment or otherwise) on a PRO RATA volume basis by reference to that proportion of the ilmenite ore supplied under the WSL Contract which has been consumed by the Newco Business during the 12 months ending on the date of this agreement (THE "AGREED GRIMSBY VOLUME PROPORTION"); and/or
 - (b) for TEL to effect a sub-contract arrangement in favour of Newco for a period of two years from the Completion Date in respect of the WSL Contract giving to the Newco Business the Agreed Grimsby Volume Proportion; and/or
 - (c) for contractual terms to be made available to Newco for Newco to be supplied, for a period of at least two years following the Completion Date, with volumes of ilmenite ore consistent with those consumed by the Newco Business over the 12 months ending on the date of this agreement (THE "GRIMSBY HISTORICAL VOLUME"); and/or
 - (d) if prior to the Completion Date the volumes of ilmenite ore contractually available for supply to the Newco Business are less than the Grimsby Historical Volume, for any ilmenite ore made available during the period from the date of this agreement until the second anniversary of the Completion Date to TEL or any other companies to be sold to DuPont or any of its Affiliates upon completion of the TEL Sale (the "TIOXIDE GROUP") pursuant to any new contract ("NEW CONTRACT") which is entered into after the date of this agreement and prior to the TEL Completion Date by any member of the Tioxide Group to be shared as between the Newco Business and the Tioxide Group other than the Newco Business (the "REVISED TIOXIDE Group") so that the Newco Business is entitled to receive a proportion of such ilmenite ore equal to the Agreed Grimsby Volume Proportion but so that the aggregate of ilmenite ore

contractually available to the Newco Business under any New Contracts shall not, when taken together with any other contractual arrangements available to the Newco Business, be required to exceed the Grimsby Historical Volume.

- 4.2 If the volumes of ilmenite ore contractually available for supply to the Newco Business at the Completion Date are less than the Grimsby Historical Volume, Dupont shall use all reasonable endeavours to procure (if permitted by law or regulation) that any ilmenite ore made available during the period of two years immediately after the Completion Date to the Revised Tioxide Group pursuant to any new contract ("NEW TIOXIDE CONTRACT") which is entered into after the Completion Date is shared as between the Newco Business and the Revised Tioxide Group so that the Newco Business is entitled to receive a proportion of such ilmenite ore equal to the Agreed Grimsby Volume Proportion but so that the aggregate of ilmenite ore so contractually available to the Newco Business under any New Tioxide Contracts shall not, when taken together with any other contractual arrangements available to the Newco Business, be required to exceed the Grimsby Historical Volume.
- 4.3 If the volumes of ilmenite ore contractually available for supply to the Revised Tioxide Group at the Completion Date are less than the volumes of ilmenite ore consumed by the Revised Tioxide Group over the 12 months ending on the date of this agreement, the Purchaser shall use all reasonable endeavours to procure (if permitted by law or regulation) that any ilmenite ore made available during the two years immediately after the Completion Date to the Newco Business pursuant to any new contract which is entered into after the Completion Date is shared as between the Newco Business and the Revised Tioxide Group so that each shall be entitled to receive volumes by reference to the proportions of ilmenite ore consumed by the Newco Business and the Revised Tioxide Group under the WSL Contract during the 12 months ending on the date of this agreement.
- 4.4 Neither ICI (for itself or its Affiliates), Dupont (for itself or its Affiliates) nor the Purchaser (for itself or its Affiliates) will apply any price mark up pursuant to the arrangements referred to in sub-clauses 4.1(d), 4.2 and 4.3 (save, in the case of ICI, or its Affiliates, as consistent with practice at the date hereof).
- 5 On or before the Completion Date the Purchaser shall establish or nominate a retirement benefits scheme which satisfies the conditions set out in Schedule 4 of the Newco Share Sale Agreement.
- 6 ICI, DuPont and the Purchaser acknowledge that certain property, rights and assets of or relating to or used in the Newco Business as at the Transfer Time may not exclusively relate to or be exclusively used in the Newco Business as at such time. If the Purchaser becomes aware of any such property, right or asset at any time after the date of this agreement and prior to the date falling twelve months following the Completion Date and serves notice thereof on ICI and DuPont, ICI (prior to the Completion Date) and DuPont (following the Completion Date) shall unless otherwise agreed:
- (i) make arrangements for the continued use of the same, subject to the same terms (including as to cost and use) as applied immediately prior to the Completion Date; or
 - (ii) to the extent such continued use is not permitted, make, insofar as reasonably possible, arrangements for the use of such property, right or asset as is equivalent thereto, from and after the Completion Date.

To the extent that third party consents are required, the provisions of Schedule 7 of the Hivedown Agreement shall apply MUTATIS MUTANDIS and in relation to sub-paragraph (ii) the aggregate of payments required to be made under the existing arrangements and such equivalent arrangements (taking into account any increase in costs thereunder) shall be borne equitably between ICI, DuPont and the Purchaser.

This Paragraph 6 shall not apply to the extent that the use in the Newco Business of the property, right or asset in question is otherwise expressly provided for in the Newco Implementation Agreements.

SCHEDULE 5
(SUB-CLAUSE 1.1)

PRINCIPLES FOR DISTINGUISHING
LPC BUSINESS AND AMERICAS BUSINESS
TAI A FORMS

	LPC BUSINESS	AMERICAS (SULPHATE) BUSINESS	COMMENTS
FIXED ASSETS		All	- Office equipment etc.
INVESTMENTS	All		- Partnership share
STOCKS	Stocks manufactured by LPC	All other stocks	- Based on actual quantities of stocks from each source
OPERATING DEBTORS Trade Debtors} Intra Group Debtors}	Sales of material manufactured by LPC	All other trade debtors	- Based on detailed analysis of all open accounts concerned
Other operating debtors	Items exclusive to LPC partnership or trade in product manufactured by LPC	All other operating debtors	
OPERATING CREDITORS LESS THAN ONE YEAR Trade Creditors} Intra Group Creditors}	Purchases of material manufactured by LPC	All other operating creditors less than 1 year	- Based on detailed analysis of all open accounts concerned
Other operating creditors	Purchases and services exclusively related to LPC partnership and to material manufactured by LPC	All other operating creditors	- Based on detailed analysis of all open accounts concerned
NON OPERATING DEBTORS/CREDITORS	Items exclusively related to LPC and materials manufactured by LPC	All other non operating debtors/creditor	- Mainly tax split based on analysis of results based on detailed analysis of all open accounts concerned
NET DEBT	All Net Debt to LPC Business		
PROVISIONS	Items specifically related to LPC	All other provisions	
DEFERRED INCOME	Items specifically related to LPC	All other deferred income	

- Calculated by

NET ASSETS

difference

NOTES:

- 1 Pension Liability (Approx. US\$250,000) is accounted for according to US rules (FAS87 etc.) in A Form. Therefore no reconciling difference between US and UK GAAP.
- 2 ICI A Forms do not report deferred tax for ICI's US subsidiaries. However any deferred tax in the US GAAP accounts is readily analysable into its LPC and Sulphate and is estimated to derive to the extent of some 99 per cent. from LPC's tax depreciation.

PRINCIPLES FOR DISTINGUISHING
LPC BUSINESS AND AMERICAS BUSINESS
TCI A FORMS

	LPC BUSINESS	AMERICAS (SULPHATE) BUSINESS	COMMENTS
FIXED ASSETS		All	
INVESTMENTS	N/A	N/A	
STOCKS	Stocks manufactured by LPC and Kronos at Varennes	All other stocks	- Based on actual quantities of stocks from each source
OPERATING DEBTORS Trade Debtors) Intra Group Debtors)	Sales of material manufactured by LPC and Kronos at Varennes	All other trade debtors	- Based on detailed analysis of all open accounts concerned
Other operating debtors		All	
OPERATING CREDITORS LESS THAN 1 YEAR Trade Creditors) Intra Group Creditors)	Purchases of material manufactured by LPC and Kronos at Varennes	All other operating creditors less than one year	- Based on detailed analysis of all open accounts concerned
Other operating creditors		All	
NON OPERATING DEBTORS/CREDITORS		All	
NET DEBT		All	
PROVISIONS		All	
DEFERRED INCOME		All	
NET ASSETS			- Calculated by difference

NOTE:

Stocks/materials/product manufactured by LPC includes items made available to LPC under product swap arrangements with Kronos's plant at Varennes.

SIGNED by
for and on behalf of
IMPERIAL CHEMICAL INDUSTRIES PLC }

Peter E Whittle

SIGNED by
for and on behalf of
E.I. DU PONT DE NEMOURS AND
COMPANY }

Jeffrey L Keefer

SIGNED by
for and on behalf of
N L INDUSTRIES, INC. }

Susan E Alderton

EXHIBIT 10.2

- 1 Reference is made to the Framework Agreement of even date between Imperial Chemical Industries PLC, E.I. Du Pont de Nemours and Company and NL Industries, Inc (the "AGREEMENT").
- 2 For the purposes of Schedule 3 of the Agreement, the following letters represent the following values:

W = 2,000,000

X = 176,222,000

Y = 30,000,000

Z = 16,778,000

such that the total when aggregated with the value in the column headed EV in Section 2 of Schedule 3 to the agreement is equal to US\$365,000,000

.....
for Imperial Chemical Industries PLC

.....
for NL Industries, Inc.

.....
date

.....
date

DATED [] 1998

TIOXIDE EUROPE LIMITED
- and -
NEWCO LIMITED

AGREEMENT

- relating to -

the sale and purchase of part of the
business of TIOXIDE EUROPE LIMITED

AGREED FORM

EVERSHEDS
S O L I C I T O R S

Senator House, 85 Queen Victoria Street
London EC4V 4JL
Tel: 0171 919 4500 Fax: 0171 919 4919
Ref : MTI

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THIS AGREEMENT is made on 1998

BETWEEN:-

- (1) TIOXIDE EUROPE LIMITED (registered in England No. 832447) whose registered office is at [Lincoln House, 137/143 Hammersmith Road, London W14 0QL] ("TEL"); and
- (2) NEWCO LIMITED (registered in England No. [])

whose

registered office is at [] ("NEWCO").

INTRODUCTION

- (A) TEL has agreed to sell and Newco has agreed to purchase the Business as a going concern and the Business Assets as at the Transfer Time, on the terms and conditions of this Agreement.
- (B) Newco is a wholly owned subsidiary of TEL.
- (C) The Business constitutes part of the undertaking of TEL.

IT IS AGREED:-

1. INTERPRETATION

1.1 Definitions

In this Agreement, including its Schedules, the headings shall not affect its interpretation and, unless the context otherwise requires:-

"AFFILIATES" means with respect to a specified entity, an entity that directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common Control with the entity specified, provided that, without limiting the generality of the foregoing, the term "AFFILIATES" shall not include any entity in which a party has a 50 per cent. or less ownership interest. For the purposes hereof, "CONTROL" means possession, directly or indirectly, of the power to direct or cause the direction of the management and operating policies of the entity in respect of which the determination is being made, through the ownership of voting securities, contract, voting trust or otherwise but any reference in this Agreement to an Affiliate of TEL shall exclude Newco;

"AGREED TERMS" means, in relation to any document such document, in the terms agreed between the parties and for the purposes of identification signed by or on behalf of the parties, and listed in Schedule 10;

"BUSINESS" means the business shortly described in Schedule 1;

"BUSINESS ASSETS" means the property, assets and rights of and exclusively relating to or used in the Business as at the Transfer Time as specified in Clause 2.1 other than the Excluded Assets;

"BUSINESS DATA" means all information, know-how and records (whether or not confidential and no matter in what form held) of, and relating exclusively to or used exclusively in, the Business (or otherwise used in the ordinary course of the operation of the Business) as at the Transfer Time other than Commercial and Marketing Know-how and Intellectual Property but, subject thereto, including the Materials Commercial and Marketing Know-how, all manuals and instructions, all accounting records, and all correspondence, orders and enquiries whether in hard copy or in computer held or other electronic form (including for the avoidance of doubt, such media as microfilm and microfiche) but for the avoidance of doubt shall exclude any matter relating to the Customer Contracts or Customers;

"COMMERCIAL AND MARKETING KNOW-HOW" means all commercial and marketing information of and relating to or used in the Business as at the Transfer Time, other than the Materials Commercial and Marketing Know-How, but subject thereto, including all designs, specifications, drawings, lists and particulars of customers, marketing manuals and procedures, advertising copy and sales and promotional information;

"CONTRACTS" means the Supplier Contracts and the Materials Customer Contracts;

"CONTROLLED WATERS" means waters including any ground or surface waters;

"COSTS" includes all and any penalties, fines, costs, charges and expenses;

"CUSTOMERS" means the customers of the Business other than customers

who are only customers of the Materials Business;

"CUSTOMER CONTRACTS" means the contracts and commitments with customers (other than in relation to Intellectual Property) entered into prior to the Transfer Time by or on behalf of TEL in connection with the Business for the manufacture of goods, or the supply of goods or services by TEL which then remain to be performed in whole or in part, other than the Materials Customer Contracts;

"DEBTORS" means the book and other debtors accruing or owing to TEL as at the Transfer Time (whether or not due and payable) and arising out of or in connection with the Business excluding the Materials Business Debtors and the Employee Loans;

"DEFAULT INTEREST" means LIBOR plus 200 basis points compounded monthly;

"EMPLOYEE LOANS" means all amounts accruing or owing (whether or not due and payable) as at the Transfer Time to TEL by Transferring Employees and Offer Employees in respect of housing assistance loans or season ticket loans or any other loans or advances to Transferring Employees of a similar nature;

"ENVIRONMENT" means air, Controlled Waters, land (whether on, in or below such land, excluding any buildings or other permanent structures on, in or below the land) but including the surface of any river bed, the surface of any sea bed or any other land covered by water, and flora and fauna and all other natural resources;

"ENVIRONMENTAL AUTHORISATIONS" means all or any permits, consents, licences, approvals and other authorisations required under Environmental Law and all terms and conditions thereof required under any Environmental Law for the operation of the Business;

"ENVIRONMENTAL LAW" means any and all legislation (whether civil, criminal or administrative), statutes, treaty, statutory instrument, directive, bylaw or judgment (including any judgment by the European Court of Justice), regulations, notices, orders, government circular, code of practice, and guidance note or decision of any competent regulatory body or common law relating to pollution or protection of the Environment which as at the Transfer Time are in effect and capable of enforcement by legal process in the country in which the Properties are situated;

"EXCLUDED ASSETS" means the assets excluded from the sale and purchase pursuant to this Agreement and identified in Part I of Schedule 3;

"EXCLUDED LIABILITIES" means any obligations and liabilities of TEL excluded from the sale and purchase pursuant to this Agreement and identified in Part II of Schedule 3;

"FINAL COMPLETION STATEMENT" has the meaning set out in paragraph 1.5.2 of Schedule 14;

"FINAL CONSIDERATION" has the meaning given in paragraph 1.5.1 of Schedule 14;

"FREEHOLD PROPERTIES" means the freehold properties short particulars of which are set out in Part I of Schedule 2;

"GOODWILL" means the goodwill in relation to the Business (but excluding any rights relating to the Excluded Assets) and the right for Newco, so far as TEL can grant the same, to represent itself as carrying on the Business in succession to TEL in accordance with such terms as may be agreed between TEL and/or its relevant Affiliate on the one hand and Newco and/or its relevant Affiliate on the other hand;

"ICI" means Imperial Chemical Industries PLC;

"INTELLECTUAL PROPERTY" means all Technical Information and all rights, title or interest (including, without limitation, the benefit and burden of any licences of the same) anywhere in the world in any patents, trade marks, service marks, registered designs, copyrights and rights to inventions and applications for and rights to apply for protection or

registrations of any of the same including any continuing reissue, divisional and re-examination patent application;

"LEASED EQUIPMENT CONTRACTS" means the agreements for the leasing to TEL of equipment used exclusively in connection with the Business;

"LEASEHOLD PROPERTIES" means the leasehold properties short particulars of which are set out in Part II of Schedule 2;

"LIBOR" means the rate for deposits in US Dollars for a period of one month which appears on the Reuters Screen ISDA Page (or such other page as the parties may agree) at approximately 11.00 am., London time, on the first day of the period to which any interest period relates (the "RELEVANT DATE"). If such rate does not appear on the Reuters Screen ISDA Page on the Relevant Date, the rate for that Relevant Date will be determined on the basis of the rates at which deposits in US Dollars are offered to Midland Bank plc at approximately 11.00 am., London time, on the Relevant Date to prime banks in London interbank market for a period of one month commencing on that Relevant Date for amounts of US\$10,000,000;

"MATERIALS BUSINESS" means all or any of the businesses shortly described in Part II of Schedule 1;

"MATERIALS BUSINESS CLAIMS" means the benefit of all rights and claims of TEL relating exclusively to the Business Assets or arising exclusively out of or in connection with the Materials Business as at, or the conduct of the Materials Business up to, the Transfer Time to the extent that such rights and claims do not constitute Excluded Assets;

"MATERIALS BUSINESS DEBTORS" means the book and other debtors accruing or owing to TEL as at the Transfer Time (whether or not due and payable) and arising exclusively out of or in connection with the Materials Business;

"MATERIALS COMMERCIAL AND MARKETING KNOW-HOW" means all commercial and marketing information of, and relating exclusively to or used exclusively in, the Materials Business as at the Transfer Time, other than Intellectual Property;

"MATERIALS CUSTOMER CONTRACTS" means the contracts and commitments with customers (other than in relation to any Intellectual Property) entered into prior to the Transfer Time by or on behalf of TEL exclusively in connection with the Materials Business for the manufacture of goods, or the supply of goods or services, by TEL which then remain (in whole or part) to be performed by TEL;

"NEWCO COMPLETION DATE" has the meaning given in Schedule 14;

"NEWCO'S GROUP" means Newco and its Affiliates from time to time but excluding any member of TEL's Group;

"NEWCO LIABILITIES" means any liabilities whether actual, prospective or contingent or liquidated or unliquidated to the extent incurred or owing by TEL:-

- (a) in connection with the Business or the Business Assets as at, or the conduct of the Business up to, the Transfer Time; or
- (b) in respect of events occurring or matters existing before the Transfer Time which relate to the Business or the Business Assets; or
- (c) which are expressly deemed to constitute Newco Liabilities pursuant to the terms of this Agreement;

including, without prejudice to the generality of the foregoing, any Operating Creditors less than 1 year relating exclusively to the operation of the Business, but for the avoidance of doubt excluding the Excluded Liabilities;

"NEWCO PATENT AND KNOW-HOW LICENCE" means the licence in the Agreed Terms

to be entered into between E. I. du Pont de Nemours and Company and Newco;

"NON EXEMPT PROPERTY" means any Property notified in writing by TEL to Newco at least 14 days prior to the Transfer Time;

"OFFER EMPLOYEES" means those employees of TEL and/or ICI and its Affiliates who have been offered and accepted employment with Newco pursuant to Schedule 11;

"OPERATING CREDITORS LESS THAN 1 YEAR" has the meaning set out in Schedule 14;

"PERMITS" means all licences, permits, authorisations and approvals issued or granted by statutory or local authorities to TEL for the purposes of operation of the Business (but excluding, for the avoidance of doubt, planning permissions (save for Environmental Authorisations) issued by relevant planning authorities);

"PLANT AND EQUIPMENT" means the fixed and loose plant and machinery and all other fixtures and fittings, spare parts, equipment, furniture and motor vehicles owned by TEL and located at the Properties at the Transfer Time and used exclusively in the Business;

"PROPERTIES" means the Freehold Properties and the Leasehold Properties;

"REGULATIONS" means the Value Added Tax (General) Regulations 1985 as amended;

"RETAINED BUSINESS" means all or any of the businesses of TEL's Group other than the Business;

"RETAINED BUSINESS CLAIMS" means the benefit of all rights and claims of TEL as at the Transfer Time except for the Materials Business Claims;

"SHARED SUPPLIER CONTRACTS" means contracts and commitments entered into prior to the Transfer Time by or on behalf of TEL for the supply of goods or services in connection with both the Business and the Retained Business (other than in relation to Intellectual Property) which then remain to be performed in whole or in part and listed in Schedule 12;

"STOCK-IN-TRADE" means the stocks of raw materials, consumables, work-in-progress and finished products owned by TEL relating exclusively to the Business and located at any of the Properties at the Transfer Time but excluding any finished products and work-in-progress which is located at but has not been manufactured at any of the Properties;

"SUPPLIER CONTRACTS" means contracts and commitments (including the Leased Equipment Contracts) entered into prior to the Transfer Time by or on behalf of TEL for the supply to TEL of goods or services exclusively in connection with the Business (other than in relation to Intellectual Property) which then remain to be performed in whole or in part, those of material nature being listed in Schedule 9;

"TAXATION" means all forms of direct and indirect taxation including statutory, governmental, state, provincial, local governmental or municipal impositions in each case imposed on net income, profits, gains or net worth and whether of the United Kingdom or elsewhere in the world (including interest, costs or penalties relating thereto) and, for the avoidance of doubt, the term shall include rates or other taxes imposed on properties, landfill taxes, customs duties, national insurance payments, taxes imposed on payments to, or income of, third parties (including employees) or sales or value added taxes;

"TECHNICAL INFORMATION" means all technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche) and existing computer software the Intellectual Property in which is owned by TEL (or TEL's Affiliates);

"TEL'S GROUP means TEL and its Affiliates from time to time;

"TEL LIABILITIES" means any liabilities, whether actual, prospective or contingent or liquidated or unliquidated to the extent incurred or owing by TEL or any member of TEL's Group:-

- (a) in connection with the Retained Business as at, or the conduct of the Retained Business up to, the Transfer Time; or
- (b) in respect of events occurring or matters existing before the Transfer Time and relating to the Retained Business; or
- (c) which constitute Excluded Liabilities; or
- (d) which are expressly deemed to constitute TEL Liabilities pursuant to the terms of this Agreement; or
- (e) in respect of any liability to Taxation of TEL;

and, for the avoidance of doubt shall include Operating Creditors less than 1 year which do not relate exclusively to the Business;

"TRANSFER REGULATIONS" means the Transfer of Undertakings (Protection of Employment) Regulations 1981;

"TRANSFERRING EMPLOYEES" means those employees of TEL and/or ICI and its Affiliates who are immediately prior to the Transfer Time employed in the Business whose names are set out in Schedule 13;

"TRANSFER TIME" means immediately after 00.00 hours London time on * 1998 [IE FIRST DAY OF THE MONTH];

"ULTRAFINE TITANIUM DIOXIDE" means titanium dioxide being ultraviolet-attenuating grade having a ratio of absorbance response at 308 nm (A308) to absorbance response at 524 nm (A524) of not less than 5 as defined in US Pharmacopeia, amendment published in Pharmacopeia Forum, Volume 22, Number 4, Page 2636 and attached hereto as Annex 1;

"US DOLLARS", "US\$" or "\$" means the lawful currency of the United States of America;

"VAT" means value added tax imposed by a Member State of the European Community pursuant to the Sixth Council Directive (77/338/EEC) and Supplemental Directives;

"VATA" means the Value Added Tax Act 1994;

1.2 Any reference in this Agreement or any other agreement in the Agreed Terms or in any instrument executed pursuant hereto or thereto to any obligation assumed by TEL, or any intention of TEL or Newco, to give or vest in Newco the Business or the Business Assets or the benefit of the Business or the Business Assets shall be subject to Clause 2.2 and so that TEL shall not, by virtue of any such provision, be obliged to transfer to Newco any such right, title or interest in the Business or any Business Asset which is greater than such right, title or interest as TEL may have in the Business and the Business Assets.

1.3 Any express reference to an enactment includes references to:-

1.3.1 that enactment as amended, extended or applied by or under any other enactment before or after this Agreement;

1.3.2 any enactment which that enactment re-enacts (with or without modification); and

1.3.3 any subordinate legislation made (before or after this Agreement) under any enactment, including one within Clause 1.3.1 or 1.3.2 above,

except to the extent that any of the matters referred to in Clauses 1.3.1 to 1.3.3 occurring after the date of this Agreement increase or alter the liability of TEL under this Agreement.

- 1.4 The singular shall include the plural and vice versa and words denoting persons shall include bodies corporate and unincorporated associations of persons and, unless otherwise stated, shall include successors or assigns of such persons.
- 1.5 Clauses 1.1 to 1.3 apply unless the context otherwise requires.
- 1.6 The headings in this Agreement do not affect its interpretation.
- 1.7 Any Schedule or Annex to this Agreement shall take effect as if set out in this Agreement and references to this Agreement shall include its Schedules and Annexes.

2. SALE

2.1 THE SALE

Subject to the terms of this Agreement, TEL shall sell and Newco shall purchase as a going concern as at the Transfer Time the Business comprising the Business Assets as specified in this Clause 2.1 below so far as TEL can sell or grant the same:

2.1.1 the Properties;

2.1.2 the Plant and Equipment;

2.1.3 the Stock-in-Trade;

2.1.4 the Employee Loans;

2.1.5 the benefit (so far as the same can lawfully be assigned or transferred to, or held in trust absolutely for, or can otherwise be given to, Newco) of the Materials Business Claims;

2.1.6 the Goodwill;

2.1.7 the Materials Commercial and Marketing Know-How;

2.1.8 the benefit, subject to the burden of the Contracts;

2.1.9 the Business Data; and

2.1.10 the Materials Business Debtors;

but excluding the Excluded Assets.

The Excluded Assets and all rights and benefits relating thereto shall be retained by TEL and are excluded from the sale and purchase of the Business and the Business Assets to Newco under this Agreement.

2.2 WARRANTIES, INDEMNITIES AND REPRESENTATIONS

Except as otherwise expressly provided in this Agreement (but having regard to the provisions of Clause 1.2) no warranties, indemnities, representations or undertakings (in any case, express, implied or otherwise) with regard to the Business, the Business Assets or the title of TEL thereto are given by TEL, nor are the same to be implied, by virtue of TEL entering into this Agreement, or any other agreement in the Agreed Terms or executing any instrument pursuant hereto or thereto or selling, conveying or transferring or agreeing to sell, convey or transfer the same pursuant hereto or thereto. The Business Assets are purchased by Newco pursuant to this Agreement on an "as seen" and "as is" basis. TEL shall, and shall be obliged to, transfer, to Newco only such right, title or interest as it may have subject to all liens, charges, impediments, claims and encumbrances as may exist thereon. Newco shall accept without enquiry, requisition or objection such title as TEL may have in the Business and the Business Assets.

2.3 THE PROPERTIES

The Properties shall be sold and purchased on the terms set out in

Schedule 5.

2.4 POST-TRANSFER TIME LIABILITIES

2.4.1 Save as expressly stated otherwise in this Agreement, Newco undertakes to indemnify and hold harmless TEL from and against all liabilities which may be incurred by TEL (or any member of TEL's Group) or to which TEL (or any member of TEL's Group) may become subject, and which arise as a result of the operation of the Business after the Transfer Time (other than any liabilities expressly retained by TEL under this Agreement) and any and all actions, suits, proceedings, claims, demands, assessments and judgments with respect to the foregoing. Any such liability in respect of which Newco shall be liable to indemnify TEL (and members of TEL's Group) as aforesaid shall constitute a "Newco Liability" for the purposes of Clause 7 and Schedule 8.

2.4.2 Save as expressly stated otherwise in this Agreement, TEL undertakes to indemnify and hold harmless Newco from and against all liabilities which may be incurred by Newco (or any member of Newco's Group) or to which Newco (or any member of Newco's Group) may become subject, and which arise as a result of the operation of the Retained Business after the Transfer Time (other than any liabilities expressly assumed by Newco under this Agreement) and any and all actions, suits, proceedings, claims, demands, assessments and judgments with respect to the foregoing. Any such liability for which TEL shall be liable to indemnify Newco (and members of Newco's Group) as aforesaid shall constitute a "TEL Liability" for the purposes of Clause 8 and Schedule 8.

3. CONSIDERATION

3.1 THE CONSIDERATION

The consideration for the sale of the Business Assets shall be:-

3.1.1 Subject to adjustment pursuant to sub-clause 3.2 below, US\$ 118,410,000 ("THE ESTIMATED CONSIDERATION") which sum shall constitute a debt owed by Newco to TEL, without security and repayable forthwith upon demand by TEL ("THE ESTIMATED NEWCO HIVEDOWN DEBT"); and

3.1.2 an obligation on the part of Newco to assume, pay, satisfy, discharge, fulfil and indemnify TEL against all Newco Liabilities and Costs in respect thereof in accordance with the provisions of Clause 7.

3.2 The Final Consideration shall be agreed or finally determined in accordance with the provisions of Schedule 14 and any adjusting payments between TEL and Newco shall be made in accordance with the provisions of Schedule 14.

3.3 ALLOCATION OF THE FINAL CONSIDERATION

The Final Consideration shall be allocated to each of the Business Assets as specified in Schedule 4.

4. COMPLETION

4.1 TIME OF COMPLETION

Completion of this Agreement shall take place at the Transfer Time.

4.2 DELIVERY BY TEL

Except as otherwise provided in this Agreement and specifically, but without limitation, without prejudice to Clause 5.3, at or as soon as practicable after the Transfer Time, TEL shall cause to be delivered or made available to Newco at such place as Newco may reasonably require:-

4.2.1 such documents as Newco may reasonably require and which TEL has available to it or under its control to complete the sale and purchase of the Business Assets (including all documents of title

which TEL has in its possession or control, any requisite consents or licences which TEL may have obtained, such executed conveyances, transfers and assignments as Newco may reasonably require to vest in Newco the benefit of the properties, rights and assets hereby agreed to be sold) and shall permit Newco to enter into and take possession of the Business;

4.2.2 possession of the Properties and of the other tangible assets comprised in the Business Assets including all inventories and records (whether in computerised or other form) exclusively relating to the Business (but not those relating to the general affairs of TEL or to any Excluded Assets or Excluded Liabilities or required by law to be retained by TEL, but insofar as any such documents relate to the Business and are reasonably required by Newco, Newco shall have the right to examine the same at all reasonable times and to make copies thereof and to take extracts therefrom);

4.2.3 insofar as the same have not already been delivered to Newco, the documents in Agreed Terms, in the case of any agreement or instrument to be delivered by TEL, duly executed by TEL or any of its Affiliates.

4.3 DELIVERY BY NEWCO

Newco shall deliver to TEL the documents in the Agreed Terms duly executed by Newco.

4.4 DELIVERY OF BUSINESS ASSETS

TEL may at any time prior to the Transfer Time, execute and deliver, or cause to be, or may have, or may have caused to be, executed and delivered, to Newco such documents as shall be required to transfer to Newco (whether or not subject to any necessary formalities such as stamping, registration in any register, production to any person or otherwise) legal title to any of the Business Assets which execution and delivery shall be carried out, in respect of the Business Assets the subject thereof, in discharge of, and shall accordingly discharge, the obligations of TEL under Clause 4.2. TEL and Newco agree and undertake that the execution and delivery by TEL as contemplated in this Clause 4.3 of any conveyance, transfer or assignment in respect of any Property shall be made on the terms contained in Schedule 5.

4.5 DELIVERY OF CONSIDERATION

Newco shall execute and deliver to TEL such documents as TEL may reasonably require evidencing the assumption by Newco of the Newco Liabilities pursuant to Clause 3.1.2.

4.6 PERMITS

To the extent that the same has not been carried out prior to the Transfer Time, as soon as possible thereafter Newco and/or TEL (as the case may require) shall apply to the relevant governmental and/or local authorities to arrange for the transfer or assignment to Newco or the re-issue in the name of Newco of each of the Permits (insofar as they relate to the Business) with effect from the Transfer Time in each case upon terms which will enable Newco to continue to conduct the Business substantially in the manner in which the Business is currently conducted at the Transfer Time. Furthermore, each of Newco and/or TEL shall use their respective reasonable efforts to effect each such transfer, assignment or re-issue as promptly as practicable after the date of this Agreement. For the avoidance of doubt nothing in this Clause 4.5 shall give rise to any liability on the part of TEL for any additional cost as may be required on the part of Newco in connection with such transfer, assignment or re-issue.

4.7 Newco hereby accepts and agrees that TEL shall not be liable for any failure or refusal by any relevant governmental or local authority to arrange or effect the transfer or assignment to Newco or the re-issue in the name of Newco of any of the Permits as aforesaid.

4.8 INVESTMENT GRANTS

As soon as practicable after the Transfer Time, Newco shall execute and deliver such undertakings and indemnities as TEL may reasonably require to ensure so far as may be possible that:-

4.8.1 TEL will not (by reason of the sale under this Agreement or anything done or omitted to be done by Newco or its successors in title) be or become liable to repay any grants from any governmental, local or public authority received by TEL in relation to the Business; and

4.8.2 TEL will be able to claim and to receive for its own benefit any additional such grants in respect of expenditure made prior to the Transfer Time to which it would have become entitled had it continued to use the relevant assets in the Business.

5. TITLE AND SUPPLEMENTARY PROVISIONS

5.1 TITLE TO THE PROPERTIES

The provisions of Schedule 6 shall apply in respect of the Properties.

5.2 TITLE TO OTHER BUSINESS ASSETS

Unless otherwise agreed between TEL and Newco, title to all Business Assets which are capable of transfer by delivery shall pass on delivery thereof and such delivery shall be deemed to have taken place at the Properties (or such other properties at which the Business is carried on) at and with effect from the Transfer Time.

5.3 BENEFICIAL OWNERSHIP AND RISK

Save to the extent otherwise provided in this Agreement and specifically, but without limitation, in Clause 4.3, beneficial ownership and risk in respect of the Business and the Business Assets shall pass and be deemed to have passed to Newco at the Transfer Time. TEL shall, subject to being fully indemnified by Newco, hold the relevant Business Assets on trust for Newco absolutely as from the Transfer Time until the same shall have been delivered and/or formally transferred or assigned to Newco and TEL shall grant to Newco such powers of attorney as Newco may reasonably require to enable Newco to vest in itself or otherwise to deal with such assets and shall deliver to Newco forthwith upon receipt any notice or other document concerning or relating to such assets.

5.4 THIRD PARTY CONSENTS

Subject to Clause 7, the provisions of Schedule 7 shall apply in respect of the sale and purchase of any Business Asset referred to in such Schedule and in respect of the assumption by Newco of any Newco Liability referred to in such Schedule and shall, in respect of any such matters, override any other provision of this Agreement (other than Clauses 1.3 and 2.2 and 7 which shall override the provisions of such Schedule) .

6. DEBTORS, MATERIALS BUSINESS DEBTORS, RETAINED BUSINESS CLAIMS AND MATERIALS BUSINESS CLAIMS

6.1 ASSIGNMENT OF PROCEEDS

TEL shall assign or procure that there is assigned to Newco any net proceeds of recovery of any Materials Business Debtor or Materials Business Claim for Newco to retain for its own account. Any Materials Business Debtor received by TEL shall be received by TEL as trustee for Newco absolutely, TEL shall record such payment separately in its books and shall account to Newco for the same as soon as reasonably practicable after receipt. For the avoidance of doubt the net proceeds of recovery to be assigned shall be calculated after deducting any VAT for which TEL is liable to account to H M Customs & Excise in respect of the sum payable by the Materials Business Debtor.

6.2 MATERIALS BUSINESS DEBTORS AND MATERIALS BUSINESS CLAIMS

If any Materials Business Debtor or Materials Business Claim is not, or

gives rise to a cause of action which is not, capable of assignment to Newco (in such manner as to permit Newco to prosecute such Materials Business Debtor or Materials Business Claim in its own name) and in the case of any Materials Business Debtor or Materials Business Claim which is capable of assignment to Newco in such manner and has not been assigned, pending such assignment, Newco shall be entitled at its own expense in its absolute discretion to take such action as Newco shall deem necessary or desirable to prosecute, settle or compromise such Materials Business Debtor or Materials Business Claim, or to avoid, dispute, resist, appeal, compromise or contest any related counter-claim to the extent that such counter-claim is a Newco Liability, in the name of TEL, and to have the conduct of any related proceedings, negotiations or appeals.

6.3 INDEMNITY

Newco shall indemnify TEL against all liabilities and Costs which it may incur in complying with Clauses 6.1 to 6.4 inclusive or otherwise in connection with any such Materials Business Debtor or Materials Business Claim or related counter claim to the extent that such counter-claim is a Newco Liability.

6.4 NOTIFICATION, ASSISTANCE AND PROCEEDINGS

The provisions of Schedule 8 shall apply to:-

6.4.1 the notification by one party to the other party of information with respect to Materials Business Debtors or Materials Business Claims;

6.4.2 the giving of assistance by TEL to Newco for the purposes of recovering any amount due in respect of, or compromising, any Materials Business Debtor or Materials Business Claim or avoiding, disputing, resisting, appealing, compromising or contesting any related counter-claim to the extent that such counter claim is a Newco Liability; and

6.4.3 the conduct of any proceedings in respect of any Materials Business Debtor or Materials Business Claim or any related counter-claim to the extent that such counter-claim is a Newco Liability.

6.5 ACCOUNTING BY NEWCO FOR DEBTORS RECEIVED

Any Debtor received by Newco shall be received by Newco as trustee for TEL absolutely, Newco shall record such payment separately in its books and shall account to TEL for the same as soon as reasonably practicable after receipt.

6.6 NOTIFICATION, ASSISTANCE AND PROCEEDINGS

The provisions of Schedule 8 shall apply to:-

6.6.1 the notification by one party to the other party of information with respect to Debtors or Retained Business Claims;

6.6.2 the giving of assistance by Newco to TEL for the purposes of receiving any amount due in respect of, or comprising, any Debtor or Retained Business Claim or avoiding, disputing, resisting, appealing, compromising or contesting any related counter-claim to the extent that such counter claim is a TEL Liability; and

6.6.3 the conduct of any proceedings in respect of any Debtor, Retained Business Claim or any related counter-claim to the extent that such counter-claim is a TEL Liability.

7. NEWCO LIABILITIES

7.1 ASSUMPTION OF NEWCO LIABILITIES

Newco agrees to assume, pay, satisfy, discharge and fulfil all the Newco Liabilities and Costs in respect thereof.

7.2 CONDUCT OF NEWCO LIABILITIES

Newco shall be entitled at its own expense in its absolute discretion to take such action as it shall deem necessary or desirable to avoid, dispute, defend, resist, appeal, compromise or contest in the name of TEL any claims of, or proceedings instituted or threatened by, any third party whether before or after the date hereof, in respect of any Newco Liability and to have the conduct of any related proceedings, negotiations or appeals.

7.3 INDEMNITY

Newco shall indemnify:-

7.3.1 TEL against all Newco Liabilities; and

7.3.2 TEL against all liabilities and Costs which it may incur in complying with this Clause 7 or otherwise in connection with any Newco Liability.

7.4 NOTIFICATION, ASSISTANCE AND PROCEEDINGS

The provisions of Schedule 8 shall apply to:-

7.4.1 the notification by one party to the other party of information with respect to Newco Liabilities;

7.4.2 the giving of assistance for the purposes of avoiding, disputing, resisting, appealing, compromising or contesting any Newco Liability; and

7.4.3 the conduct of any proceedings in respect of any Newco Liability.

8. TEL LIABILITIES

8.1 TEL LIABILITIES

TEL shall be entitled at its own expense in its absolute discretion to take such action as it shall deem necessary or desirable to avoid, dispute, defend, resist, appeal, compromise or contest any claims of, or proceedings instituted or threatened by, any third party, whether before or after the date hereof, in respect of any TEL Liability and to have the conduct of any related proceedings, negotiations or appeals.

8.2 INDEMNITY

TEL shall indemnify:-

8.2.1 Newco against all TEL Liabilities; and

8.2.2 Newco against all liabilities and Costs which it may incur in complying with this Clause 8 or otherwise in connection with any TEL Liability.

8.3 NOTIFICATION, ASSISTANCE AND PROCEEDINGS

The provisions of Schedule 8 shall apply to:-

8.3.1 the notification by one party to the other party of information with respect to TEL Liabilities;

8.3.2 the giving of assistance by Newco to TEL for the purposes of avoiding, disputing, resisting, appealing, compromising or contesting any TEL Liability; and

8.3.3 the conduct of any proceedings in respect of any TEL Liability.

9. EMPLOYEES

The provisions of Schedule 11 shall apply in relation to certain employment and related matters.

10. CONTINUING OBLIGATIONS OF TEL AND NEWCO

10.1 FURTHER ASSURANCES

TEL shall (at Newco's Cost) from time to time execute such further assurances and afford to Newco such assistance as Newco may reasonably require which is within TEL's control for the purpose of vesting in Newco or its nominee the benefit of the Business and the Business Assets (including, so far as consistent with the terms of this Agreement, the benefit of any rights accruing against third parties, whether such rights have or have not accrued or become enforceable as at the Transfer Time) and of all the provisions of this Agreement.

10.2 SHARED SUPPLIER CONTRACTS

TEL agrees, to the extent that it is able, to make onward supply of those goods or services provided under Shared Supplier Contracts to the extent that those goods or services would have been utilised by TEL in the Business had it not been transferred to Newco pursuant to the terms of this Agreement on the basis that Newco shall bear its proportionate share of the net cost and expenses under such Shared Supplier Contracts.

10.3 ENVIRONMENTAL AUTHORISATIONS

TEL shall give all reasonable assistance (other than financial assistance) to Newco in applying for, or arranging for the transfer of, the Environmental Authorisations.

10.4 CONTRACTS

The provisions of Schedule 6 shall apply.

10.5 CUSTOMER CONTRACTS

To the extent that payment is made to Newco in respect of any Customer Contract after the Transfer Time, Newco shall receive the same as trustee for TEL absolutely, shall record such payment separately in its books and shall account to TEL for the same as soon as reasonably practicable after receipt.

10.6 NEWCO TAXATION LIABILITIES

Newco shall be responsible for all liabilities to Taxation incurred or owing by it (whether or not due and payable) in respect of the Business following the Transfer Time including any stamp duty arising as a result of this Agreement or its completion.

11. VAT

11.1 TEL and Newco intend that article 5 of the Value Added Tax (Special Provisions) Order 1995 ("ARTICLE 5") shall apply to the sale or sales of the Business under, or procured under, this Agreement, so that the sale or sales are treated as neither supplies of goods nor supplies of services.

11.2 If nevertheless any VAT is payable on any supply by TEL or any supply which is procured by TEL under this Agreement, Newco shall pay it the amount of that VAT in addition to the price (and if Newco delays or defaults in complying with its obligations under Clause 11.3 pay it an amount equal to any interest and penalties imposed by HM Customs and Excise (whether on TEL or another person) arising out of the treatment by TEL and Newco of the sale as described in Clause 11.1 above).

11.3 Without limiting Clause 11.2, VAT shall be treated as payable if HM Customs and Excise rule that it is payable after full disclosure of all material facts. If they have done so before the Transfer Time, the tax shall be payable by Newco on the Transfer Time against issue of a proper VAT invoice (issued by TEL or other appropriate person) in respect of such VAT. If they do so on or after the Transfer Time, the tax shall be payable by Newco within five days after TEL gives Newco written notice of the ruling together with a proper VAT invoice (issued by TEL or other appropriate person) in respect of that VAT.

11.4 If Newco fails to pay the amount of the tax on the due date under Clause

11.3, it shall pay Default Interest on that amount from the due date until actual payment (excluding any period for which interest indemnified under Clause 11.2 runs) compounded monthly except to the extent to which TEL is fully compensated for Newco's delay by reason of the indemnity in Clause 11.2 extending to interest.

11.5 With a view to procuring that article 5 applies, Newco:

11.5.1 shall ensure that Newco is registered for VAT not later than the date of the Transfer Time;

11.5.2 warrants that the Business Assets are to be used by Newco in carrying on the same kind of business as that carried on by TEL's Group and its Affiliates;

11.5.3 warrants that Newco has, or will by the relevant date have, properly made an election to waive exemption in respect of each Non-Exempt Property with effect from a day not later than the relevant date (having obtained the written permission of HM Customs and Excise if necessary) and has, or will by that date have, duly given to HM Customs and Excise the written notification of the election required to make the election effective; and

11.5.4 covenants that Newco will not revoke the election within three months after the relevant date.

In this paragraph "RELEVANT DATE" has the same meaning as in paragraph (2) of article 5.

11.6 TEL and Newco envisage that s. 49 of the Value Added Tax 1994 will apply to the sale and purchase of the Business Assets under this Agreement but intend that TEL should retain the records referred to in that section, and accordingly:

11.6.1 notwithstanding anything in this Agreement TEL shall not be required to deliver to Newco the records referred to in s.49;

11.6.2 TEL shall make a request to HM Customs and Excise under s.49 for the records to be preserved by TEL;

11.6.3 if or for so long as that request is not granted, TEL shall preserve the records on behalf of Newco for such period as may be required by law, and shall during that period permit Newco reasonable access to them to inspect or make copies of them; and

11.6.4 TEL may fulfil its obligations under Clause 11.6.3 by procuring that a future transferee of its business or any other person preserves the records and permits reasonable access as mentioned in that paragraph, in which case TEL shall notify Newco of the name of that person.

11.7 In respect of each Non-Exempt Property mentioned in Clause 11.5.1 either:

11.7.1 without prejudice to that subclause, Newco shall on or before the Transfer Time give to TEL evidence reasonably satisfactory to TEL that the election has been made and written notification duly given in accordance with that subclause; or

11.7.2 if Newco does not give that evidence, it shall be assumed that those things have not been done and notwithstanding Clause 11.3 Newco shall on the Transfer Time pay to TEL the amount of VAT chargeable in respect of the relevant Non-Exempt Property on that assumption but any forbearance of TEL to insist on its rights under this subclause shall be without prejudice to its rights under the preceding provisions of this clause.

11.8 References in Clause 11.5 to Newco shall be construed as references to the transferee within the meaning of the corresponding provision of article 5 if different.

12. AVAILABILITY OF INFORMATION

Each of TEL and Newco shall make available to the other free of charge

upon written request all information (or copies of any information in writing) which the other may reasonably require relating to the Business and the Business Assets (including, without limitation, any records required for the purposes of VATA or the Regulations or relating to taxation of any kind (including Taxation) but not for the avoidance of doubt the Customer Contracts or the Commercial and Marketing Know-How).

13. INDEPENDENT ACCOUNTANT

13.1 If either party wishes to refer any matter in dispute in accordance with the provisions of Clause 3 or Schedule 14 for determination under this Clause it shall give notice to the other requiring the appointment of an independent accounting firm of international reputation ("THE INDEPENDENT ACCOUNTANT") excluding accounting firms who have acted as auditors of either party or of any of their Affiliates in the last 5 years. If the parties are unable to agree upon the Independent Accountant within 14 days of such notice, then the Independent Accountant shall be appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either party.

13.2 The Independent Accountant shall act as an expert and not as an arbitrator and his decision shall (in the absence of manifest error) be final and binding on the parties. The Independent Accountant shall afford the parties the opportunity of making written representations to him and shall make his determination within 40 days of his appointment.

13.3 The fees and expenses of the Independent Accountant shall be borne by the parties in equal shares unless the Independent Accountant otherwise determines.

14. DEFAULT INTEREST

Subject as otherwise provided to the contrary in this Agreement, if any sum due for payment under this Agreement or in accordance with this Agreement is not paid on the due date the party in default shall pay Default Interest on that sum from the due date until the date of actual payment calculated on a day to day basis.

15. GENERAL

15.1 Unless otherwise expressly stated, all claims made and payments to be made under this Agreement shall be made in US Dollars. Payments to TEL shall be made in immediately available funds to the account of TEL at such account as TEL may notify to Newco and to Newco in immediately available funds to such account as Newco may notify to TEL. All payments and values under this Agreement shall be in US Dollars and where an amount is not itself calculated in US Dollars, it shall be converted into US Dollars at the mid-market closing exchange rate for that currency into US Dollars as published in the London Edition of The Financial Times published 2 Business Days prior to the date on which the relevant payment is due or where no such rate is published, at the rate quoted by Citibank, N.A. at the close of business in London on that date. This sub-clause shall not apply to Schedule 14.

15.2 Save as otherwise provided to the contrary in this Agreement, each payment to be made under this Agreement shall be made in the currency in which the relevant amount is payable, free and clear of all deductions or withholdings of any kind, except for those required by law, and if any deduction or withholding must be made by law, an additional amount will be paid which is necessary to ensure that the recipient receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.

15.3 None of the rights or obligations under this Agreement may be assigned or transferred without the written consent of the other party ("the Non-Assigning Party") other than an assignment of the rights (but not the obligations) to an Affiliate of the assigning party provided that:

(a) such assignment shall only be permitted if the assignment has no adverse effect on the Non-Assigning Party;

(b) if the Affiliate to which the rights have been assigned ceases to be an Affiliate of the assigning party, the rights which have been transferred shall be re-transferred to the party which originally assigned those rights or to another Affiliate of that original assigning party; and

(c) it shall be a condition of any such assignment that reasonable notice is given in writing to the Non-Assigning Party of the proposal to assign, (identifying the rights proposed to be assigned, the identity of the proposed assignee and such other details relating thereto as the Non-Assigning Party may reasonably require).

15.4 Save as otherwise provided in this Agreement, each party shall pay the costs and expenses incurred by it in connection with the entering into and completion of this Agreement.

15.5 This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any party may enter into this Agreement by executing a counterpart.

15.6 No amendment, variation or waiver of this Agreement or any provision of this Agreement shall be effective unless it is in writing and duly executed by or on behalf of both parties.

16. WHOLE AGREEMENT

16.1 This Agreement (if and when executed) contains the whole agreement between the parties relating to the transaction contemplated by this Agreement and supersedes all previous agreements between the parties relating to such transaction.

16.2 Each of the parties to this Agreement acknowledges on its own behalf that, in agreeing to enter into this Agreement, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this Agreement) and waives all rights and remedies which, but for this Clause, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance, provided that nothing in this Clause shall limit or exclude any liability or fraud.

17. NON-MERGER AND SURVIVORSHIP

Anything contained in this Agreement to which effect has not been given on or prior to completion of the sale and purchase of the Business and the Business Assets or which, by its terms is capable of taking effect after such completion or is a continuing obligation of the relevant party, shall remain and continue in full force and effect notwithstanding such completion or otherwise.

18. NOTICES

Any notice, claim or demand requiring to be served under or in connection with this Agreement shall be in writing and shall be sufficiently given or served if delivered, in the case of TEL, to TEL, addressed to its secretary at its registered office and, in the case of Newco, to Newco, addressed to its secretary at its registered office. Any such notice shall be delivered by hand or sent by fax or sent by prepaid first class post and if delivered by hand or sent by fax shall conclusively be deemed to have been given or served at the time of despatch and if sent by post shall conclusively be deemed to have been received 48 hours from the time of posting.

19. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with English law except in relation to real property located in a territory outside England and Wales, in which case the governing law shall be the law of that territory. The parties irrevocably agree that the Courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

THIS AGREEMENT was entered into on the date stated on page 1.

SCHEDULE 1

DESCRIPTION OF THE BUSINESS

Part I - Business generally

The manufacture of titanium dioxide pigments and related intermediate products (including sulphuric acid and zirconia frit), as carried on by TEL from the Properties but for the avoidance of doubt shall not include:-

- (i) the manufacture by way of trade of any organometallic compounds excepting that manufacture of a pigment which incorporates as an essential feature of its composition an organometallic compound shall not be considered to be manufacture of an organometallic compound as such;
- (ii) the manufacture (other than for subsequent transfer to Tioxide Specialties Limited on agreed terms) by way of trade of any form of Ultrafine Titanium Dioxide.

Part II - Materials Business

The supply from the Properties of ferric sulphate and copperas manufactured as co-products from the titanium dioxide process. The supply from the Properties of white and red Gypsum manufactured as co-products from the titanium dioxide process.

SCHEDULE 2

THE PROPERTIES

PART I		
Address	Title No./Root of Title	Present Use
Factory at Pyewipe Road Grimsby	HS40627; HS98246; (conveyance dated 6.4.1946 and between RV Sutton's Settled Estates and its Trustees (1) and British Titan Products Company Limited (2)	Production of titanium dioxide
Healing Cress Beds	Conveyance dated 1.6.1971 made between British Titan Limited (1) and British Titan Products Company Limited (2)	Water extraction from cress beds
*Nettleton Bottom Quarry	Conveyance dated 01.06.78 made between Road Aggregates Limited (1) and Appollo Site Services Limited (2)	Disused quarry -landfill of neutralised digester residue
*Killingholme	Conveyance dated 31.12.1981 made between Glanford Borough Council (1) and W T Scales & Son Limited (2)	Drying Plant
PART II		
ADDRESS	TITLE NO./ROOT OF TITLE	
Strip of land on the banks of the River Humber	Lease dated 30.5.1989 made between ABP Limited (1) and Tioxide UK Limited (2)	Pipeline site
Gypsum Store of Ownby	Lease dated 4.9.1996 made between Glentworth Bulb Co. Limited (1) and TEL (2)	Storage of gypsum

* The beneficial interest in these two Properties is owned by TEL. The legal

title to the Property at Nettleton Bottom Quarry is held by Broadcount Properties Limited (an Affiliate of ICI) and the legal title to the Property at Killingholme is held by WT Scales Limited (an Affiliate of ICI).

SCHEDULE 3

EXCLUDED ASSETS AND EXCLUDED LIABILITIES

(Clause 1.1)

PART I

EXCLUDED ASSETS

1. All cash of TEL in bank and in hand and the benefit of all bank accounts of TEL.
2. Amounts due to TEL arising out of any payment (including overpayment) of Taxation and any and all other rights in respect of or relating to Taxation.
3. Commercial and Marketing Know-How.
4. Customer Contracts and any rights thereunder.
5. The CO2 Liquefaction plant owned by ICI or any of its Affiliates currently at the Properties.
6. Any right or action to which TEL may be entitled (whether in contract, tort or otherwise) relating to the Excluded Liabilities and the Excluded Assets.
7. Debtors.
8. Intellectual Property relating to the Business and any rights (contractual or otherwise) relating to Intellectual Property of the Business.
9. Retained Business Claims.
10. The accounting records of TEL in so far as they do not relate to the Business.
11. Subject to the provisions of Clause 10.2 any rights and benefits under the Shared Supplier Contracts.
12. Work-in-progress and finished products owned by TEL which is located at but has not been manufactured at any of the Properties.
13. Any assets, rights or benefits relating to the Business not listed in Clause 2.1.
14. The shares held by TEL whilst TEL was an Affiliate of ICI in W T Scales Limited, E&A West Limited, Maidgold Limited and Broadcount Properties Limited.

PART II

EXCLUDED LIABILITIES

- 1 Taxation incurred or owing by TEL (whether or not due and payable) in respect of the Business up to the Transfer Time.
- 2 Liabilities relating to Customer Contracts.
- 3 The following matters:-

Stiller Transport claim
Personal injury claim (Mr R Hartley)

SCHEDULE 4

ALLOCATION OF CONSIDERATION TO BUSINESS ASSETS PURCHASED

(Clause 3.3)

Business Asset	Allocation of the Final Consideration (US\$)
A. Working Capital	(1)
B. Materials Commercial and Marketing Knowhow	1,000,000
C. Land	(2)
D. Buildings	(2)
E. Plant and Equipment	(3)
F. Other Business Assets	Nil -----
G. Total Consideration	Agreed Newco Value -----

- (1) Actual Net Working Capital (as defined in Schedule 14) plus agreed uplift to Fair Market Value (US\$215,000)
- (2) Net Book Value of Land and Buildings as at the Transfer Time in TEL's A-Forms
- (3) G - (A+B+C+D+F)

SCHEDULE 5

PROVISIONS RELATING TO THE PROPERTIES

(Clause 2.3)

PART A

Provisions relating to the Properties

- Subject to Paragraph 6 below, TEL shall on the date hereof complete an assurance to Newco of each of the Freehold Properties and the Leasehold Properties in a form previously approved by the parties (each of which shall be deemed for the purposes of this Agreement to be an agreement in Agreed Terms) and shall on the date hereof deliver (or procure the delivery of) each such assurance or disposition to Newco and shall also deliver (or procure the delivery of) possession of each of the Properties and beneficial ownership of each of the Properties shall pass on completion of any such assurance or disposition.
- On the date hereof TEL shall either deliver (or procure the delivery of) to Newco or hold to Newco's order the title deeds to the Properties.
- With effect on and from the date hereof until the Transfer Time, TEL shall procure that the interest of Newco is noted on all policies of insurance with respect to the Properties.
- In relation to all of the Properties, TEL shall be entitled to remain in occupation, as licensee only, until but not after the Transfer Time and Newco shall make no charge in respect of the grant of any such licence.
- TEL shall co-operate with Newco to facilitate registration of title to any of the Properties once vested in Newco and, without prejudice to the

generality of the foregoing, shall assist in depositing any relevant land or other certificates or documents at H M Land Registry or other relevant registry and in replying to any requisitions raised by H M Land Registry or other relevant registry.

6. Landlords' Consents for Leasehold Properties

6.1 Failure to Obtain Consents

6.1.1 Where a landlord's consent is required and has not been obtained by the date hereof in respect of any of the Properties, such Property will not, unless Newco so elects (an "ELECTED PROPERTY"), be transferred on the date hereof but will be held in trust for Newco absolutely from the date hereof until such landlord's consent is obtained or Newco requires the transfer or assignment of such Property to it in accordance with paragraph 6.3. TEL shall account to and be indemnified by Newco accordingly and shall deliver to Newco forthwith upon receipt any notice or other document concerning or relating to such Property or, upon request from Newco, a power of attorney to enable Newco to deal with such Property.

6.1.2 TEL will co-operate in any reasonable arrangements proposed by Newco designed to provide for Newco the benefits of any such Property.

6.2 Subsequent Consents

After the date hereof, TEL shall continue to use all reasonable endeavours (assisted if necessary by Newco) to obtain any outstanding landlord's consent at Newco's cost in respect of any Property (which is not an Elected Property) and keep Newco informed of progress in obtaining such consents.

6.3 Notice to Transfer or Assign

Following the date hereof, Newco may serve notice on TEL at any time after the relevant consent is obtained requiring TEL to execute and deliver any transfer or assignment to Newco of any such Property which is not an Elected Property and TEL will arrange for the execution and delivery of such transfer or assignment (together with the relative documents of title) to Newco not later than five working days after the receipt either of such notice or of the engrossment of such transfer or assignment whichever is the later.

6.4 Occupation by Purchaser

Newco may at any time after the Transfer Time go into or remain in occupation of any Leasehold Property for which necessary consent has not been obtained, as licensee of TEL and subject to the following provisions:-

- (a) Newco shall pay, or indemnify TEL against, all outgoings and expenses relating thereto arising after Newco's occupation begins;
- (b) Newco shall be entitled to any income thereof arising after Newco's occupation begins;
- (c) Newco shall indemnify TEL against all losses, liabilities, Costs, actions, proceedings, claims and demands arising from the possession or occupation of such Property by Newco and in particular (but without limitation) will observe and perform all the covenants and conditions contained or referred to in the leases relating thereto; and
- (d) in the event that the landlord threatens to forfeit the lease relating to any Leasehold Property or forfeits such lease Newco shall forthwith vacate such Leasehold Property.

6.5 Terms of purchase

The Properties are sold together with all easements, rights and licences appurtenant thereto and all buildings and structures thereon but subject

to all easements, rentcharges, covenants, leases, tenancies, licences, agreements and other matters affecting the same and the Leasehold Properties are sold subject also to the rents, covenants and conditions reserved by or contained in the leases under which the same are held.

SCHEDULE 6

PROVISIONS RELATING TO THE CONTRACTS

(Clause 10.4)

1. Newco shall with effect from the Transfer Time carry out and complete for its own account the Supplier Contracts and the Materials Customer Contracts to the extent that the same have not been previously performed (whether due for performance prior to, on or after the Transfer Time). Newco shall indemnify TEL against all Costs, claims and liabilities arising prior to, on or after the Transfer Time by reason of or in connection with the non-performance or the defective or negligent performance (whether by TEL or Newco) of the Supplier Contracts or the Materials Customer Contracts.
2. Newco shall be responsible for and shall indemnify TEL against any claim from customers for repair, replacement, damage or otherwise duly made before or after the Transfer Time under any guarantees or warranties given expressly or by implication of law by TEL in respect of any goods sold or service supplied by TEL prior to the Transfer Time in the Business.
3. To the extent that any payment is made to TEL in respect of Materials Customer Contracts after the Transfer Time, TEL shall receive the same as trustee for Newco absolutely, shall record such payment separately in its books and shall account to Newco for the same as soon as reasonably practical after receipt. In determining the liability under this paragraph of TEL to account to Newco for amounts received, regard shall be had to any liability of TEL to account to HM Customs and Excise for any United Kingdom VAT in respect of the supply of goods and/or services (made under any Materials Customer Contract) to which such amounts relate and the liability of TEL under this paragraph shall be reduced accordingly.
4. In determining the liability of Newco to reimburse TEL for any amounts paid by TEL to suppliers under Supplier Contracts, regard shall be had to the extent to which TEL has been or is able to recover payment of input tax for United Kingdom VAT purposes in respect of supplies of goods and/or services (under a Supplier Contract) made to TEL to which such amounts relate and the liability of Newco under this Agreement shall be reduced accordingly.
5. If TEL has prior to the Transfer Time sub-contracted the performance of any contracts for the supply of goods or other products to any person, Newco shall (unless TEL would have been entitled under the contract to reject the same and Newco determines to reject the same), on behalf of the relevant customer seek or accept delivery from such person of the goods or other products in respect of which such contract was made and shall make the same available for collection by such customer.

SCHEDULE 7

PROVISIONS RELATING TO THIRD PARTY CONSENTS

(Clause 5.4)

1. Where any Business Asset, including any Materials Business Claim, Materials Business Debtor, Materials Customer Contract, Supplier Contract and any property or asset leased by TEL relating exclusively to the Business (but excluding the Leasehold Properties) requires the consent or agreement of any third party for the same to be assigned or novated to or,

in the case of any leased property, to be sub-leased to, Newco, (a "RELEVANT BUSINESS ASSET") or any Newco Liability requires the consent or agreement of any third party for the same to be performed by Newco, and any such consent has not been obtained prior to the Transfer Time, the provisions of this Schedule shall apply.

2. In respect of any Relevant Business Asset, this Agreement shall not constitute an assignment or a purported assignment thereof, or a sub-lease or a purported sub-lease thereof, to Newco if any such assignment or sub-lease would constitute a breach of any agreement, contract or undertaking (a "Relevant Agreement") of TEL with or to the third party from whom any such consent as is referred to in paragraph 1 is required to be obtained, pending such consent being obtained.
3. TEL and Newco shall jointly use all reasonable endeavours and render to each other all reasonable assistance (not being financial) to obtain the consent of such third party to an assignment, or novation (whichever is available) or (if neither an assignment or novation is available) a sub-lease of the Relevant Business Asset. During the period from and after the Transfer Time until any required consent shall be obtained and the Relevant Business Asset transferred, or assigned or novated to Newco, any such Relevant Business Asset shall be held in trust by TEL for Newco absolutely with effect from the Transfer Time until the same shall have been delivered and/or formally transferred, assigned or novated to Newco and TEL shall grant to Newco such powers of attorney as Newco may reasonably require to enable Newco to vest in itself or otherwise to deal with such Relevant Business Assets and shall deliver to Newco forthwith upon receipt any notice or other document containing or relating to such Relevant Business Assets.
4. This Agreement shall not constitute an assumption or a purported assumption of any Newco Liability in respect of which performance thereof by Newco would require the consent or agreement of any third party if such assumption or purported assumption would constitute a breach of any Relevant Agreement pursuant to which the obligation arises. Newco shall, to the extent that the same would not result in any breach of any such Relevant Agreement perform as TEL's sub-contractor all the obligations of TEL thereunder and indemnify TEL against all liabilities (and all Costs reasonably incurred by TEL) arising in connection therewith.
5. Where the performance by Newco of any Relevant Agreement as TEL's sub-contractor would result in a breach of any agreement, contract or undertaking with a third party (whether under the Relevant Agreement in respect of which the obligation arises or under any other agreement with any other person relevant to the performance of such Relevant Agreement) Newco shall not perform such obligations as TEL's sub-contractor but TEL shall continue to perform such obligations on behalf of and at the risk of Newco and Newco agrees to indemnify TEL against all liabilities (and all Costs reasonably incurred by TEL) arising in connection therewith.
6. TEL agrees and acknowledges that, insofar as any Relevant Business Asset is expressed in this Schedule to be held on trust by TEL for Newco absolutely, any monies received by TEL in respect thereof shall be accounted for by TEL to Newco and any profit arising out of the conduct of the Business utilising any such Business Asset shall accrue to Newco and TEL agrees to pay forthwith to Newco any such amounts, less in each case an amount equal to the relevant Costs which TEL is entitled to recover and deduct from any such payment.
7. Newco expressly acknowledges that insofar as any Newco Liability has not been effectively assumed by Newco and, insofar as the same relates to the performance of any obligations under any Relevant Agreement and such obligations are, pursuant to the provisions of this Schedule, to be performed by Newco as TEL's sub-contractor or by TEL on behalf of Newco, such performance is at the risk and cost of Newco and any loss and costs in relation thereto shall be offset against any amounts to be accounted for to Newco pursuant to paragraph 6. To the extent that any loss or Cost exceeds any such amount to be accounted for to Newco pursuant to paragraph 6, Newco shall indemnify TEL against or reimburse TEL for any payment in respect thereof.
8. Insofar as the provisions of this Schedule provide for TEL to perform any Relevant Agreement or otherwise assume any obligation, Newco agrees to

lease or licence (so far as Newco is able to grant the same) to TEL, for the period during which any such obligation exists as provided in this Schedule, any Business Assets acquired by Newco pursuant to this Agreement and necessary for the purposes of such performance. The consideration for any such lease or licence shall be TEL's agreement to perform any obligations expressed to be performed by it in this Schedule in favour of and for the account of Newco for any monies or profits as described in paragraph 6 above and so that TEL shall not be required to pay any additional amount in respect thereof.

9. Newco agrees to make available to TEL the services of any Transferring Employees or any Offer Employees to enable TEL to perform any obligations expressed to be performed by it in this Schedule: PROVIDED that any such employees shall continue to be employees of Newco and Newco shall perform and observe all the obligations of the employer under or in connection with the contracts of employment of such persons (including without limitation holiday entitlement and pay) and Newco shall indemnify TEL against or reimburse TEL for any payment required to be made or made by TEL to any such Transferring Employees or Offer Employees.
10. Upon any such consent as is referred to in paragraph 1 being obtained, as a result of which any assignment, sub-lease or any other transfer of the benefit of any Relevant Business Asset to Newco or the assumption by Newco of any Newco Liability would not constitute a breach of any Relevant Agreement of TEL with or to the third party from whom any such consent is obtained, such Relevant Business Asset shall pursuant to this paragraph be assigned, sub-leased or the benefit thereof otherwise vested in Newco, or Newco shall assume the Newco Liability, as the case may be on the terms of this Agreement and:-
 - 10.1 any lease or licence for any Business Assets referred to in paragraph 8 shall thereupon automatically terminate; and
 - 10.2 insofar as the services of any Transferring Employees or Offer Employees have been made available to TEL as provided in paragraph 9 in connection with such Relevant Business Asset, such services shall thereupon automatically cease to be made available in any case, without Costs to TEL, and the provisions of this Schedule shall cease to apply with respect thereto.
11. Without prejudice to the generality of the foregoing, TEL shall, without incurring any Cost, take such actions as Newco may reasonably request to procure that suppliers under the Supplier Contracts and customers under the Materials Customer Contracts unconditionally consent to the substitution of Newco as a party thereto with effect from the Transfer Time but, in any case where such consent is refused or otherwise not obtained, prior thereto:-
 - 11.1 TEL shall receive any goods delivered to it by the supplier as agent for Newco and at Newco's cost, taking reasonable care, shall deliver such goods to such address of Newco as Newco may specify; and
 - 11.2 Newco shall put TEL in funds to enable TEL to pay in due time the supplier in respect thereof.
12. If, on or before 6 weeks after the Transfer Time, or such later date as TEL and Newco may agree, any consent or agreement of any third party referred to in paragraph 1 has not been obtained or if, at any time, the benefit of any Relevant Business Asset cannot be vested in Newco or otherwise dealt with by Newco, TEL and Newco shall consider what action, if any, is to be taken in relation to the Relevant Business Asset.
13. TEL shall not be obliged to take any action pursuant to this Schedule 7 if such action could not be lawfully undertaken by TEL, or would result in any breach of any agreement to which TEL is a party which breach would entitle the other party thereto to terminate such agreement or would result in TEL incurring any Costs of a material amount against which Newco has not agreed to indemnify it pursuant to this Agreement or otherwise. In so far as, pursuant to this Agreement, TEL is a trustee of, or acts as agent for Newco, TEL shall act with such care and skill as might reasonably have been expected of TEL in the conduct of the Business

assuming the sale and purchase of the Business and the Business Assets pursuant to this Agreement had not occurred but, subject thereto, shall not have any duties or responsibility to Newco in respect of so acting or have any liability to Newco except to the extent that it is guilty of wilful default or of acting otherwise than with the care and skill referred to in this paragraph.

SCHEDULE 8

NOTIFICATION, ASSISTANCE AND PROCEEDINGS

(Clauses 6, 7 and 8)

1. NOTIFICATION

TEL shall notify Newco and Newco shall notify TEL, in either case if the notifying party reasonably considers the subject matter thereof to represent a potentially significant right or liability of the other party, promptly of receipt of any information, in whatever form, relating to any Debtor, Materials Business Debtor, Retained Business Claim, Materials Business Claim, Newco Liability or TEL Liability and shall supply copies of all such information so received on request. Either party may enquire of the other party if it has received any information referred to in this paragraph and may request further details in respect thereof including copies of any materials in respect thereof. Such notification will describe the information received with sufficient particularity to enable the recipient to assess its significance in relation to such Debtor, Materials Business Debtor, Retained Business Claim, Materials Business Claim, Newco Liability or TEL Liability.

2. ASSISTANCE

2.1 TEL will promptly give or procure that there is given all such information and assistance as Newco shall reasonably require (including access to any books, correspondence or other documents or records and the right to copy the same and to any witnesses or potential witnesses or officials of TEL) for the purpose of:-

2.1.1 recovering any amount due in respect of, or compromising any Materials Business Debtor or Materials Business Claim or avoiding, disputing, resisting, appealing, compromising, or contesting any related counter-claim; or

2.1.2 avoiding, disputing, resisting, appealing, compromising, or contesting any Newco Liability.

2.2 Newco shall indemnify the relevant member of TEL's Group against all Costs and liabilities which it may incur in complying with paragraph 2.1.

2.3 Newco will promptly give or procure that there is given all such information and assistance as TEL shall reasonably require (including access to any books, correspondence or other documents or records and the right to copy the same and to any witnesses or potential witnesses or officials of Newco) for the purpose of:-

2.3.1 recovering any amount due in respect of, or compromising any Debtor or Retained Business Claim or avoiding, disputing, resisting, appealing, compromising, or contesting any related counter-claim; or

2.3.2 avoiding, disputing, resisting, appealing, compromising, or contesting any TEL Liability.

2.4 TEL shall indemnify Newco against all Costs and liabilities that it may incur in complying with paragraph 2.3.

2.5 Each of the parties agrees to keep the other informed (to the extent that party reasonably believes the other party has an interest therein which is not insignificant or as reasonably requested by the other party) as to the progress of any Materials Business Claim or Retained Business Claim or of any claim, demand or action in respect of any Newco Liability or TEL

Liability.

3. CONDUCT OF DISPUTES

3.1 This paragraph applies as to the conduct of any claim made by, or proceedings instituted or threatened by, any third party, whether before or after the date hereof (including any counter-claim) ("PROCEEDINGS") in relation to any Debtor, Materials Business Debtor, Retained Business Claim, Materials Business Claim, Newco Liability or TEL Liability by the party (the "CONDUCTING PARTY") specified by this Agreement as being entitled to conduct such Proceedings. In any case where this Agreement does not specify which of the parties is to have the conduct of Proceedings in any particular case, including in circumstances where the potential responsibility for any liability the subject of any Proceedings has not been allocated between the parties, the party against whom the claim has been made, or proceedings instituted or threatened, shall have conduct of the Proceedings, or, if the claim has been made, or proceedings instituted or threatened, against both parties, TEL shall have the conduct of the Proceedings and, in either case, accordingly be the Conducting Party in respect thereof for the purposes hereof.

3.2 The Conducting Party shall inform the party not having conduct of the Proceedings (the "OTHER PARTY") promptly of all developments regarding the Proceedings, shall consult it and have reasonable regard to its interests before taking any significant step in relation to the Proceedings and shall not settle the Proceedings without the consent of the Other Party, such consent not to be unreasonably withheld or delayed. The Conducting Party shall conduct any Proceedings with reasonable diligence and competence. The Other Party shall render all assistance reasonably required in connection with the Proceedings by the Conducting Party, and shall be entitled to payment in respect of that assistance only in the event that the assistance it renders is significantly greater in extent than that provided by the Conducting Party.

3.3 The Conducting Party may instruct legal advisers reasonably satisfactory to the Other Party to represent any member of the Other Party (or any member of the Other Party's Group in the case of TEL which is a party to the Proceedings: PROVIDED that in any Proceedings where the named parties to any such Proceedings (including any added parties) include both the Conducting Party (or any member of its Group in the case of TEL) and the Other Party (or any member of its Group in the case of TEL) and representation of both parties by the same legal advisers would not, in the opinion of the legal advisers appointed by the Conducting Party, be proper due to actual or potential conflict of interest between them, the Conducting Party shall instruct separate legal advisers reasonably satisfactory to the Other Party to represent the Other Party (and members of its Group) in such Proceedings and the Conducting Party shall pay the fees and disbursements of such legal advisers.

SCHEDULE 9

SUPPLIER CONTRACTS OF A MATERIAL NATURE

(Clause 1.1)

[Details to follow]

SCHEDULE 10

DOCUMENTS IN THE AGREED TERMS

(Clause 1.1)

Newco Patent and Know-how Licence

SCHEDULE 11

EMPLOYEES AND OTHER PERSONNEL

(Clause 9)

1. Newco undertakes to TEL that it will, insofar as it has not done so prior to the date hereof:-
 - 1.1 deliver to each of the Transferring Employees, a letter confirming that the employee will transfer employment to Newco by reason of the transfer of the Business; and
 - 1.2 deliver to each Offer Employee, a letter offering employment with Newco with effect from the Transfer Time on their terms and conditions of employment immediately prior to the Transfer Time (other than as to employer).
2. The parties acknowledge and agree that the sale of the Business from TEL to Newco is a "relevant transfer" within the meaning of the Transfer Regulations.
3. The parties further acknowledge and agree that pursuant to the Transfer Regulations, the contract of employment of each of the Transferring Employees (save insofar as such contract relates to/includes any occupational pension scheme as defined for the purposes of Regulation 7 of the Transfer Regulations) shall be transferred to Newco with effect from the Transfer Time which shall be the "time of transfer" under the Transfer Regulations.
4. As from the Transfer Time, Newco shall perform and observe all the obligations of the employer under or in connection with the contracts of employment of the Transferring Employees and the Offer Employees (including without limitation accrued holiday pay, holiday entitlement and pay) and shall indemnify TEL and keep TEL indemnified, against each and every action, proceeding, liability, Costs, claim, or loss or demand arising from Newco's failure to perform and observe the said obligations.
5. Notwithstanding any other provision in this Agreement, Newco shall indemnify TEL and keep TEL indemnified against all actions, proceedings, liabilities, Costs, claims, losses, and demands made by or arising from:-
 - 5.1 any Transferring Employees and the Offer Employees in respect of employment on or prior to the Transfer Time;
 - 5.2 the dismissal (whether express, constructive or otherwise) of any employee in connection with the transfer of the Business to Newco;
 - 5.3 any change in the working conditions of the Transferring Employees or Offer Employees or any of them occurring after the Transfer Time;
 - 5.4 the change of employer occurring by virtue of the Transfer Regulations and/or this Agreement;
 - 5.5 the employment by Newco on or after the Transfer Time of any of the Transferring Employees or Offer Employees other than on terms (including terms relating to any occupational pension scheme) at least as good as those enjoyed immediately prior to the Transfer Time or the termination of the employment of any of them on or after the Transfer Time;
 - 5.6 any claim by any Transferring Employee or Offer Employee (whether in contract or in tort or under statute (including the Treaty of Rome and any directives made under the authority of that Treaty)) for any remedy including, without limitation, in respect of unfair dismissal, redundancy, equal pay, sex, race or disability discrimination; or
 - 5.7 any claim by any employee representatives, trade union or affected

employee that there has been a failure to comply with any requirement of Regulation 10 of the Transfer Regulations, any failure to inform and/or consult employees imposed by any collective agreement, European Works Council Agreement or other employee representative agreement.

6. Newco shall, as from the Transfer Time, perform and observe all the obligations of TEL as employer, or host (where the employee has been seconded to TEL but is not employed by TEL) under or in connection with:-
 - 6.1 the contracts of employment of the Offer Employees; or
 - 6.2 any contract relating to their secondment to TEL; or
 - 6.3 any undertaking (whether legally binding or not) to employ any such person after a period of absence (whether by reason of maternity, career break, education, training or otherwise) and Newco shall indemnify TEL and keep TEL indemnified against each and every action, proceeding, liability, Costs, claim, loss, and demands arising from Newco's failure to perform and observe such obligations or undertakings.

In accordance with its obligations under the Transfer Regulations, Newco shall provide TEL in writing with such information and at such time as will enable TEL to carry out its duties under Regulation 10 of the Transfer Regulations concerning measures envisaged by Newco in relation to the Transferring Employees or the Offer Employees.

7. Newco shall be entitled at its own expense in its absolute discretion to take such action as Newco shall deem necessary or desirable to prosecute, settle or compromise any claims of, or proceedings instituted by any Transferring Employee or any other person, whether before or after the date hereof, in respect of the matters expressed in this Schedule to be obligations of Newco or in respect of which Newco has agreed to indemnify TEL as provided herein and shall have the conduct of any related proceedings, negotiations or appeals in accordance with Schedule 8.
8. Any reference in this Schedule to contract of employment, employer or employee shall, unless the context otherwise requires, include contract of training and contract of apprenticeship, trainer, and trainee and apprentice, respectively.
9. Newco agrees that for a period of four years from the Transfer Time:
 - 9.1 the Transferring Employees and Offer Employees will receive and enjoy contractual remuneration and benefits (including retirement benefits) which, judged objectively are no less favourable overall than their contractual remuneration and benefits at the Transfer Time;
 - 9.2 it will not make any unilateral material change to the contractual terms and conditions of employment of the Transferring Employees and the Offer Employees, (which includes those terms contained in a letter to employees dated 19 June 1991 from TEL) without prior consultation where required by any local laws or agreements with recognised trade unions, appropriate employee representatives or the Transferring Employees and Offer Employees.

SCHEDULE 12

SHARED SUPPLIER CONTRACTS

Contract for the supply of ilmenite between (1) Tioxide Group plc as agent for Tioxide UK Ltd, Tioxide Australia Ltd and Tioxide Espana SA (2) Westralian Sands.

SCHEDULE 13

TRANSFERRING EMPLOYEES

[Details to follow]

OFFER EMPLOYEES

[Details to follow of those employees currently located at Billingham site in connection with the Materials Business who are to relocate to Grimsby.]

SCHEDULE 14

ESTIMATED CONSIDERATION, FINAL CONSIDERATION AND FINAL COMPLETION STATEMENT

1. INTERPRETATION

1.1 In this Schedule:-

- "A FORM" means in relation to Newco, a financial report prepared in the format set forth in Annex 2 and in accordance with the accounting policies, practices and other requirements set out or referred to in ICI's Contoller's Manual and prepared as at the Newco Completion Date on a basis consistent with that adopted by TEL for the preparation of A Forms prior to the Transfer Time;
- "ACTUAL NET WORKING CAPITAL" means the Net Working Capital as at the Newco Completion Date as determined under paragraphs 1.6 to 1.8 below;
- "ICI'S AUDITORS" means KPMG Audit Plc of 8 Salisbury Square, London, EC4Y 8BB;
- "ICI'S CONTROLLER'S MANUALS" means the control manuals in effect as at 14 July 1997 and which are compiled in accordance with UK GAAP used for accounting purposes within the ICI Group and which are recorded on disk form as attached and identified as Annex 3 to this Agreement (and which consists of an introduction to the Group Contoller's Manual, Bulletin Board, Accounting Language, Bulletin Board Reporting, Accounting Definitions and Conventions, Accounting Policies and Procedures, Controls, Reporting);
- "INTEREST RATE" means LIBOR plus 25 basis points;
- "NET WORKING CAPITAL" means:-
- (a) Operating Debtors; plus
 - (b) Stocks; less
 - (c) Operating Creditors less than 1 year;

For the purposes of (b) the Stocks shall be valued in accordance with the document headed "Stocktaking and Valuation Principles" in the Agreed Terms marked "NWC-S"

"NEWCO'S AUDITORS" means [];

"NEWCO COMPLETION DATE" means immediately after completion of this Agreement;

"OPERATING CREDITORS LESS THAN 1 YEAR" means, in relation to Newco, the absolute value of the amount reported as creditors of Newco which are external to Newco as defined by reference to "operating creditors less than 1 year" on line 70020 of the A Form for Newco as described in ICI's Controller's Manuals;

"OPERATING DEBTORS" means, in relation to Newco, debtors of Newco which are external to Newco as defined by reference to "operating debtors" on line 70010 on the A Form for Newco as described in ICI's Controller's Manuals;

"STOCKS" means the stock of fuels, raw materials, raw materials, ingredients, packaging, office and laboratory supplies, revenue engineering spares, consumable stores, work in progress and finished goods owned by Newco as determined on line 70000 of the A Form for Newco;

"UK GAAP" means generally accepted accounting principles in the United Kingdom.

1.2 References to the absolute value of a number X shall be construed as follows:

1.2.1 if X is greater than or equal to zero, the absolute value of X shall be equal to X; and

1.2.2 if X is less than zero, the absolute value of X shall be X multiplied by -1

so that, for the purposes of illustration, the absolute value of 1 is equal to 1 and the absolute value of -1 is equal to 1.

1.3 The definitions used in this Schedule relate only to this Schedule and, unless expressly stated to the contrary, shall have no bearing on the interpretation of any other agreement entered into by TEL, Newco and their respective Affiliates.

1.4 All payments and values under this Schedule shall be in US Dollars and where an amount is not itself calculated in US Dollars it shall be converted into US Dollars at the mid market closing exchange rate in London for the currency in which that amount is expressed into US Dollars as published in the London Edition of the Financial Times first published thereafter, or where the exchange rate is not published in the London Edition of The Financial Times, at the exchange rate quoted by Citibank N.A. as at the close of business in London for the currency in which that amount is expressed on the Newco Completion Date in relation to amounts in the Final Completion Statement.

1.5 CALCULATION OF THE FINAL CONSIDERATION

In relation to this Agreement:

1.5.1 the Final Consideration for the Business Assets ("THE FINAL CONSIDERATION") shall be determined by the following formula:-

Final Consideration = US\$ 118,410,000 minus [U.S. \$ EQUIVALENT OF GBP3,950,000 (REPRESENTING THE NET WORKING CAPITAL AS AT 28 FEBRUARY

1998) CONVERTED INTO U.S. \$ IN ACCORDANCE WITH PARAGRAPH 1.4 OF THIS SCHEDULE] plus Actual Net Working Capital.

- 1.5.2 After the Newco Completion Date TEL shall prepare a completion statement as at the Newco Completion Date which shall contain a statement of the Final Consideration in accordance with paragraph 1.5.1 above and a schedule of the Actual Net Working Capital based on TEL's calculations (the "FINAL COMPLETION STATEMENT"). The Final Completion Statement shall be prepared using ICI's normal accounting policies and practices as set out or referred to in ICI's Controller's Manuals and prepared as at the Newco Completion Date on a basis consistent with that adopted by TEL for the preparation of A Forms prior to the Hivedown and shall be submitted by TEL to ICI's Auditors for review.
- 1.6 Within 50 days of the Newco Completion Date, TEL shall issue the Final Completion Statement to Newco together with a copy of a report by ICI's Auditors addressed to TEL and substantially in the form set out in Annex 4 to the effect that the Final Completion Statement has been prepared in accordance with this Schedule. Although it is TEL's responsibility to prepare the Final Completion Statement, TEL will require the assistance of the employees of Newco and its Affiliates to fulfil this responsibility and Newco shall ensure such assistance is provided promptly and at no charge. Immediately after delivery of the Final Completion Statement, Newco's Auditors shall have the right to review the Final Completion Statement and ICI's Auditors working papers relating to the Final Completion Statement. Within 30 days of delivery to Newco of the Final Completion Statement and ICI's Auditors report (each of which shall be in English) to Newco's designated location, Newco shall give notice to TEL in writing of any item or items in the Final Completion Statement which it wishes to dispute and the basis on which it disputes that item or those items and the changes to the Final Completion Statement which Newco believes should be made and the parties shall use their reasonable endeavours to resolve that dispute. Any items in respect of which Newco does not give such notice will be deemed to have been accepted by Newco. Any written resolution reached by the parties on any disputed item shall be final, conclusive and binding on the parties.
- 1.7 If the parties agree the Final Completion Statement then any adjusting payments referred to in paragraph 1.9 below shall be made by the paying party within 7 days of being agreed by the parties.
- 1.8 If the parties fail to agree on any element of the Final Completion Statement within 24 days after Newco has given notice in writing to TEL of any item(s) in the Final Completion Statement which Newco wishes to dispute (in accordance with paragraph 1.6 above) then any agreed amounts shall be paid in accordance with the preceding paragraph and any dispute may be referred by either party for final determination in accordance with Clause 14 of this Agreement and any amounts thereby found to be due shall be paid by the relevant party not later than 7 days after such final determination.
- 1.9 When the Final Consideration is agreed or otherwise determined in accordance with the three preceding paragraphs the following adjusting payments shall be made:-
- 1.9.1 an amount equal to the difference between (i) the Estimated Consideration (namely US\$ 118,410,000) and (ii) the Final Consideration; and
- 1.9.2 interest (compounded monthly) at the Interest Rate on the amount in paragraph 1.9.1 above from the Newco Completion Date to the date of payment, calculated on a day to day basis;
- which shall be paid by TEL to Newco (or vice versa, if the Final Consideration exceeds the Estimated Consideration).
- 1.10 In this Schedule, references to lines of A-Forms have been chosen by TEL and are believed in good faith to correspond to the matters to which they refer. If, however, that reference when compared to the matter it describes or refers to is incorrect then there shall be substituted for that line reference another line reference (if any) which corresponds to the matter described or referred to.

SIGNED by []
for and on behalf of
TIOXIDE EUROPE LIMITED in the presence of:

SIGNED by []
for and on behalf of
NEWCO LIMITED
in the presence of:

DATED

1998

TIOXIDE EUROPE LIMITED

and

N L INDUSTRIES, INC.

SHARE SALE AND PURCHASE AGREEMENT
OF
NEWCO

THIS AGREEMENT is made on 1998 BETWEEN:

- (1) TIOXIDE EUROPE LIMITED (registered number 832447), a company incorporated under the laws of England, whose registered office is at 137-143 Hammersmith Road, London W14 0QL (the "SELLER");
- (2) N L INDUSTRIES, INC., a corporation incorporated under the laws of the State of New Jersey, whose principal place of business is at 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, USA (the "PURCHASER").

WHEREAS:

(A) [] Limited is a company registered in England, short particulars of which are set out in Schedule 1 (the "COMPANY").

(B) The Seller holds shares in the Company (the "SALE SHARES") particulars of which are contained in Schedule 1.

(C) The Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on the terms set out in this agreement.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this agreement:

"ACT" means the Companies Act 1985;

"ACTUAL NET WORKING CAPITAL" has the meaning ascribed thereto in Schedule 4 of the Hivedown Agreement;

"AFFILIATES" means with respect to a specified entity, an entity that directly or indirectly, through one or more intermediaries, Controls, or is Controlled by, or is under common Control with the entity specified, provided that, without limiting the generality of the foregoing, in relation to the Seller and its subsidiary companies, the term "Affiliates" shall not include any entity in which a party has a fifty per cent. or less ownership interest. For the purposes hereof, "CONTROL" means possession, directly or indirectly, of the power to direct or cause the direction of the management and operating policies of the entity in respect of which the determination is being made, through the ownership of voting securities, contract, voting trust or otherwise but any reference in this agreement to an Affiliate of the Seller or the Purchaser shall exclude the Company, and references to the Seller's Group or the Purchaser's Group shall be construed accordingly;

"AGREED FORM" means, in relation to any document, the form of that document which has been initialled for the purpose of identification by the parties to this agreement;

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are generally open for normal business in both London and New York;

"CAP" has the meaning set forth in sub-Clause 5.6;

"CLAIM" means any claim (other than in respect of Taxation) by the Purchaser for breach of the Warranties or under the indemnities or under any other provision of this agreement or under any of the Implementation Agreements for which the Seller accepts liability or shall be adjudicated as being liable;

"COMPLETION" means completion of the sale and purchase of the Sale Shares in accordance with Clause 7 which shall occur immediately following signature and exchange of this agreement;

"COMPLETION DATE" means immediately after completion of the Hivedown Agreement;

"COMPUTER SYSTEMS" means all computer hardware, software, micro processors and firmware which in each case are used in the Grimsby Business;

"DEFAULT INTEREST" means LIBOR plus 200 basis points compounded monthly;

"ENVIRONMENT" has the meaning given in Schedule 6;

"ENVIRONMENTAL AUTHORISATIONS" means all or any permits, consents, licences, approvals and other authorisations required under Environmental Laws and all terms and conditions thereof required under any Environmental Law for the operation of the business of the Company;

"ENVIRONMENTAL LAWS" has the meaning given in Schedule 6;

"ESTIMATED HIVEDOWN CONSIDERATION" has the meaning ascribed to Estimated Consideration in the Hivedown Agreement;

"ESTIMATED NEWCO HIVEDOWN DEBT" has the meaning ascribed thereto in sub-Clause 3.1.1 of the Hivedown Agreement;

"EXCLUDED ASSETS" means the carbon dioxide liquefaction plant owned by ICI or its relevant Affiliate(s) and currently at the Grimsby Site;

"FINAL HIVEDOWN CONSIDERATION" has the meaning ascribed to Final Consideration in the Hivedown Agreement;

"GRIMSBY ASSETS" has the meaning ascribed to Business Assets in the

Hivedown Agreement but excluding the Excluded Assets;

"GRIMSBY BUSINESS" means the business purchased by the Company pursuant to the Hivedown Agreement;

"GRIMSBY BUSINESS DATA" has the meaning ascribed to Business Data in the Hivedown Agreement;

"GRIMSBY CONTRACTS" has the meaning ascribed to Contracts in the Hivedown Agreement;

"GRIMSBY DISCLOSURE LETTER" means the letter of the same date as this agreement from the Seller to the Purchaser;

"GRIMSBY EMPLOYEES" has the meaning ascribed to Transferring Employees and Offer Employees in the Hivedown Agreement;

"GRIMSBY FINANCIAL INFORMATION" means the financial information attached as Schedule 8;

"GRIMSBY PROPERTIES" has the meaning ascribed to Properties in the Hivedown Agreement;

"GRIMSBY SITE" means the property short particulars of which are set out in the table contained in Schedule 2 Part I of the Hivedown Agreement;

"GRIMSBY STOCKS" has the meaning ascribed to Stock-in-Trade in the Hivedown Agreement;

"HIVEDOWN AGREEMENT" means the agreement of even date between the Seller and the Company relating to the sale and purchase of the Grimsby Business;

"ICI" means Imperial Chemical Industries PLC;

"ICI'S CONTROLLER'S MANUALS" means the control manuals in existence at 14 July 1997 and which are compiled in accordance with UK GAAP used for accounting purposes within the ICI Group, copies of which have been received by the Purchaser (and which consist of an introduction to the Group Controller's Manual Bulletin Board of Accounting Language, Bulletin Board Reporting, Accounting Definitions and Conventions, Accounting Policies and Procedures, Controls, Reporting);

"ICI GROUP" means ICI and its Affiliates as at the Completion Date;

"IMPLEMENTATION AGREEMENTS" means the documents listed in Schedule 5;

"INTELLECTUAL PROPERTY" means all patents, trademarks, service marks, registered designs, copyrights, and rights to inventions and applications for and rights to apply for protection or registrations of any of the same including any continuing, reissue, divisional and re-examination patent applications and Technical Information;

"LIBOR" means the rate for deposits in US Dollars for a period of one month which appears on the Reuters Screen ISDA Page (or such other page as the parties may agree) at approximately 11.00 a.m., London time, on the first day of the period to which any interest period relates (the "RELEVANT DATE"). If such rate does not appear on the Reuters Screen ISDA Page on the Relevant Date, the rate for that Relevant Date will be determined as if the parties had specified that the rate for the Relevant Date will be determined on the basis of the rates at which deposits in US Dollars are offered by Midland Bank plc at approximately 11.00 a.m., London time, on the Relevant Date to prime banks in the London interbank market for a period of one month commencing on that Relevant Date for amounts of US\$10,000,000;

"MATERIAL GRIMSBY CONTRACTS" means all Grimsby Contracts (i) which at Completion have in excess of 12 months to run and which in that time can reasonably be expected to involve income or expenditure in respect of the Grimsby Business in excess of US\$200,000 per annum; or (ii) which at Completion have less than 12 months to run and which in that time can reasonably be expected to involve income or expenditure in

respect of the Grimsby Business in excess of US\$1,000,000; or (iii) which relate to the treatment and/or disposal of waste; or (iv) which relate to contract manufacturing or processing of products by third parties; and/or (v) relating to third party distribution or agency in respect of products;

"PARENT UNDERTAKING" shall have the meaning given in section 258 of the Companies Act 1985;

"PERMITS" means all licences, permits, authorisations, registrations and approvals issued or granted by statutory or local authorities for the purposes of operation of the Grimsby Business (but excluding, for the avoidance of doubt, planning permissions issued by relevant planning authorities (save for Environmental Authorisations) and any licence, permit, authorisation or approval which falls within the Regulatory Conditions);

"PLANT AND EQUIPMENT" has the meaning ascribed to Plant and Equipment in the Hivedown Agreement;

"PURCHASER'S AUDITORS" means PricewaterhouseCoopers;

"PURCHASER'S GROUP" means the Purchaser's ultimate parent undertaking and that parent undertaking's Affiliates;

"REGULATORY CONDITIONS" means the anti-trust or regulatory approvals necessary to complete the sale of the Company on the terms set out in this agreement;

"QUALIFYING AMOUNT" has the meaning set forth in sub-Clause 5.5.1;

"QUALIFYING CLAIM" has the meaning set forth in sub-Clause 5.5;

"SCHEME" means the Tioxide Pension Fund;

"SELLER'S AUDITORS" means PricewaterhouseCoopers of 32 London Bridge Road, London SE1 9QL;

"SELLER'S GROUP" means the Seller's ultimate parent undertaking and that parent undertaking's Affiliates as at the Completion Date;

"TAXATION" means:

- (a) any tax, duty, impost or levy, past or present, of the United Kingdom or elsewhere, whether governmental, state, provincial, local governmental or municipal, including but not limited to income tax (including income tax required to be deducted or withheld from or accounted for in respect of any payment under Section 203 of the United Kingdom Income and Corporation Taxes Act 1988 or otherwise), corporation tax, advance corporation tax, capital gains tax, value added tax, customs and other import or export duties, stamp duty, stamp duty reserve tax, national insurance and social security contributions but excluding rates, council tax or any similar charge; and
- (b) any fine, penalty, surcharge, interest or other imposition relating to any tax, duty, impost or levy mentioned in paragraph (a) of this definition or to any account, record, form, return or computation required to be kept, preserved, maintained or submitted to any person for the purposes of any such tax, duty, impost or levy;

"TECHNICAL INFORMATION" shall mean all technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche);

"TEL SHARE SALE AGREEMENT" means the share sale agreement dated [] 1998 between Tioxide Group Limited (1) and Du Pont (U.K.) Limited (2) relating to the sale and purchase of the whole of the issued share capital of the Seller;

"THRESHOLD AMOUNT" has the meaning given in sub-Clause 5.5.2;

"TRANSFER TIME" has the meaning given to it in the Hivedown Agreement;

"UK GAAP" means generally accepted accounting principles in the United Kingdom;

"US DOLLARS", "US\$" or "\$" means the lawful currency of the United States of America; and

"WARRANTIES" has the meaning given in sub-Clause 5.1.

1.2 Unless otherwise stated, any express reference to an enactment includes references to:

1.2.1 that enactment as amended, extended or applied by or under any other enactment before or after this agreement;

1.2.2 any enactment which that enactment re-enacts (with or without modification); and

1.2.3 any subordinate legislation made (before or after this agreement) under any enactment, including one within sub-Clauses 1.2.1 or 1.2.2 above,

except to the extent that any of the matters referred to in sub-Clauses 1.2.1 to 1.2.3 occurring after the date of this agreement would increase or alter the liability of the Seller under this agreement.

1.3 The singular shall include the plural and vice versa and words denoting persons shall include bodies corporate and unincorporated associations of persons and, unless otherwise stated, shall include successors or assigns of such persons.

1.4 Sub-Clauses 1.1 to 1.3 apply unless the contrary intention appears.

1.5 The headings in this agreement do not affect its interpretation.

1.6 Any Schedule or Annex to this agreement shall take effect as if set out in this agreement and references to this agreement shall include its Schedules and Annexes.

1.7 Where any statement in this agreement (or in the attached Schedules or Annexes) (other than in Schedule 3 paragraphs H(2) and H(3) is qualified by the expression "so far as the Seller is aware", "to the Seller's knowledge, information and belief", "known to the Seller" or any similar statement, that statement shall be deemed to mean the knowledge, after reasonable investigation, of the officers and operational and functional managers of the Seller and its Affiliates who have direct responsibility for the subject matter concerned being those listed in Schedule 7.

1.8 Unless the context otherwise requires and except in relation to Taxation matters, references in sub-Clause 1.1, sub-Clause 6.1, Schedule 3 and Schedule 6 to the "Company" in the context of the carrying on or operation of the Grimsby Business shall be deemed to be a reference to the Seller in relation to the carrying on or operation of the Grimsby Business up to and until the Transfer Time.

2 SALE AND PURCHASE OF THE SALE SHARES

2.1 The Seller shall with full title guarantee sell and the Purchaser shall purchase the Sale Shares together with all rights attaching to them.

2.2 The Sale Shares shall be sold free from all liens, charges, equities and encumbrances and other rights exercisable by third parties or Affiliates of the Seller.

3 CONSIDERATION

3.1 The consideration for the sale of the Sale Shares shall be US\$1 payable in cash by the Purchaser on Completion (the "CONSIDERATION").

3.2 The payment under sub-Clause 3.1 shall be paid to the correspondent bank named below for credit to the US\$ account of o (the "TEL ACCOUNT") referred to below:

Correspondent bank:
Bank account:
Account name:
Account no:
Sort code:

3.3 Any payments to the Purchaser under this agreement shall be paid to the correspondent bank named below for credit to the US\$ account of [] (the "PURCHASER ACCOUNT") referred to below:

Correspondent bank:
Bank account:
Account name:
Account no:
Sort code:

4 PURCHASER'S WARRANTIES AND UNDERTAKINGS

4.1 The Purchaser warrants to the Seller that:

4.1.1 it (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) has the requisite power and authority to enter into and to perform this agreement and such Implementation Agreements;

4.1.2 it (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) has obtained or satisfied all corporate, regulatory and other approvals, or any other significant conditions, necessary to execute and perform this agreement and such Implementation Agreements;

4.1.3 this agreement and the Implementation Agreements constitute valid and binding obligations of the Purchaser (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) enforceable in accordance with their terms; and

4.1.4 compliance with the terms of this agreement by the Purchaser and the Implementation Agreements by the Purchaser or its Affiliates (as appropriate) will:

(i) not constitute a breach of any agreement or contract to which the Purchaser or such Affiliate of the Purchaser is a party or by which it is bound; and

(ii) be in compliance with the Purchaser's or such Affiliate of the Purchaser's by-laws; and

(iii) not contravene:

(a) any order, judgment or decree; or

(b) any statute, rule or regulation; or

(c) any other restriction of any kind by which the Purchaser or such Affiliate of the Purchaser is bound.

4.2 The Company will discharge and pay in full the Estimated Newco Hivedown Debt at Completion and any additional amount payable in relation to any adjustment thereto as described in sub-Clause 7.2 below, such payments to be made to the TEL Account.

5 SELLER'S WARRANTIES AND UNDERTAKINGS

5.1 The Seller warrants to the Purchaser that, save as otherwise stated in this agreement and subject to all matters and circumstances fairly disclosed in the Grimsby Disclosure Letter, each of the statements set out in Schedule 3 to this agreement (the "WARRANTIES") is true and accurate as at the date of this agreement and the Seller acknowledges that the Purchaser has entered into this agreement in reliance upon the Warranties.

5.2 Each of the Warranties shall be separate and independent and no Warranty shall limit the scope or construction of any other Warranty or any other provision of this agreement.

5.3 The Purchaser acknowledges and agrees that:

5.3.1 except for the Warranties, no statement, promise or forecast made by or on behalf of the Seller or any member of the Seller's Group or any member of the ICI Group may form the basis of, or be pleaded in connection with, any claim by the Purchaser under or in connection with this agreement or the Implementation Agreements (save as may be set out in the Implementation Agreements); and

5.3.2 any claim by the Purchaser or any person deriving title from it in connection with the Warranties shall be subject to the following provisions of this Clause.

5.4 The liability of the Seller under or in respect of a Claim shall be governed by the terms of this Clause 5 and shall be limited in respect of any liability which is contingent, unless and until such liability becomes an actual liability and is due and payable, provided that the Purchaser shall not be prohibited from bringing such claim pending such liability becoming due and payable.

5.5 It is hereby agreed that the Seller shall have no liability for any Claim:

5.5.1 unless the amount of such Claim exceeds US\$100,000 (the "QUALIFYING Amount"); and

5.5.2 until and to the extent only that the aggregate liability for all Claims exceeding the Qualifying Amount (notified previously or at the same time) exceeds US\$5,300,000 (the "THRESHOLD AMOUNT").

For the avoidance of doubt, notwithstanding that the aggregate liability for Claims exceeding the Qualifying Amount ("QUALIFYING CLAIMS") of the Seller has exceeded the Threshold Amount, the Seller shall be liable solely for that excess.

5.6 It is hereby agreed that the maximum aggregate liability of the Seller in respect of all Claims shall under no circumstances exceed (to the extent that the relevant Claim has been brought by the Purchaser in accordance with the terms of this agreement within the relevant time period) an amount to be determined as follows (the "CAP"):

5.6.1 in respect of all Claims notified to the Seller pursuant to this agreement in the period commencing on the Completion Date up to but not including the third anniversary thereof, the Cap shall be US\$63,152,000;

5.6.2 on the third anniversary of the Completion Date the Cap shall reduce to US\$44,206,400;

5.6.3 on the fourth and each subsequent anniversary of the Completion Date the Cap shall reduce (but so that the

applicable anniversary date for determining whether a Claim is subject to a Cap reduction as aforesaid shall be by reference to the date upon which the Claim is notified to the Seller pursuant to this agreement and not the date upon which liability thereunder is accepted or adjudicated) by an amount of US\$6,315,200 such that on the tenth anniversary of the Completion Date it is completely extinguished.

- 5.7 Subject to sub-Clause 5.14, the Seller shall have no liability for any Claims notified by the Purchaser on or after the tenth anniversary of the Completion Date.
- 5.8 For the avoidance of doubt, in no circumstances whatsoever shall the maximum aggregate liability of the Seller in respect of all Claims exceed US\$63,152,000.
- 5.9 The Purchaser acknowledges and agrees that:
- 5.9.1 no liability shall attach to the Seller by reason of any breach of any of the Warranties or other provisions of this agreement or the Implementation Agreements to the extent that the loss has been recovered by the Purchaser under Schedule 6 or any other term of this agreement or any of the Implementation Agreements and accordingly the Purchaser may only recover once in respect of the same loss; and
- 5.9.2 in calculating the liability of the Seller for any breach of the Warranties there shall be taken into account the amount by which any Taxation for which the Purchaser or the Company is now or in the future accountable or liable to be assessed is reduced or extinguished as a result of the matter giving rise to such liability.
- 5.10 The Purchaser shall not be entitled to make any Claim:
- 5.10.1 to the extent that the Claim arises as a result only of any change after Completion in the accounting bases upon which the Company values its assets or computes its profits or arises as a result of the taxation or accounting policies, bases or practices of the Purchaser being different to those adopted or used in preparing the Grimsby Financial Information; or
- 5.10.2 to the extent that the matter which constitutes the Claim was specifically consented to in writing by the Purchaser.
- 5.11 The Purchaser shall not be entitled to rescind or terminate this agreement after Completion in any circumstances provided that nothing in this sub-Clause shall exclude or limit any liability for fraud.
- 5.12 Save as otherwise provided in this agreement, the Seller shall not be liable in respect of any Claim as a result of any legislation not brought into force at the date of this agreement or as a result of any change in or repeal of legislation hereafter or as a result of the introduction or cessation of or change in the published practice of any taxation authority after the date of this agreement.
- 5.13 The Purchaser shall not be entitled to make any claim in respect of any breach or alleged breach of the Warranties or the indemnities contained in this agreement or under any other provision of this agreement to the extent that:
- 5.13.1 the facts, matters or circumstances giving rise thereto (in respect of which any such claim or alleged claim arises) have been fairly disclosed in the Grimsby Disclosure Letter; or
- 5.13.2 such claim arises or is incurred as a result of any voluntary act or omission of the Purchaser or any Affiliate of the Purchaser after the date of this agreement other than any such act or omission which is in the ordinary course of business or is required by law or is pursuant to a legally binding commitment of the Company or any member of the Seller's Group created or entered into before Completion; or

5.13.3 allowance, provision or reserve in respect of the subject matter of such claim has been made or has otherwise been taken into account or reflected in the mechanics for the calculation of the Final Hivedown Consideration or the Actual Net Working Capital.

5.14 The Purchaser shall take all reasonable steps to mitigate any loss which may give rise to a Claim including, without limiting the generality of the foregoing, the making of a claim which is available to the Purchaser or its Affiliates under any available insurance policy. It is agreed that:

5.14.1 no Claim by the Purchaser in respect of a breach of the Warranties shall be enforceable unless written notice thereof (including all material details thereof then reasonably available to the Purchaser) has been given by the Purchaser to the Seller as soon as reasonably practicable after the Purchaser has become aware of the facts and circumstances giving rise to such claim and their implications for the purposes of this agreement and unless such written notice has been duly served on the Seller within 24 months of the Completion Date;

5.14.2 no other Claims by the Purchaser shall be enforceable unless written notice thereof (including all material details thereof or relating thereto then reasonably available to the Purchaser) has been given by the Purchaser to the Seller (in accordance with the terms of this agreement) as soon as reasonably practicable after the Purchaser has become aware of the facts and circumstances giving rise to the claim and their implications for the purpose of this agreement;

Provided however that the Purchaser shall be able to bring any Claim against the Seller without complying with the terms of sub-Clauses 5.14.1 and 5.14.2 hereof to the extent that the Seller has not suffered prejudice as a result of any such non-compliance by the Purchaser.

5.15 If any claim is made against the Company the subject matter of which might also reasonably be expected to give rise to a Claim, but excluding matters provided for in Schedule 6 in relation to which the specific provisions set out in Schedule 6 shall apply:

5.15.1 the Purchaser shall, if so requested by the Seller, take all steps which are necessary and reasonable to avoid, resist, appeal, compromise or defend any such claim and any adjudication in respect thereof (but subject in any such case to the Purchaser being indemnified by the Seller against all costs and expenses which may reasonably and necessarily be incurred in connection therewith) and the Seller shall, at its request, be allowed to conduct any negotiations, proceedings or appeals incidental thereto;

5.15.2 the Seller shall raise no objection to the Purchaser attending (and, where the rights of the Purchaser are, or may be, detrimentally affected) being separately legally represented (at its own expense) and, where appropriate, heard at any negotiations, proceedings or appeals which the Seller has taken conduct of pursuant to sub-Clause 5.15.1 above and the Purchaser shall be consulted by the Seller prior to any compromise, settlement or admission of liability being made by the Seller at such negotiation, proceedings or appeals; and

5.15.3 the Purchaser shall at all reasonable times and upon reasonable prior notice allow the Seller and its agents reasonable access to all relevant properties of the Grimsby Business, and access to, with the right to inspect and take copies of, all relevant books and records and Grimsby Business Data of the Grimsby Business (as then carried on) subject always to keeping the same confidential other than in respect of necessary disclosures in connection with such action or claim which disclosures shall only be made and then only in compliance with sub-Clause 5.15.4, if required by law or the

procedures of any court or tribunal or otherwise with the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed);

- 5.15.4 if the Seller or its agents become legally compelled (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the information, records, or other material referred to in sub-Clause 5.15.3, the party so compelled shall provide the Purchaser with prompt prior written notice of such requirement so that the Purchaser may seek a protective order or other appropriate remedy. So far as it is legally able so to do, the Seller agrees to cooperate in the Purchaser's efforts to obtain a protective order or other reasonable assurance that confidential treatment shall be accorded any such information. If such protective order or other remedy is not obtained, the party so compelled agrees to disclose only that portion of the information, records, or other material which it is advised by opinion of outside counsel is legally required to be disclosed and to take all reasonable steps to preserve the confidentiality of the information, records, or other material referred to in this sub-Clause 5.15.4.
- 5.16 If the Seller pays to the Purchaser any amount under this agreement in respect of any Claim and the Purchaser or the Company is able to recover any sum from any third party (including any insurer) in respect of that Claim, the Purchaser shall, and shall procure that the Company shall, use all reasonable endeavours to so recover any such sum and shall repay to the Seller so much of the amount paid by the Seller as is equal to any sum recovered, after allowing for the reasonable costs and expenses of the Purchaser or the Company reasonably incurred in connection therewith, provided that, in the event that the Purchaser or the Company elects not to recover any such sum from such third party, the Seller shall be entitled at its cost to require that the Purchaser or the Company assign such right of recovery to the Seller. Furthermore, if any liability on the part of the Seller hereunder which results in a payment being made by the Seller to the Purchaser gives rise to any corresponding saving or rebate to the Purchaser or the Company (including any tax saving or rebate) then the value of such corresponding saving or rebate to the Purchaser or the Company shall be set against the liability of the Seller hereunder.
- 5.17 Any payment by the Seller made to the Purchaser (or for the Purchaser's benefit) in respect of any liability under this agreement for breach of the Warranties or otherwise shall be deemed to be a reduction in the consideration payable hereunder in respect of the Sale Shares.
- 5.18 No party hereto shall be entitled to set off any amounts due to it by any other party (whether under this agreement, the Implementation Agreements or otherwise) against sums owing (or claimed by such other party to be owing) under the terms of this agreement (whether for breach of the Warranties or otherwise).
- 5.19 The provisions of this Clause 5 shall have effect notwithstanding any other provisions of this agreement.
- 5.20 The parties are of the view that the provisions of Section 343 of the Income and Corporation Taxes Act 1988 and Section 171 of the Taxation of Chargeable Gains Act 1992 will not apply in connection with the sale and purchase of the Grimsby Assets under the Hivedown Agreement and the Seller agrees and undertakes to prepare and submit tax returns on the basis that the said Sections 343 and 171 are not applicable (the "AGREED BASIS"). Subject to compliance by the Seller with the foregoing provisions of this Clause 5.20, the Seller shall have no liability to the Purchaser if, notwithstanding such compliance, Newco fails to obtain capital allowances or allowable expenditure under the said Section 343 in a manner consistent with the Agreed Basis.

6.1 The Seller undertakes to indemnify and keep indemnified the Purchaser, its Affiliates and the Company (the "INDEMNIFIED PARTIES") against all claims by third parties (other than any subsequent purchaser or purchasers of either the Sale Shares or the business or assets of the Company and their successors in title or assigns) giving rise to losses, costs, liabilities, proceedings, claims, demands and expenses (including reasonable legal fees) other than liabilities expressly assumed by the Purchaser pursuant to this agreement or the Implementation Agreements or to the extent that such liabilities have been taken into account in the mechanics for the calculation of the Final Hivedown Consideration or the Actual Net Working Capital (together, "LIABILITIES") which may be incurred by any of the Indemnified Parties or to which any of the Indemnified Parties may become subject and which arise as a result of the operation of the Grimsby Business by the Company prior to Completion (unless the claim made by the third party giving rise to the Liabilities was fairly disclosed in the Grimsby Disclosure Letter), including:

6.1.1 Liabilities arising as a result of the failure by the Company to comply with relevant and legally enforceable corporate or other laws, rules, ordinances or regulations with respect to the operations of the Grimsby Business prior to Completion

6.1.2 any breach of contract, tort, product liability or other claim arising from, or with respect to, the operation of the Grimsby Business prior to Completion and asserted by any third party; and

6.1.3 any suit, action, arbitration, charge, governmental investigation, claim, litigation or proceedings pending or threatened at Completion and affecting the Grimsby Business or the Company.

For the avoidance of doubt, the indemnity contained in this Clause 6 shall not apply to (i) any liability to Taxation; or (ii) any Environmental Liabilities, any failure or omission to obtain or comply with Environmental Authorisations, any failure or omission to comply with any Environmental Laws or any claim by any person in respect of any matter concerning the Environment. All definitions in this sub-Clause (ii) are as defined in Schedule 6.

6.2 The Purchaser agrees to give the Seller notice of any and all claims asserted against any Indemnified Party for which indemnification is or may be sought under this Clause 6. Such notice shall be given as soon as the Purchaser becomes aware that it has or may have a claim against the Seller under this Clause 6. Failure to give such notice shall not abrogate or diminish the Seller's obligation under this Clause if the Seller has or receives knowledge of the existence of any such claim by any other means or if such failure does not prejudice the Seller's ability to defend such a claim.

6.3 In any litigation, administrative proceedings, negotiation or arbitration pertaining to any claim for which indemnification is sought pursuant to sub-Clause 6.1 above the Seller shall have the right to select legal counsel to represent any Indemnified Party and otherwise to control such litigation, proceedings, negotiation or arbitration. If the Seller elects to control such litigation, proceeding, negotiation or arbitration, the Purchaser shall have at all times the right fully to participate in the defence at its own expense. If the Seller shall within a reasonable time after notice unreasonably fail to defend the claim, the Purchaser shall have the right but not the obligation to undertake the defence of and to compromise or settle the claim or any other matter on behalf, for the account, and at the risk, of the Seller provided that such settlement shall be negotiated and entered into by the Purchaser on a bona fide basis and shall not exceed the sum claimed. In the event that the claim is one that cannot by its nature be defended solely by the Seller with reference to the personnel and information available to the Seller, the Purchaser shall make available all information and assistance as the Seller may reasonably request at the Seller's expense.

6.4 Notwithstanding the foregoing provisions, should the subject matter of any litigation, proceeding, negotiation or arbitration include a claim against any Indemnified Party seeking injunctive relief, the Purchaser shall have the right to take exclusive control of the defence of the entire proceedings.

7 COMPLETION

7.1 Completion shall take place at the offices of the [*] immediately after the signature of this agreement when:

7.1.1 each party shall provide to the other evidence in a form reasonably satisfactory to the other that it (and each of its relevant Affiliates entering into an Implementation Agreement) has all necessary corporate approvals and its signatories have necessary authority to enter into this agreement and the other agreements referred to herein

7.1.2 each party shall (or shall procure that its relevant Affiliates) duly execute and, to the extent applicable, complete the Implementation Agreements

7.1.3 the Seller shall deliver to the Purchaser:

(i) a duly executed transfer or transfers in favour of the Purchaser of all the Sale Shares;

(ii) share certificate(s) or other documents of title relating to the Sale Shares (or an express indemnity in a form reasonably satisfactory to the Purchaser in the case of any missing certificates or documents of title);

(iii) the company books relating to the Company, including certificates of incorporation, common seals, minute books, statutory registers, shareholders' agreements and share certificate books (duly written up to date);

(iv) resignations of [all] the directors and secretary of the Company in the Agreed Form;

[(v) the written resignation of the auditors of the Company to take effect on Completion, with acknowledgments signed by them to the effect that they have no claim against the Company and to the effect that there are no circumstances connected with their resignation which they consider should be brought to the notice of the shareholders or creditors of the Company;]

(vi) the Grimsby Business Data;

(vii) the documentation and title deeds to the Grimsby Properties in accordance with the provisions of Schedule 2;

7.1.4 the Purchaser shall pay to the Seller the Consideration;

7.1.5 the Company shall discharge and pay in full the Estimated Newco Hivedown Debt (being the sum of US\$118,410,000) to the Seller, such payment to be made to the TEL Account;

7.1.6 the Seller shall take, or shall procure the taking of, such steps as may be necessary to:

(i) approve the transfers referred to in sub-Clause 7.1.3 (i) (subject only to the Purchaser arranging and paying any taxes or duties arising in relation to the transfer); and

(ii) appoint such directors and secretary as the Purchaser may specify as directors and the secretary of the Company.

7.2 If the Final Hivedown Consideration exceeds the Estimated Hivedown Consideration, the excess shall be paid by the Company to the Seller

in accordance with the provisions of sub-Clause 3.2 and Schedule 14 of the Hivedown Agreement, such payment to be made to the TEL Account.

8 GRIMSBY EMPLOYEES

The Purchaser agrees to procure that the Company for a period of four years from the Completion Date will procure that:

- 8.1 the Grimsby Employees will receive and enjoy contractual remuneration and benefits (including retirement benefits) which, judged objectively, are no less favourable overall than their contractual remuneration and benefits at the Completion Date; and
- 8.2 it will not make any unilateral material change to the contractual terms and conditions of employment with the Grimsby Employees (which includes those terms contained in a letter to employees dated 19 June 1991 from the Seller) without prior consultation where required by any local laws or agreements, with recognised trade unions, appropriate employee representatives, or the Grimsby Employees.

9 GRIMSBY PROPERTIES

The Seller and the Purchaser shall observe and perform the provisions of Schedule 2 expressed to be observed and performed by each of them respectively.

10 PENSIONS

Schedule 4 shall apply.

11 ENVIRONMENTAL AND COPPERAS

- 11.1 The Seller and Purchaser shall observe and perform the provisions of Schedule 6 expressed to be observed and performed by each of them respectively.
- 11.2 The Seller covenants that for a period of three years from and after the Completion Date, none of the Seller and/or any of its Affiliates will directly or indirectly market, sell or offer for sale in the United Kingdom any copperas product provided that nothing in this clause shall prevent the Seller and/or any of its Affiliates from purchasing shares in any company or purchasing any business which carries on as an ancillary part of its entire business (so as not to form a substantial part of the same), the marketing, sale or offer for sale of any copperas product.

12 ANNOUNCEMENTS

Neither party shall make or permit any member of the Seller's Group or the Purchaser's Group, as the case may be, to make any announcement concerning this agreement or any ancillary matter except as required by law or any competent regulatory body or with the prior written approval of the other party.

13 DEFAULT INTEREST

Subject as otherwise provided to the contrary in this agreement, if any sum due for payment under this agreement or in accordance with this agreement is not paid on the due date the party in default shall pay Default Interest on that sum from the due date until the date of actual payment calculated on a day to day basis.

14 NOTICES

- 14.1 Any notice or other document to be served under this agreement shall

be in writing and may be delivered by hand or by courier, sent by fax or by post to the party to be served at its address appearing in this agreement (and marked for the attention of the person whose name is referred to in sub-Clause 14.3 below) or at such other address (or marked for the attention of such other person) as it may have notified to the other party in accordance with this Clause. Any notice or other document sent by post shall be sent by registered post (if both posted and for delivery within the same jurisdiction) or by registered airmail (if posted for delivery outside the jurisdiction in which it is posted), in either case return receipt requested (or any substantially equivalent service).

14.2 Any notice or document delivered or sent in accordance with sub-Clause 14.1 shall be deemed to have been served:

14.2.1 if delivered by hand, at the time of delivery; or

14.2.2 if sent by fax, at the time of delivery if sent between 12.01 a.m. and 6.00 p.m. (local time at the destination) or at 10.00 a.m. on the Business Day after transmission if sent at any other time; or

14.2.3 if posted, at 10.00 a.m. on the second Business Day after it was put into the post if posted for delivery within the same jurisdiction, or at 10.00 a.m. (local time at the place of destination) on the fifth Business Day after it was put in the post if sent by registered airmail.

14.3 The person to whom notices or documents should be addressed for the purposes of sub-Clause 14.1 is:

14.3.1 if to be served on the Seller or on Affiliates of the Seller:

Vice President & General Manager
White Pigment & Mineral Products
E.I. du Pont de Nemours and Company
Building 36-2nd Floor
Barley Mill Plaza
Wilmington, Delaware USA 19880
Fax: (1) 302 992 6084

with a copy to the Company Secretary of Imperial Chemical Industries PLC of Imperial Chemical House, 9 Millbank, London, SW1P 3JF, Fax: (44) 171 798 5170;

14.3.2 if to be served on the Purchaser:

General Counsel
N L Industries, Inc.
16825 North Chase Drive
Suite 1200
Houston
Texas USA 77060
Fax: (1) 281 423 3333

14.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made by hand or that the envelope containing the notice or document was properly addressed and posted (either by registered post or by registered airmail, as the case may be, in accordance with the requirements of this Clause).

15 GENERAL

15.1 Each of the obligations, warranties and undertakings set out in this agreement which is not fully performed at Completion will continue in force after Completion.

15.2 Unless otherwise expressly stated, all claims made and payments to be made under this agreement shall be made in US Dollars. Payments to the Seller shall be made in immediately available funds to the account of the Seller at the TEL Account or at such other account as the Seller

may notify to the Purchaser and to the Purchaser in immediately available funds to the Purchaser Account or such other account as the Purchaser may notify to the Seller. All payments and values under this agreement shall be in US Dollars and, where an amount is not itself calculated in US Dollars, it shall be converted into US Dollars at the mid-market closing exchange rate for that currency in US Dollars as published in the London Edition of The Financial Times published two Business Days prior to the date on which the relevant payment is due or, where no such rate is published, at the rate quoted by Citibank, N.A. at the close of business in London on that date.

- 15.3 Save as otherwise provided to the contrary in this agreement, each payment to be made under this agreement shall be made in the currency in which the relevant amount is payable, free and clear of all deductions or withholdings of any kind, except for those required by law and, if any deduction or withholding must be made by law, an additional amount will be paid which is necessary to ensure that the recipient receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.
- 15.4 None of the rights or obligations under this agreement may be assigned or transferred without the written consent of the other party (the "NON-ASSIGNING Party") other than an assignment of the rights (but not the obligations) to an Affiliate of the assigning party provided that:
- 15.4.1 such assignment shall only be permitted if the assignment has no adverse effect on the Non-assigning Party;
- 15.4.2 if the Affiliate to which the rights have been assigned ceases to be an Affiliate of the assigning party, the rights which have been transferred shall be re-transferred to the party which originally assigned those rights or to another Affiliate of that original assigning party; and
- 15.4.3 it shall be a condition of any such assignment that reasonable notice is given in writing to the Non-assigning Party of the proposal to assign (identifying the rights proposed to be assigned, the identity of the proposed assignee and such other details relating thereto as the Non-assigning Party may reasonably require).
- 15.5 Save as otherwise provided in this agreement, each party shall pay the costs and expenses incurred by it and its Affiliates in connection with the entering into and completion of this agreement.
- 15.6 This agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any party may enter into this agreement by executing a counterpart.
- 15.7 No amendment, variation or waiver of this agreement or any provision of this agreement shall be effective unless it is in writing and duly executed by or on behalf of both parties.
- 15.8 Both parties shall at their own expense at all times from the date of this agreement do all things as may be required to give effect to this agreement including, without limitation, the execution of all deeds and documents, procuring the convening of all meetings, the giving of all waivers and consents and the passing of all resolutions and otherwise exercising all powers and rights available to them.

16 WHOLE AGREEMENT

- 16.1 Subject to sub-Clause 16.2 below, this agreement and the Implementation Agreements (if and when executed) contain the whole agreement between the parties and their respective Affiliates relating to the transactions contemplated by this agreement and the Implementation Agreements and supersede all previous agreements between the parties and their respective Affiliates relating to such transactions.

16.2 A provision in another agreement between the parties to this agreement or between the respective parent undertakings of the parties (and whether made before or after the date of this agreement) which refers to this agreement and which extends or supplements any provision in this agreement will be deemed for the purposes of sub-Clause 16.1 above to form part of the whole agreement between the parties as referred to in that sub-Clause.

16.3 Each of the parties to this agreement acknowledges on its own behalf and on behalf of each of its Affiliates that, in agreeing to enter into this agreement and the Implementation Agreements, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this agreement) and waives all rights and remedies which, but for this sub-Clause, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance, provided that nothing in this Clause shall limit or exclude any liability for fraud.

17 GOVERNING LAW

This agreement is governed by and shall be construed in accordance with English law.

18 JURISDICTION

The parties agree to submit to the exclusive jurisdiction of the English courts for all purposes relating to this agreement. The Purchaser irrevocably appoints Herbert Smith (Ref 554) of Exchange House, Primrose Street, London EC2A 2HS as its agent for service of process in England.

AS WITNESS the hands of the duly authorised representatives of the parties on the date which first appears on page 1.

SCHEDULE 1
PARTICULARS OF THE COMPANY
(RECITAL A)

[] LIMITED

Date and place of incorporation:

Registered Office:

Registered number:

Authorised Share Capital: GBP *

Issued Share Capital: GBP * divided into 2 Ordinary Shares
of GBP1 each

Shareholders: Tioxide Europe Limited (or its nominees)

Directors:

Secretary:

SCHEDULE 2
GRIMSBY PROPERTIES
(SUB-CLAUSE 7.1.3(VII))

On Completion the Seller shall deliver to the Purchaser all title

documentation (and other documentation disclosed to the Purchaser) in connection with the Grimsby Properties.

SCHEDULE 3
WARRANTIES
(CLAUSE 5)

A. GENERAL

A.1 CAPACITY AND CONDUCT OF THE GRIMSBY BUSINESS

- (1) The Seller (and each of its Affiliates in respect of the Implementation Agreements to which they are parties) has the requisite power and authority to enter into and to perform this agreement and such Implementation Agreements.
- (2) The Seller (and each of its Affiliates, in respect of the Implementation Agreements to which they are parties) has obtained or satisfied all corporate, regulatory and other approvals, or any other significant conditions, necessary to execute and perform this agreement and the Implementation Agreements.
- (3) This agreement and the Implementation Agreements constitute (or when executed will constitute) valid and binding obligations of the Seller (and each of its Affiliates, in respect of the Implementation Agreements to which they are parties) enforceable in accordance with their terms.
- (4) The execution and compliance with the terms of this agreement by the Seller and the Implementation Agreements by the Seller or its Affiliates (as appropriate) will:
 - (a) not constitute a breach of any Material Grimsby Contract to which the Seller (or any of its Affiliates) is a party or by which it or they are bound or entitle any person to terminate or avoid any such agreement or contract;
 - (b) be in compliance with the Seller's and the Company's memorandum and articles of association or other constitutional documents (or those of any of its Affiliates);
 - (c) not contravene any order, judgment, decree or regulation or any other restriction of any kind by which the Seller or any of its Affiliates or the Company is bound; or
 - (d) not result in the loss or impairment of or any default under any licence, authorisation or consent required by the Company for the purposes of its business.
- (5) All factual information contained in Schedule 1 relating to the Company is true and accurate in all material respects.

A.2 THE COMPANY

- (1) The information relating to the Company contained in Schedule 1 is true and accurate.
- (2) Compliance has been made with all legal requirements in connection with the formation of the Company and all issues and grants of shares, debentures or other securities of the Company.

A.3 OWNERSHIP OF SALE SHARES

- (1) The Seller is the sole legal owner of the Sale Shares which constitute the entire issued share capital of the Company.
- (2) The Seller is entitled to sell and procure the transfer of the full legal ownership in the Sale Shares free from any encumbrance, equity or third party right of whatsoever nature, from any agreement or contract to grant the same and from any claim to any of the same.
- (3) The Sale Shares are fully paid up or credited as fully paid up and constitute the whole of the issued and allotted share capital owned by the Seller in the Company.
- (4) No agreement or contract has been entered into which requires or may require the Company to allot or issue any share or loan capital and the Company has not allotted or issued any securities which are convertible into share or loan capital.

A.4 SUBSIDIARIES

- (1) The Company is not the holder or beneficial owner of (nor has agreed to acquire) any class of any shares or loan capital or other securities of any other corporation (whether incorporated in the United Kingdom or elsewhere).
- (2) The Company is not and has not agreed to become a member of any partnership or other unincorporated association, joint-venture or consortium (other than recognised trade associations).
- (3) The Company does not have any place of business or permanent establishment (as that expression is defined in double taxation conventions) outside the United Kingdom.

A.5 OWNERSHIP OF GRIMSBY ASSETS

- (1) Except for the Excluded Assets and those assets that are leased (as described in the Grimsby Disclosure Letter) the Company has full legal and beneficial title to all the Grimsby Assets reflected in the Grimsby Financial Information (save for current assets and fixed assets worth less than US\$100,000, both as defined for the purposes of the Grimsby Financial Information, disposed of by the Company in the ordinary course of its business since 28 February 1998) and to all Grimsby Assets acquired by the Company since 28 February 1998.
- (2) None of the Grimsby Assets is subject to any encumbrance (including without limitation any debenture, mortgage, charge, lien, deposit by way of security, bill of sale, option or right of preemption) except those that arise in the ordinary course of business and do not have a material adverse effect on the Grimsby Business. All significant items of Grimsby Plant and Equipment have been regularly and adequately maintained where such maintenance is normally required and are in reasonable working order having regard to their age and use and taken as a whole are capable of operating the Grimsby Business fully and effectively as previously carried on by the Company.
- (3) Save for fluctuations and variations in the Grimsby Stocks due to normal business factors including without limitation production schedules and market demand (including seasonal factors affecting the same) the Grimsby Stocks in aggregate comprise broadly the same mix of products as has been required and has been maintained at levels sufficient to meet the level

of sales of the Grimsby Business for the last four quarters. The Grimsby Stocks are owned by the Company free and clear of all liens, claims, charges and encumbrances other than any such interests arising in the ordinary course of business. The Grimsby Stocks are located at the Grimsby Properties.

- (4) The Company owns or has the right to use all the property rights and assets necessary for the Company to carry on fully and effectively the Grimsby Business in the manner in and to the extent to which it is presently conducted.
- (5) The Grimsby Business Data (other than historical Grimsby Business Data) contains in all material respects bona fide and accurate records of all matters customarily or required to be dealt with therein. The Grimsby Business Data and the Company's information, and the means of access to them are exclusively owned by it and under its direct control or are under its authority.
- (6) The Grimsby Disclosure Letter contains details of the current insurance arrangements applicable to the Grimsby Business. Those arrangements are in full force and effect, all premiums have been duly paid and so far as the Seller is aware, nothing has been done or omitted to be done which would make any policy of insurance of the Company void or voidable. There is no material claim outstanding under any such arrangement.

A.6 COMPLIANCE WITH STATUTES

In relation to the Grimsby Business, the Company is not in contravention of any statute, order or regulation of the United Kingdom or any relevant foreign country, including but not limited to the Foreign Corrupt Practices Act and the United States anti-boycott regulations, which is likely to result in a fine or penalty or which would have a material adverse effect on the Grimsby Business. There is no order, decree or judgment of any court or governmental agency of the United Kingdom or any foreign country outstanding against the Company in relation to the Grimsby Business.

A.7 LICENCES AND CONSENTS

In relation to the operation of the Grimsby Business prior to the Transfer Time by the Seller, the Grimsby Business had all governmental authorisations licences and consents necessary to own and operate the Grimsby Assets and to carry on the Grimsby Business in the manner in which such business was carried on. All such authorisations, licences and consents were valid and subsisting and were complied with in all material respects. The Seller has paid all fees due under the same. A list of material Permits relating to the Grimsby Business has been disclosed and identified in the Grimsby Disclosure Letter.

A.8 LITIGATION

- (1) Except as disclosed in the Grimsby Disclosure Letter, the Company is not engaged in any litigation or arbitration proceedings except as plaintiff for collection of debts in the ordinary course of business which is likely to involve the Company claiming or paying sums in excess of US\$100,000 or which otherwise will have a material effect on the operation of the Company and the Grimsby Business and there are no such proceedings pending and no letter before action has been received by the Company and so far as the Seller is aware there are no facts likely to give rise to any such proceedings. The Seller has disclosed in the Grimsby Disclosure Letter a list (which is complete and accurate in all material respects) which includes a general description of each pending law suit, claim, including customer complaints, administrative proceedings, arbitration, labour dispute or governmental investigation or inspection to which the Company

is a party or involves the operation of the Grimsby Business and which is likely to involve the Company claiming or paying sums in excess of US\$100,000. The Seller has disclosed in general terms all material (individually or in the aggregate) product liability claims received by the Company or by the Seller during the last 3 years. There are no orders decrees judgments or agreements with any Court or governmental authority to which the Company or the Seller (on behalf of the Company) is a party or by which the Company or the Seller are bound and which will have a material effect on the operation of the Company and the Grimsby Business.

- (2) No administrator, receiver or administrative receiver or any other equivalent officer has been appointed in respect of the Company or in respect of any parts of the assets or undertakings of the Company.
- (3) No petition has been presented, no order has been made, no resolution has been passed and no meeting has been convened for the winding-up of the Company or for an administration order to be made in relation to the Company nor has any such order been made.
- (4) No voluntary arrangement has been approved under Part I Insolvency Act 1986 and no compromise or arrangement has been sanctioned under Section 425 of the Act in respect of the Company.
- (5) The Company has not become unable to pay its debts.
- (6) No distress, distraint, charging order, garnishee order, execution or other process has been levied or applied for in respect of the whole or any part of any of the property, assets and/or undertaking of the Company.

A.9 ENVIRONMENTAL MATTERS

- (1) Environmental authorisations

In relation to the Grimsby Business:

- (a) Prior to the Transfer Time, the Seller had lawfully obtained all Environmental Authorisations and each such authorisation at such time was in full force and effect and the Seller had complied at all times therewith and the Company, having obtained all such Environmental Authorisations (on the same terms and subject to the same conditions as those held by the Seller), will be able to continue to comply in the future with all conditions of such authorisations.
- (b) No works or costs are or will be necessary to obtain or secure compliance with or maintain any existing Environmental Authorisations or their conditions or otherwise to comply with Environmental Laws.
- (c) The Company has received no communication in any form in respect of any Environmental Authorisation varying, modifying in any material respect, revoking, suspending or cancelling the same or indicating an intention or threatening so to do and so far as the Seller is aware there are no facts or circumstances which may result in any Environmental Authorisation being so varied, modified, revoked, suspended or which may prejudice their renewal.
- (d) So far as the Seller is aware all appropriate or necessary action in connection with the renewal or extension of an Environmental Authorisation has been taken.
- (e) The Company is not engaged in and, so far as Seller is aware, there are no facts which make it likely or

desirable that it should be engaged in any appeal in respect of any Environmental Authorisation or any conditions contained therein or any refusal of any Environmental Authorisation.

(f) So far as the Seller is aware there is no reason to believe that those Environmental Authorisations which have been applied for but which have not yet been granted or are pending will not be granted within a reasonable period of time and on terms which are acceptable in order for the Company to continue its current business operations.

(g) So far as the Seller is aware the execution and/or performance of this agreement and all other documents which are to be executed at Completion will not result in any Environmental Authorisations being varied, modified, revoked, suspended, cancelled, or not renewed.

(2) Compliance with Environmental Laws

In relation to the Grimsby Business:

(a) The Company is in compliance with Environmental Laws and the state and use of the Grimsby Properties have been at all times in conformity with Environmental Laws.

(b) The Company has not received any communication in any form from any competent authority requiring the taking of remedial or other steps in relation to the pollution or protection of the Environment or the state or use of the Grimsby Properties. So far as the Seller is aware there are no circumstances which might give rise to such communications being received and the Seller is not aware of any intention on the part of any such authority to give such notice.

(c) No proceedings or other action, claim or investigation are or have been in existence or are so far as the Seller is aware pending or threatened against the Company arising from or in relation to any Environmental Authorisations or otherwise concerning Environmental Laws.

(3) Liability

In relation to the Grimsby Business:

(a) The Company or the Seller, in relation to the Grimsby Business, has not received any notice or intimation of any complaint or claim from any person in respect of any matter concerning the Environment.

(b) The Company or the Seller, in relation to the Grimsby Business, are not and have not been engaged in any action, litigation, arbitration or dispute resolution proceedings relating to or concerning any actual or potential liability under Environmental Laws and the Seller is not aware of any such matters pending or being threatened or of any circumstances or facts likely to give rise to any such matters.

(c) The Company or the Seller, in relation to the Grimsby Business, are not and have not been subject to any injunction or similar remedy or order by a court of competent jurisdiction, or to any undertakings given to such court in respect of any matters relating to or concerning the Environment.

(4) As far as the Seller is aware, there has not been in relation to the Grimsby Business in the last three years any adverse report, complaint or investigation of the Health and Safety Executive (or any non UK equivalent if any) or any prosecution, formal caution or warning for any violation of any applicable laws or regulations including the Health and

A.10 DATA ROOM DOCUMENTS

- (1) Save as disclosed in Schedule 7 of the Grimsby Disclosure Letter, so far as the Seller is aware, each licence, permit, contract, list and report set out in Annex 1 and disclosed in the Data Room, and identified on Annex 1 by reference to the reference number set out in the Data Room Index annexed to the Grimsby Disclosure Letter:
 - (a) other than where redacted, is a true copy of the original;
 - (b) is the latest version thereof;
 - (c) is complete; and
 - (d) has not been altered, amended or varied since the date thereon.
- (2) To the extent that any note, summary or response to questions of or in respect of the documents set out in Annex 1 referred to in sub-Paragraph A.10(1) contains any expression of opinion of the ICI Group (not including the opinion of third parties), such opinion reflects the current reasonably held opinion of its author given in good faith taking into account the respective author's knowledge and understanding.

B. GRIMSBY FINANCIAL INFORMATION

- (1) The Grimsby Financial Information has been derived from the books of the Grimsby Business of the Seller, which books have been regularly and consistently kept and maintained using ICI's normal accounting policies and practices as set out or referred to in the ICI's Controller's Manuals (and the policies contained in these Manuals are in accordance with UK GAAP) as applied by the Seller on a consistent basis in accordance with UK GAAP and, on such basis, represents the assets and liabilities of the Grimsby Business as at 28 February 1998.
- (2) The Grimsby Financial Information does not, so far as the Seller is aware, materially mis-state any of the matters presented therein. Since 28 February 1998 there has been:
 - (a) no material change in any accounting or inventory valuation methods used by the Company in connection with the Grimsby Assets;
 - (b) no upward re-valuations of existing Grimsby Stocks; and
 - (c) no material adverse change in the Grimsby Business or financial condition of the Company, which for this purpose shall not include the inherently cyclical nature of the titanium dioxide industry or general economic conditions.

C. ANTI-COMPETITIVE ARRANGEMENTS

- (1) The carrying on of the Grimsby Business by the Company does not require any agreement, arrangement, concerted practice or course of conduct which is material to the Grimsby Business and which:
 - (a) is subject to registration under the Restrictive Trade Practices Acts 1976 and 1977 but is not so registered;
 - (b) infringes Article 85 or 86 of the Treaty establishing the European Community;
 - (c) is an "anti-competitive practice" within the meaning of the Competition Act 1980.

- (2) The Company or the Seller, in relation to the Grimsby Business, have not received in the last three years any process, notice or communication, formal or informal, from the Office of Fair Trading or Directorate General IV of the European Commission, relating to any aspect of the Grimsby Business which alleges any illegal practices in relation to the Grimsby Business and so far as the Seller is aware no such process, notice or communication is likely to be received.

D. MATERIAL GRIMSBY CONTRACTS

- (1) Copies of all the Material Grimsby Contracts are annexed to the Grimsby Disclosure Letter.
- (2) The Company is not in breach of, or default under, any of the Material Grimsby Contracts or any other Grimsby Contracts the consequence of which would or may have a material adverse effect on the Company in relation to the Grimsby Business and, so far as the Seller is aware, no state of facts exists or event has occurred, is pending or is threatened which, after the giving of notice or the lapse of time, would or may constitute or result in a breach or a default by the Seller or by the Company or any other person, firm, corporation or entity of or in relation to any contract the consequences of which would have a material effect on the operation of the Grimsby Business. All Material Grimsby Contracts are legal valid and binding obligations of the Company and are enforceable in accordance with their terms.

E. GRIMSBY EMPLOYEES

- (1) Particulars of the material terms of employment of all Grimsby Employees and officers of the Company are annexed to the Grimsby Disclosure Letter and such particulars are true, complete and accurate in all material respects.
- (2) No Grimsby Employee of Grade 37 or above has given to the Company or the Seller and neither the Company nor the Seller have received, or given, notice of termination of his employment.
- (3) No more than 50 Grimsby Employees at the Grimsby Site have given to the Company or the Seller and neither the Company nor the Seller have received, or given, notice of termination of their employment.
- (4) Standard form consultancy agreements, agency or self-employed or contracted labour agreements or contracts where sums in excess of GBP50,000 per annum are paid or are payable by the Company have been disclosed in the Grimsby Disclosure Letter.
- (5) The collective agreements, union recognition agreements and European Works Council agreements annexed to the Grimsby Disclosure Letter are all the agreements between the Company and the trade unions or representative bodies constituted pursuant to the European Works Council Directive No. 94/45/EC.
- (6) So far as the Seller is aware, there is no material industrial action by the Grimsby Employees pending or threatened in relation to the Grimsby Business nor has there been within the last 12 months.
- (7) Since 28 February 1998 there has been no material change in rates of remuneration or other benefits or other terms of employment of the Grimsby Employees. The Company is not a party to any contractual arrangement to make material changes to remuneration or other benefits or other terms of employment or to establish any new bonus arrangements for the Grimsby Employees.
- (8) Particulars of all loans made by the Company to Grimsby Employees which are in excess of US\$100,000 and which shall remain outstanding at Completion, together with sums owed by the Company to any Grimsby Employee (other than remuneration

and other contractual or customary benefits) which are in excess of US\$100,000, are disclosed in the Grimsby Disclosure Letter.

- (9) No Grimsby Employee of Grade 37 or above previously employed by the Company has a right to return to work or any right to be reinstated or re-engaged by the Company whether under statute or otherwise.
- (10) No more than 50 Grimsby Employees at the Grimsby Site, previously employed by the Company, have a right to return to work or any right to be re-instated or re-engaged by the Company whether under statute or otherwise.
- (11) A list of all Grimsby Employees of Grade 37 and above seconded from ICI at the Grimsby Site is set out in or annexed to the Grimsby Disclosure Letter.
- (12) In relation to the Grimsby Employees, there are no existing nor, so far as the Seller is aware, threatened arbitration procedures arising out of or under any union recognition or works council agreement covering the Grimsby Employees nor, so far as the Seller is aware, does any basis therefore exist nor has the Seller or the Company received any request for recognition or representation by any trade union not currently recognised on the Grimsby Site.
- (13) The Company has complied in all material respects with all statutes, regulations, orders and codes of conduct relating to employment and relations with Grimsby Employees and trade unions and has maintained records required by law regarding the service of each of its Grimsby Employees.
- (14) The Grimsby Disclosure Letter contains approximate numbers of Grimsby Employees at the Grimsby Site as at the stated date together with approximate numbers of Grimsby Employees below Grade 37 and approximate numbers of Grimsby Employees above Grade 37. The Grimsby Disclosure Letter also contains approximate numbers of employees of the Company who are employed at locations other than at the Grimsby Site.

For the purposes of these employment warranties alone, "GRIMSBY EMPLOYEES" means employees of the Company who are employed at the Grimsby Site and Grimsby Site means the Factory at Pyewipe Road, details of which are set out in Part 1 Section 2 of Schedule 2.

For the purposes of these employment warranties "GRADE 37" refers to a particular grade of employee, as determined by the Company, using the Hay-MSL evaluation system.

F. PENSIONS

In this Part F: "SCHEME DOCUMENTS" means the documents relating to the Scheme identified in the Grimsby Disclosure Letter.

- (1) Except pursuant to the Scheme, the Company has not paid, provided or contributed towards, and is not under any obligation (whether or not legally enforceable) to pay, provide or contribute towards any relevant benefit (as defined in Section 612(1) of the Income and Corporation Taxes Act 1988 (referred to in this Part F as ICTA)), payable on death or retirement for or in respect of any present or past officer or employee (or any spouse, child or dependant of any of them) of the Company.
- (2) The Scheme Documents comprise all the documents governing the Scheme including all explanatory booklets and announcements to the employees describing the terms of the Scheme (other than routine benefit statements) of current effect and full particulars of any enhancement of benefit and contributions payable to the Scheme and there is no obligation to provide or continue to provide benefits in respect of employees or former

employees of the Company under the Schemes other than as revealed in the Scheme Documents.

- (3) The Scheme is approved as an exempt approved scheme (within the meaning of Chapter I of Part XIV of ICTA) and there is in force in respect of the employments to which the Scheme relates an appropriate contracting-out certificate (within the meaning of section 7 of the Pension Schemes Act 1993) and so far as the Seller is aware nothing has been done or omitted to be done which will or may result in the Scheme ceasing to be approved as an exempt approved scheme or the contracting-out certificate in respect of the Scheme being cancelled, surrendered or varied.
- (4) So far as the Seller is aware, the Scheme has at all times complied with the provisions of all relevant statutes, regulations and requirements and has been administered in accordance with the trusts, powers and provisions of the Scheme and with due regard to the general requirements of trust law and the advisers to the Scheme have not had and do not have any cause to report any matter to OPRA.
- (5) So far as the Seller is aware, the Company has complied in all material respects with its obligations under the Scheme and all amounts due to be paid to the Scheme by it and its employees have been paid.

G. GRIMSBY PROPERTIES

- (1) The Grimsby Properties constitutes all of the freehold or leasehold or other immovable property owned by occupied or used by the Company.
- (2) The particulars of the Grimsby Properties shown in Schedule 2 to the Hivedown Agreement (including in the case of registered land the class of title and title number) are true, complete and correct. The use of the Grimsby Properties for the purpose stated in Schedule 2 to the Hivedown Agreement corresponds to the use to which it is in fact put or (where the Grimsby Properties is not presently in use) to the use to which it was last in fact put.
- (3) The Company has a good and marketable title to the Grimsby Properties for the estate or interest stated in Schedule 2 to the Hivedown Agreement, free from any defects, and has in its possession, or under its control, all duly stamped deeds and documents which are necessary to prove title to the Grimsby Properties, and such title has already been fully deduced to the Purchaser's Solicitors.
- (4) The Company does not require the use and is not in occupation of or entitled to any estate or interest in any land or premises save for the Grimsby Properties. The Company is in exclusive occupation of the whole of the Grimsby Properties and on completion shall be in exclusive occupation of the whole of the Grimsby Properties.
- (5) The Grimsby Properties are not affected by any of the following matters:
 - (a) any easement, reservation, covenant, restriction, agreement, licence, franchise, mortgage, charge, encumbrance, or third party right;
 - (b) any notice, order, proposal, dispute or complaint relating to it or its present use under any legislation, agreement, covenant, condition, licence or consent; or
 - (c) outgoing (other than uniform business rates, water charges and other standard payments to the relevant water company including, without limitation, insurance premiums and other usual business expenses), whether of a periodically recurring nature or otherwise and whether

payable by the owner or occupier of the relevant property.

- (6) All obligations, restrictions, conditions and covenants (including any imposed by or pursuant to any lease but excluding any referred to in paragraph A.9 above) affecting the Grimsby Properties has been observed and performed so far as the Seller is aware and there are no subsisting allegations of a breach of any thereof relating to the Grimsby Properties or its present use under any legislation, agreement, covenant, condition, licence or consent other than those referred to in paragraph A.9 above by any competent authority or other person or so far as the Seller is aware any circumstance which might give rise to such a breach.
- (7) The Grimsby Properties are in a good and substantial state of repair and condition and fit for the purposes for which they are presently used and the Company or the Seller has not used in the Grimsby Properties any substances not in conformity with relevant British or European standards or codes of practice or which are generally known to be deleterious to health and safety and there are no uncompleted works of any description at the Grimsby Properties other than routine maintenance.
- (8) There are no subsisting allegations that the use of the Grimsby Properties for the purpose stated in Schedule 2, Parts I and II of the Hivedown Agreement is not the permitted user under the provisions of all relevant legislation (including, without limitation, legislation relating to town and country planning and health and safety but excluding environmental protection) or regulations made under such legislation or is not in accordance with the requirements of the local planning and all other competent authorities or that any restrictions, conditions and covenants imposed by or pursuant to such legislation have not been observed and performed and no agreement has been entered into under section 106 Town and Country Planning Act 1990 (or any similar statutory provision) in respect of the Grimsby Properties.
- (9) The copy documents disclosed and the replies given by Linklaters & Paines to the Purchaser's Solicitors' written enquiries concerning the Grimsby Properties are true, complete and accurate in all material respects.
- (10) The Company has no liabilities or contingent liabilities (but excluding any matters referred to in paragraph A.9 above) in respect of any properties (other than the Grimsby Properties) (or any interest therein) whether by privity of contract or by way of guarantee or surety or otherwise.
- (11) The Grimsby Properties have the benefit of all rights, easements and consents reasonably required for the occupation and operation of such properties for their present use and any plant, machinery and processes thereat and such rights, easements and consents are enjoyed on terms which do not permit them to be determined by any third party or by effluxion of time.
- (12) There are no outstanding liabilities to make payments in respect of rates, water charges, or any other charges payable in respect of the Grimsby Properties to any governmental, state, municipal or other similar authority.

H. INTELLECTUAL PROPERTY

- (1) So far as the Seller is aware, the rights to be licensed to the Company at Completion in respect of Intellectual Property and Technical Information are all of those considered by the Seller to be necessary for the conduct of the Grimsby Business by the Company as now conducted.
- (2) Except as set out in the Grimsby Disclosure Letter, the Seller has not received actual notice of infringement by others or of

attacks on the validity of or on the Seller's or its Affiliates title to any Intellectual Property used exclusively in the Grimsby Business. The Grimsby Disclosure Letter identifies the status of the relevant patents and, so far as the Seller is aware, whether or not such patents are currently being opposed.

- (3) The Seller does not have actual knowledge and has not received written notification that activities of the Grimsby Business infringe the Intellectual Property of any third party (the Seller having no obligation to conduct investigations in relation to any such potential infringement).
- (4) So far as the Seller is aware, all material agreements relating to Intellectual Property and Technical Information to which the Seller is a party and which relate to the Grimsby Business are listed in the Grimsby Disclosure Letter.

I. BROKERS

Neither the Seller nor the Company has employed any investment banker, broker or finder or incurred any liability for any brokerage fees, commissions, finders' fees or similar payments in connection with the transactions contemplated by this agreement for which the Purchaser or the Company may be liable.

J. THE COMPANY

As at the Completion Date, the Company has not carried on any business or trade and has no liabilities or obligations (actual or contingent) except for (i) any liabilities or obligations assumed by the Company pursuant to the terms of the Hivedown Agreement or any document entered into pursuant thereto; (ii) any liability to stamp duty arising from completion of the Hivedown Agreement; and (iii) any liability incurred in the ordinary course of the Grimsby Business since the Transfer Time.

K. MILLENNIUM COMPLIANCE

- (1) For the purposes of this agreement "Millennium Compliant" means that the Computer Systems are capable of the following functions before during and/or after 1 January 2000:
 - (a) handling date information involving all and any dates before, during and/or after 1 January 2000 including accepting date input, providing date output and performing date calculations in whole or part;
 - (b) operating accurately without interruption on and in respect of any and all dates before, during and/or after 1 January 2000 and without any change in performance;
 - (c) responding to and processing two digit year input without creating any ambiguity as to the century; and
 - (d) storing and providing date input information without creating any ambiguity as to the century.
- (2) The Grimsby Disclosure Letter contains material details of the measures that have been implemented within the Grimsby Business to determine the extent to which its Computer Systems are not Millennium Compliant, and material details of any programme undertaken by the Grimsby Business with a view to its Computer Systems achieving Millennium Compliance (or so close to Millennium Compliance as is practicable).

L. INTRA-GROUP ARRANGEMENTS

- (1) Except as provided for in the Hivedown Agreement and any document entered into pursuant thereto and any liability incurred in the ordinary course of the Grimsby Business since the Transfer Time, there is no indebtedness or liability (actual or contingent) nor any security owed by the Company to

any member of the Seller's Group or the ICI Group (in each case as constituted following Completion) other than arising in the ordinary course of business and as conducted on arm's length terms.

- (2) Except as provided for in the Hivedown Agreement and any document entered into pursuant thereto and any liability incurred in the ordinary course of the Grimsby Business since the Transfer Time, there is no agreement or contract to which the Company is a party and to which any member of the Seller's Group or the ICI Group (in each case as constituted following Completion) is a party or in which any such member is otherwise interested in any way whatsoever which shall continue beyond the Completion Date.

M. DEBTORS

- (1) The Company has not made, or entered into any contract or agreement to make any loan to, or other arrangement with, any person as a result of which it is or may be owed any money other than trade debts incurred in the ordinary course of business and cash at bank.
- (2) The Company is not entitled to the benefit of any debt otherwise than as the original creditor and has not factored or discounted any debt or agreed to do so.
- (3) All of the debts which will be reflected in the Final Completion Statement (as defined in the Hivedown Agreement) as owing to the Company (apart from bad and doubtful debts to the extent to which they have been provided for in the Final Completion Statement) will realise their full value as included in the Final Completion Statement within the payment terms agreed with the respective debtors.

SCHEDULE 4 PENSIONS (CLAUSE 10)

1 DEFINITIONS

"ACTUARY'S LETTER" means the letter from the Scheme Actuary to the Purchaser's Actuary attached to this agreement at Schedule 9.

"PAYMENT DATE" means the date on which payment is due under paragraph 3.5.

"PURCHASER'S SCHEME" means the Scheme nominated under paragraph 2.1 and, where the context requires, the trustees thereof.

"PRINCIPAL EMPLOYER" means Tioxide Group Limited until the date on which it ceases to be the Principal Employer of the Scheme and, after that date, the Seller.

"SCHEME" means the Tioxide Pension Fund and, where the context requires, the trustees thereof.

"TIMING ADJUSTMENT" has the meaning set out in the Actuary's Letter.

"TRANSFERRING MEMBER" means a Grimsby Employee who is a member of the Scheme on the Completion Date who consents to a transfer of assets being made for him to the Purchaser's Scheme under paragraph 2.3.

"PURCHASER'S ACTUARY" means the actuary or firm of actuaries appointed by the Purchaser for the purpose of this Schedule.

"SCHEME ACTUARY" means Graham Harman of Sedgwick Noble Lowndes Limited or any other actuary or firm of actuaries appointed by the Principal Employer for the purpose of this Schedule.

2 THE PURCHASER'S SCHEME

- 2.1 The Purchaser will, on or before Completion Date, nominate the Purchaser's Scheme being a scheme which is a contracted-out and an exempt approved scheme for the purposes of Chapter I Part XIV of the Income and Corporation Taxes Act 1988 ("ICTA") or capable of being a contracted-out and exempt approved scheme and which is permitted by its rules to receive transfer payments in respect of Transferring Members on the terms of this Schedule. The Purchaser will use its best endeavours to ensure that this does not change after the Completion Date.
- 2.2 Unless a Grimsby Employee requests otherwise within four weeks of the Completion Date, each Grimsby Employee who is a member of the Scheme immediately before the Completion Date shall join the Purchaser's Scheme with effect from the Completion Date. Any Grimsby Employee who has not become eligible to join the Scheme by the Completion Date will be able to join the Purchaser's Scheme on the date he would have become eligible to join the Scheme if it had continued to apply to him.
- 2.3 The Principal Employer and the Purchaser will use all reasonable endeavours to ensure that each Grimsby Employee who is a member of the Scheme immediately before the Completion Date and who becomes a member of the Purchaser's Scheme is given the opportunity (in terms approved by the Principal Employer and the Purchaser, such approval not to be unreasonably withheld), of consenting within eight weeks of the Completion Date to a transfer of assets being made for him from the Scheme to the Purchaser's Scheme.
- 2.4 The Purchaser's Scheme will provide benefits and require employee contributions in respect of each Transferring Member's service with the Company from the Completion Date which are comparable with those being provided and required under the Scheme and on a basis which is substantially no less favourable overall (to the satisfaction of the Principal Employer's Actuary) than the basis on which benefits are being provided immediately before Completion for (and contributions required from) the Transferring Members under the Scheme.

3 TRANSFER PAYMENT FROM SCHEME

- 3.1 The Principal Employer will use reasonable endeavours to ensure that on the Payment Date the trustees of the Scheme transfer to the Purchaser's Scheme an amount equal to the value of the benefits payable under the Scheme in respect of the Transferring Members' service before the Completion Date calculated as at the Completion Date on the bases set out in the Actuary's Letter ("TRANSFER AMOUNT"), with the adjustments set out below.
- 3.2 The Transfer Amount will be adjusted by reference to the Timing Adjustment for the period between the Completion Date and the close of business on the day before the date on which payment is made to the Purchaser's Scheme.
- 3.3 The Transfer Amount as adjusted by paragraph 3.2 will be calculated by the Scheme Actuary and agreed by the Purchaser's Actuary within 14 days of the Scheme Actuary notifying the Transfer Amount to the Purchaser's Actuary.
- 3.4 Payment to the Purchaser's Scheme will be made on the following conditions:
 - 3.4.1 that the Inland Revenue has given its consent to the making of the payment;
 - 3.4.2 the Purchaser has complied with all its obligations in this

Schedule;

- 3.4.3 the Transfer Amount has either been agreed under paragraph 3.3 or determined under paragraph 6;
 - 3.4.4 the trustees of the Purchaser's Scheme have confirmed that they will accept the payment on the terms set out in paragraph 4.
- 3.5 Payment to the Purchaser's Scheme (adjusted in accordance with paragraph 3.2) is due on the later of the following:
- 3.5.1 3 months after the Completion Date; and
 - 3.5.2 14 days after the date when the last of the conditions in paragraph 3.4 has been satisfied.
- 3.6 The Principal Employer and the Purchaser will use all reasonable endeavours to secure agreement between the Scheme and the Purchaser's Scheme respectively as to the particular assets to be transferred representing the amount due. If agreement is not reached by the Payment Date, the transfer will be in the form of assets of the Scheme listed on the London Stock Exchange and selected by the Trustees of the Scheme as a representative selection of such listed assets held by the Scheme. To the extent that any part of the amount due is paid in cash, the amount due will be reduced by two per cent. Any securities to be transferred will be valued at the mid-market price at the close of business on the relevant stock exchange on the day before the date of transfer.
- 3.7 If the trustees of the Scheme do not pay the Transfer Amount calculated and adjusted in accordance with paragraphs 3.2 and 3.6 in full on the Payment Date, the Principal Employer will pay to the Purchaser the amount of the difference ("SHORTFALL") less the rate of corporation tax current at the date of payment. If they make a larger transfer payment to the Purchaser's Scheme than the Transfer Amount adjusted in accordance with paragraphs 3.2 and 3.6, the Purchaser will pay the amount of the difference to the Principal Employer less the rate of corporation tax current at the date of payment.
- 3.8 No payment shall be due from the Principal Employer pursuant to 3.7 above:
- 3.8.1 if the reason for the payment not having been made to the Purchaser's Scheme by the expiry of the time limit referred to above is the failure of the Purchaser's Scheme for whatever reason to accept the whole or any part of the payment or if the reason is any other reason outside the control of the Trustees of the Scheme but, if no payment is due from the Principal Employer because of any such other reason outside the control of the Scheme, payment will become due (subject to the other provisions of this paragraph 3) if and when such reason ceases to exist;
 - 3.8.2 unless the Purchaser undertakes in writing to the Principal Employer to pay the Shortfall forthwith to the Purchaser's Scheme and to procure that such amount be applied by the Purchaser's Scheme to provide benefits for the Transferring Members in respect of their pensionable service in the Scheme before the Completion Date as mentioned in paragraph 4.
- 4 BENEFITS TO BE PROVIDED BY THE PURCHASER'S SCHEME IN RESPECT OF SERVICE UNDER THE SCHEME
- 4.1 The Purchaser shall procure that the pension entitlements under the Purchaser's Scheme in respect of any member of the Purchaser's Scheme who:
- 4.1.1 was a member of the Scheme immediately before the Completion Date;

4.1.2 has not consented to a transfer of assets being made for him from the Scheme to the Purchaser's Scheme; and

4.1.3 who dies after the Completion Date, but before the last date on which he is able to give such consent under the invitation referred to in paragraph 2.3.

will be augmented. The augmentation will be such that the amount of the widow's or widower's and any child's or dependant's pension which is payable in respect of such member from the Purchaser's Scheme shall be increased so that the total of such benefits payable in respect of such member under the Scheme and the Purchaser's Scheme shall be the same as that which would have been payable had that employee died while in service immediately before the Completion Date.

4.2 The Purchaser will ensure that the Purchaser's Scheme accepts liability for each Transferring Member's accrued rights to a guaranteed minimum pension and accrued rights under section 9(2B) of the Pension Schemes Act 1993 and provides benefits in respect of such payment in accordance with regulations made under Sections 12C or 20 of that Act.

4.3 The Purchaser will ensure that the Purchaser's Scheme credits, with effect from the Completion Date, each Transferring Member with final salary type benefit overall at least equal in value, as determined by the Scheme Actuary with the agreement of the Purchaser's Actuary, to those applying for and in respect of him under the Scheme immediately before the Completion Date. For this purpose benefits will be valued under both schemes on the basis of the assumptions and methods set out in the Actuary's Letter. If the trustees of the Scheme notify the trustees of the Purchaser's Scheme that a specified part of the assets transferred for a particular Transferring Member relates to benefits not calculated by reference to pensionable service, the Purchaser will ensure that he is entitled to equivalent benefits under its scheme.

5 NO ASSISTANCE

The Purchaser agrees that neither it nor the Company nor the Purchaser's Scheme will take any action or provide any assistance to any person (direct or indirect) which might or would result in any claim being made against the Trustees of the Scheme or the Principal Employer, or in the Scheme transferring a smaller or a larger amount than the amount payable under paragraph 3.1 to the Purchaser's Scheme.

6 DISPUTES

In the event that the Scheme Actuary and the Purchaser's Actuary shall not agree any matter on which their agreement is required under this Schedule, the matter may be referred upon the application of either the Principal Employer or the Purchaser to an independent actuary appointed by the President for the time being of the Institute of Actuaries on the application of either the Principal Employer or the Purchaser. That actuary shall determine the matter in accordance with this Schedule (including the Actuary's Letter) acting as an expert and not as an arbitrator and his decision shall be final and binding. His expenses shall be borne equally by the Principal Employer and the Purchaser unless he makes a recommendation that they shall be borne otherwise.

7 VOLUNTARY CONTRIBUTIONS

Nothing previously contained in this Schedule will apply to voluntary contributions or to benefits secured by them. However, the Principal Employer will use reasonable endeavours to ensure that the assets representing Transferring Members' voluntary contributions will be transferred to the Purchaser's Scheme, and the Purchaser will ensure that in that event its scheme provides benefits for the members concerned equal in value to the assets transferred.

SCHEDULE 5
IMPLEMENTATION AGREEMENTS
(SUB-CLAUSE 1.1)

- 1.1 Service Agreement for transitional IT arrangements between the Seller (or an Affiliate of the Seller) and the Company
- 1.2 Service Agreement (Eutech) between ICI (or an Affiliate of ICI) and the Company
- 2 Product Exchange Agreement between TEL and the Company
- 3 Deed of Guarantee (to include a guarantee given by the Purchaser's ultimate parent undertaking in respect of the Company's obligations under the Hivedown Agreement)
- 4 Transfers of the legal interests in respect of the Nettleton Bottom Quarry and Killingholme properties in favour of the Purchaser or any of its Affiliates

SCHEDULE 6
ENVIRONMENT
(CLAUSE 11)

1 INTERPRETATION

For the purposes of this Schedule 6, words and expressions defined in the Share Sale Agreement to which this Schedule 6 is attached shall have the same meaning in this Schedule 6 and, in addition, the following terms shall have the following meanings:

"COMMERCIALY REASONABLE EXPENSES" are those costs and expenses which a reasonable person acting in a commercially prudent manner, taking into account (but without imposing an absolute requirement) the need to minimise his expenditure, would expend, in the case of any obligation to carry out the remediation of Environmental Contamination pursuant to Environmental Laws, to meet that obligation. For the avoidance of doubt, Commercially Reasonable Expenses shall not include any costs or expenses to the extent that they are incurred as a result of the adoption or imposition of standards of clean-up materially more stringent than those which are provided for under Environmental Laws;

"CONTROLLED WATERS" means waters including any ground or surface waters;

"COUNTER INDEMNITY" means the indemnity defined in paragraph 3.1;

"EA PROVISIONS" means Part II and paragraphs 161 and 162 of schedule 22 of the Environment Act 1995 as enacted at Completion and the first

complete set of regulations and guidance under those provisions except (in the event that they are not already in issue at Completion) to the extent that any of the above, when they come into force, are materially more onerous than the versions of such provisions which are enacted or exist in draft form as at Completion;

"ENVIRONMENT" means air, Controlled Waters, land (whether on, in or below such land, excluding any buildings or other permanent structures on, in or below the land) but including the surface of any river bed, the surface of any sea bed or any other land covered by water, and flora and fauna and all other natural resources;

"ENVIRONMENTAL CONTAMINATION" means any discharge, transport, emission, release, leakage, spillage, escape or disposal of Hazardous Material at or from the Site(s) onto or into any part of the Environment;

"ENVIRONMENTAL LAWS" means any and all legislation (whether civil, criminal or administrative), statutes, treaty, statutory instrument, directive bylaw or judgment (including any judgment by the European Court of Justice), regulations, notices orders government circular, code of practice, and guidance note or decision of any competent regulatory body or common law relating to pollution or protection of the Environment which as at Completion are in effect and capable of enforcement by legal process in the country in which the Site(s) are situated, save that the EA Provisions shall be deemed to be in force at Completion;

"ENVIRONMENTAL LIABILITIES" means all claims, costs, damages, expenses (including reasonable professional fees incurred), losses, liabilities (including without limitation liability to third parties), fines or penalties suffered or incurred by the Company, the Purchaser or its Affiliates (or the Seller or its Affiliates in the case of the Counter Indemnity) as a direct consequence of or in connection with any Environmental Proceeding;

BUT EXCLUDING any claims, costs, damages, expenses, losses, liabilities:

(i) in respect of capital expenditure on plant and equipment other than capital to carry out remediation of Environmental Contamination pursuant to Environmental Laws;

(ii) in respect of loss of anticipated profits, loss of revenue, or any other loss in respect of business interruption;

(iii) where applicable to the extent that they are not Commercially Reasonable Expenses;

"ENVIRONMENTAL PROCEEDING" means:

(i) subject to (ii) below any writ and/or interim or final judicial or administrative decree, judgment, injunction, order, or notice;

(a) under which the Company the Purchaser or its Affiliates (or the Seller or its Affiliates in the case of the Counter Indemnity) are obliged by Environmental Laws or legal process pursuant to Environmental Laws to undertake or pay the cost of remediation or with which the aforesaid parties are otherwise obliged to comply; or

(b) as a result of any violation or alleged violation of Environmental Laws; or

(c) as a result pursuant to Environmental Laws of:

(aa) any personal injury to any third party (and, in the case only of the Indemnity other than to

officers or employees of the Company, the Purchaser and its Affiliates and any contractors or agents of the Company, the Purchaser or its Affiliates save to the extent in the case of personal injury (other than asbestos-related personal injury) after Completion that the Purchaser neither knew nor reasonably ought to have known of the circumstances giving rise to such personal injury); or

(bb) damage to any property of any third party (and, in the case only of the Indemnity other than as a result of damage after Completion to the property of any officers or employees of the Company, the Purchaser or its Affiliates and any contractors or agents of the Purchaser or its Affiliates save to the extent, in the case of damage occurring after Completion the Purchaser neither knew nor reasonably ought to have known of the circumstances giving rise to the damage to property);

(ii) any agreement between the Seller and Purchaser, or in the event of disagreement any determination by the Experts, that it is Reasonably Necessary to undertake remediation of Environmental Contamination which would but for the fact that an environmental authority is unaware of it be more likely than not to result in an environmental authority bringing an Environmental Proceeding under (i) (a) in the definition of Environmental Proceeding and which would result in Environmental Liabilities;

"HAZARDOUS MATERIAL" means hazardous poisonous, dangerous, noxious, or toxic substances, pollutants or wastes;

"INDEMNITY" means the indemnities contained in paragraph 2 below;

"OFF SITE DISPOSAL TIPS" means any properties used as a landfill or otherwise for the deposit of waste which are located anywhere other than on sites which sites at or any time prior to Completion are or have been used for manufacturing or other operations of the Company, the Seller and/or its Affiliates;

"REASONABLY NECESSARY" means reasonably necessary to avoid or avert or mitigate the development of substantial adverse and material pollution of the Environment or harm to human health which will arise within a period of six months; and

"SITES(S)" means the Grimsby Properties (including, without limitation, Off Site Disposal Tips).

2 INDEMNITY

2.1 Subject to the provisions of this agreement, the Seller undertakes to the Purchaser (for the benefit of the Company, the Purchaser and each of its Affiliates) that it will indemnify and hold harmless the Company, the Purchaser and each of its Affiliates against:

2.1.1 all Environmental Liabilities arising at or from the Site(s), to the extent that such Environmental Liabilities are a result of Environmental Contamination occurring on or before Completion; and

2.1.2 all costs, damages expenses, losses, fines or penalties suffered or incurred by the Company or the Purchaser or its Affiliates as a result of any prosecutions commenced or proceedings taken, or notices served or other formal enforcement action between [DATE OF SIGNATURE OF THE 1998 FRAMEWORK AGREEMENT] 1998 and Completion by any competent regulatory body in connection with the Environment or health and safety as a result of any breaches of any Environmental

Laws related to the operation of those Sites which are owned, occupied or used by the Company at [DATE OF SIGNATURE OF THE 1998 FRAMEWORK AGREEMENT] 1998. For the avoidance of doubt, damages in this paragraph 2.1.2 includes any capital expenditure reasonably required to remedy such breaches; and

2.2 notwithstanding paragraphs 2.1 above and 4.1 below neither the Seller nor any of its Affiliates shall be liable under the Indemnity or otherwise to the extent that such liability arises from or is attributable to the failure of the Purchaser to comply or procure the Company's compliance with the provisions of paragraphs 4.2 and 5 to 14.

3 THE COUNTER INDEMNITY

3.1 The Purchaser undertakes to the Seller (for the benefit of the Seller and each of its Affiliates) that, subject to the provisions of this agreement, it will indemnify and hold harmless (the "Counter Indemnity") the Seller and each of its Affiliates from and against all Environmental Liabilities arising at or from the Site(s) after Completion save to the extent that such Environmental Liabilities fall within the Indemnity.

3.2 Notwithstanding sub-paragraph 3.1 above, the Purchaser and its Affiliates shall not be liable to the Seller under the Counter Indemnity or otherwise to the extent that such liability arises from or is attributable to the failure of the Seller to comply with the provisions of paragraphs 3.3, 4.2, 6-8, 10, 11, 12.1, 13 and 14 of this Schedule.

3.3 The Seller shall take all reasonable steps to avoid or mitigate any Environmental Liabilities and potential Environmental Liabilities which may give rise to a claim under or in connection with this Counter Indemnity, howsoever arising.

3.4 The provisions of paragraphs 4.2 and 12.1 shall apply equally mutatis mutandis in respect of the Seller and the Purchaser's rights or obligations in respect of the Counter Indemnity.

4 LIMITATIONS

4.1 Neither the Seller nor any of its Affiliates shall be liable under the Indemnity to the extent that Environmental Liabilities have arisen, been increased, exacerbated, enhanced or caused as a result of any act or omission whether direct or indirect of the Company, the Purchaser or any Affiliates, employees, agents or contractors thereof after Completion (including, without limitation, any change of use of the Site(s) which for the avoidance of doubt shall include closure of all or any part of the Sites but shall not include any material change of process within the existing plant and/or buildings or any material change to or development of the business and operations carried on at any Site which does not result in any Site or any part of any Site ceasing to be used for general industrial/manufacturing of a type materially similar to the existing Site operation and the word "omission" as used in this paragraph 4.1 shall not mean any failure by the Company or Purchaser to carry out remediation or preventative action in circumstances where it is not within their power to do so or where the Purchaser is not aware or could not reasonably have been aware of the Environmental Liabilities in question or where (without prejudice to the obligations of the Purchaser under paragraph 5) the rights of the Purchaser to bring a claim under the Indemnity would be prejudiced as a result thereof.

4.2 No claim may be made by the Purchaser for any Environmental Liabilities under this Indemnity against the Seller to the extent that any Environmental Liabilities arise:

4.2.1 as a result directly or indirectly of information voluntarily given by the Purchaser or the Company (but only post Completion in the case of the Company) to a regulatory authority in circumstances other than where there is a

mandatory reporting requirement under Environmental Laws or where information is given as required in the context of applications for or variations to authorisations, licences and other forms of environmental consent required by the business in the course of the Company's or the Purchaser's normal business activities or where the Seller has previously proposed or approved this course of action in writing; and

- 4.2.2 from any admission of liability by a representative of the Purchaser holding a rank not less than that of Senior Vice President in respect of any clean-up which needs to be done, except where the Seller has approved such admission in writing such approval not to be unreasonably withheld or delayed.
- 4.3 No claim against the Seller or its Affiliates under the terms of the Indemnity for any Environmental Liabilities shall be valid unless notice has been served on the Seller in accordance with the provisions of paragraph 7 within 10 years of Completion.
- 4.4 The Seller's liability under the Indemnity shall be limited in accordance with the provisions of Clause 5, except for sub-Clause 5.14.2 (save for the proviso to sub-Clause 5.14) and sub-Clause 5.15, the subject matter of which will be governed by the provisions of this Schedule.
- 4.5 In the event that the Indemnitor (as defined in paragraph 6.1) either incurs external charges, costs and expenses for environmental services or internal charges for its own environmental services, in either case including but not limited to testing and/or analytical services and/or contaminated soil disposal facilities, in connection with or in relation to any actual or potential Environmental Liabilities under the Indemnity or Counter Indemnity (as appropriate) then such external charges, costs and expenses shall be deemed to be payments made under the Indemnity or Counter Indemnity (as appropriate). Any internal charges shall be made on the same basis as the Indemnitor charges to its own business or its Affiliates.
- 4.6 It is hereby expressly agreed that, save where the Seller has accepted liability or becomes otherwise liable under the terms of the Indemnity, all costs incurred by the Purchaser in carrying out environmental analyses and tests of the Site(s) (and its (or their) surrounds) shall be borne by the Purchaser.
- 4.7 The Seller shall be liable under the Indemnity for any asbestos-related personal injury unless and to the extent that any works carried out by the Purchaser or its Affiliates or the Company after Completion, were not carried out by a reputable contractor or contractors, who were duly and properly authorised or approved to undertake such works to at least the standards of the relevant federal, state or other regulatory authorities published by or in operation (in accordance with good industry practice) at all times during the carrying out of such works.

5 MITIGATION

The Purchaser shall take all reasonable steps after Completion to avoid or mitigate any Environmental Liabilities and/or potential Environmental Liabilities to the extent it is within the Purchaser's power to do so, which may give rise to a claim under or in connection with this Indemnity howsoever arising. Such steps will include but shall not be limited to:

- 5.1 carrying out (where reasonably practicable) appropriate soil tests before taking any action which is likely to cause a material disturbance to soil;
- 5.2 where reasonably practicable carrying on its activities on the Site(s) so as to minimise disturbance to known areas of existing or probable soil contamination (other than deliberate removal of such contaminated soil) without incurring abnormal unusual or excessive cost in so doing;

- 5.3 the Purchaser (with the approval of the Seller not to be unreasonably withheld or delayed) settling a claim of any party (not being an Affiliate of the Purchaser) which will or may fall within the terms of the Indemnity, the costs and expenses associated with such settlement (so approved by the Seller) being deemed to be Environmental Liabilities for the purposes of this agreement) provided always that nothing in this paragraph 5.3 shall oblige the Purchaser to enter into any settlement which it does not, in its sole discretion, consider to be in the best interests of its operations;
- 5.4 making reasonable and timely efforts to pursue claims against any third parties (including insurers) who may have some liability to the Purchaser in respect of the matter in question provided always that this shall not limit or restrict or operate in any way as a pre-condition to the rights of the Purchaser to make a claim under this Indemnity; and
- 5.5 using reasonable endeavours to avoid acts or omissions of the nature described in paragraph 4.1.

6 NOTIFICATION

- 6.1 As soon as reasonably practicable after either party becomes aware of any actual or potential Environmental Liabilities which may give rise to a claim by it under the Indemnity or Counter Indemnity (the "Claimant") (whether or not the Claimant is of the opinion that it has a valid claim against the other party under the Indemnity or Counter Indemnity (the "Indemnitor")) the Claimant shall give written notice thereof to the Indemnitor (and thereafter will keep the Indemnitor fully informed of all material developments relating thereto). Such written notice shall include all material details of any actual or potential Environmental Liabilities (including the Claimant's reasonable estimate of the extent of and, where reasonably practicable, the cost of remediation of the Environmental Liabilities, as a result thereof).
- 6.2 Neither party shall admit, settle or discharge any claim or liability which might constitute a claim against the other under the Indemnity or Counter Indemnity (as appropriate) without having first served a notice under this paragraph 6 and given the other a reasonable opportunity to consider the circumstances referred to in the said notice.

7 CLAIMS

In the event that the Claimant wishes to make a claim against the Indemnitor under the Indemnity or Counter Indemnity (as appropriate) then it shall do so by giving notice in writing of the same to the Indemnitor giving such details as are then in its possession of the relevant subject matter of such claim.

8 CONDUCT

If any notice is received by either party under paragraphs 6 or 7 the Claimant shall if so requested by the Indemnitor take all steps which are necessary and reasonable to avoid, resist, appeal, compromise or defend any claim and any adjudication in respect thereof, (subject to the Claimant being indemnified against all cost and expenses which may reasonably and necessarily be incurred in connection therewith) and the Indemnitor shall (subject to the provisions of this paragraph), at its request, be allowed to conduct any negotiations, proceedings or appeals incidental thereto PROVIDED ALWAYS that if the claim relates to or arises from a Site which at the time is owned, occupied or used by the Company and which is operational at the date of the notice under paragraph 7 then the Purchaser shall have conduct of all negotiations, proceedings or appeals incidental thereto but shall nonetheless keep the Seller fully informed of all material developments relating to the subject matter of the claims.

9 SITE ACCESS

If any notice is received by the Seller under paragraphs 6 or 7:

- 9.1 the Seller and/or its agents and contractors shall be free to have access to any Site(s) to the extent it is within the power of the Company, the Purchaser or its Affiliates, during normal business hours, and after reasonable prior notice, and, if so required, in the presence of an authorised representative of the Purchaser to assess (including but not limited to assessment by soil sampling and testing) the extent of the Environmental Liabilities and/or potential Environmental Liabilities and to determine the action required in order to remediate such liabilities; (such actions to be subject to the prior agreement of the Purchaser (including as to the action to be taken) such agreement not to be unreasonably withheld) and
- 9.2 the Purchaser shall (during normal business hours) allow the Seller or its agents access to inspect and take copies of such books and records of the business of the Company and/or the Purchaser relating to the Site(s) as may be necessary in connection with any Environmental Liabilities and/or potential Environmental Liabilities.

10 DISCUSSIONS

Upon either party having given a notice under paragraphs 6 or 7, either the Seller or the Purchaser may request a meeting as soon as practicable to discuss the matter (and if either does so the other party shall comply promptly with such request) and, irrespective of whether there has been any agreement on liability, each party shall be fully involved in any discussions and/or negotiations with any party imposing or seeking to impose any Environmental Liabilities.

11 DISPUTE RESOLUTION

Upon either party giving a notice in accordance with paragraph 7, in the event that the Seller and the Purchaser are unable to agree promptly any factual matter relevant to a claim under this Indemnity or Counter Indemnity (as appropriate) or in the event of any other matter being referred to the Experts in accordance with this Schedule 6 then the following provisions of this paragraph 11 shall apply:

- 11.1 a reputable independent firm of experts (the "Experts") (who shall act as experts and not arbitrators) in relation to the Environment relevant to the claim or potential claim (having at least ten years relevant experience) shall be appointed by mutual agreement of the parties hereto (and the parties shall each be obliged to use their respective best endeavours to reach agreement as soon as practicable) to resolve any factual matter in dispute between the parties but not including any interpretation of laws or regulations as they apply to such factual matters or any conclusions regarding responsibility or liability for or in relation to any factual matters. The Experts shall be offered the appointment within 15 Business Days of the parties reaching such mutual agreement and shall be notified in writing of the provisions of sub-paragraph 11.7 below. Failing such mutual agreement on the appointment of Experts, the parties shall promptly refer the issue, at their joint cost, to the President for the time being of the Royal Institute of Chartered Surveyors in the United Kingdom with instructions to appoint suitable Experts within fourteen (14) days of receipt of such instructions;
- 11.2 the said Experts shall only be dismissed by the mutual agreement of the parties hereto;
- 11.3 both parties shall promptly and simultaneously exchange with each other and submit to the Experts, and in any event in accordance with the Experts' written directions, their arguments and submissions in connection with any matter of fact referred to him in accordance with this paragraph 11;
- 11.4 following receipt by the Experts of the written arguments and other

submissions of the parties pursuant to paragraph 11.3, the parties shall instruct the Experts to issue, as soon as reasonably practicable, a formal written opinion pertaining to the matter of fact referred to them. In any event the Experts shall be instructed to present the said opinion within two months of receiving the written arguments and other submissions of the parties pursuant to paragraph 11.3;

- 11.5 the formal written opinion of the Experts issued pursuant to paragraph 11.4 shall be conclusive in any proceedings between the parties hereto as to the question of fact so determined;
- 11.6 the fees and expenses of the Experts shall be borne equally by the Seller and the Purchaser (unless otherwise directed by the Experts); and
- 11.7 the Experts, and any company, firm, partnership or other organisation with which the Experts are connected shall not be eligible to be considered to undertake any clean-up work in respect of the claim for which they have so acted on or around the Site(s), save where the parties hereto mutually agree to waive this provision. For the avoidance of doubt, either party may withhold such consent in any event.

12 ACCEPTANCE OF LIABILITY

In the event that the Seller admits that it has any liability to the Purchaser under the Indemnity (or where the Seller agrees to accept the Purchaser's claim as falling within the Indemnity notwithstanding the fact that no Environmental Liability may at that point in time have arisen):

- 12.1 the Seller shall have the right independently to determine whatever measures are appropriate in order to remediate pursuant to applicable Environmental Laws the subject matter of the claim under the Indemnity and furthermore the Seller shall have the right independently to carry out such remediation itself (or through suitable third party agents or contractors) provided that in so doing the Seller (or its said agents or contractors) shall be obliged to use reasonable endeavours to avoid causing undue interruption to the conduct of the business of the Company and/or the Purchaser;
- 12.2 the Seller and/or its agents and contractors shall, in addition to the rights of access provided for in paragraph 9 above, be free to have access to the Site(s) if currently owned, leased or, where within the power of the Company and its Affiliates during normal business hours after reasonable prior notice, and if so required, in the presence of an authorised representative of the Purchaser, to carry out the remediation referred to in paragraph 12.1 above.

13 STATEMENTS

In the event of any circumstances arising which do or may give rise to Environmental Liabilities which may fall within the terms of the Indemnity or the Counter Indemnity (as appropriate) neither the Company, Purchaser nor the Seller (nor any of their respective Affiliates) shall make any public statements (including, for the avoidance of doubt, any statement to any regulatory authority, unless required by law or in an emergency) regarding such circumstances without first discussing with the other party and reaching written agreement (such agreement not to be unreasonably withheld or delayed) on the text of any such public statement before it is made.

14 GENERAL

- 14.1 Any information, records, or other material of one party shall be treated as strictly confidential by the other party except when it is required to be used in order to comply with an order of the court or regulatory authority or it is used by the other party to enforce its rights under this Schedule 6 or so as to make an insurance claim.

- 14.2 The Purchaser's and its Affiliates' exclusive remedies in respect of any claims which fall within the scope of the Indemnity shall be in accordance with the provisions of this Schedule 6, and the Purchaser on behalf of itself and its Affiliates hereby waives all other remedies whether in contract, tort (including, for the avoidance of doubt, negligence), or howsoever otherwise arising which it may have against the Seller or any of its Affiliates at law or in equity in respect of the matters which fall within the scope of the Indemnity and, for the avoidance of doubt, if such a claim under this Schedule could also give rise to a Claim or a claim under any other provision of this agreement in respect of the same subject matter, the Purchaser may only bring a claim under this Schedule 6.
- 14.3 The Seller undertakes to co-operate with the Purchaser and assist the Purchaser in achieving a transfer to the Purchaser (or as it directs) of all Environmental Authorisations, permits and licences held by the Seller at Completion.

15 CO-OPERATION

The Purchaser undertakes that wherever co-operation is required by the Company to ensure compliance with the Purchaser's obligations hereunder, the Purchaser will use its reasonable endeavours to ensure that the Company provides the requisite co-operation.

SCHEDULE 7 (SUB-CLAUSE 1.7)

David Allen
David Busby
David Croft
Peter Davidson
Colin Deas
Rachel Draper
Martin Hinnigan
Garry Hodgson
John Jackson
Rob Louw
Ian Machin
Mahomed Maiter
Michael Maughan
Chris Milross
David Porter
David Rochester
Matthew Rose
Mike Wardropper
Peter Waugh
David Williams

SCHEDULE 8 GRIMSBY FINANCIAL INFORMATION (SUB-CLAUSE 1.1)

GBP millions

Fixed Assets

74.46

Investments	-
Stocks	11.18
Operating Debtors	1.65
Non Operating Debtors	-
Operating Creditors less than 1 year	(8.88)
Non Operating Creditors less than 1 year	(0.51)

	77.90

Net Debt	-
Provisions	-
Deferred Tax	-

	-

SCHEDULE 9
ACTUARY'S LETTER
(Schedule 4)

ANNEX 1
(SCHEDULE 3 A.10)

DATA ROOM DOCUMENTS

GRIMSBY

ENVIRONMENTAL

CONSENTS

IPC Consents: 8.1.1/01, 8.5/05, 8.1.1/20, 18/29

Waste Disposal Consents: 1.1.1/196, 1.1.1/92, 8.3/21, 8.1.1/02,
8.1.1/03

Discharge Consents: 1.1.1/212

Water Abstraction Licences: 1.1.1/56, 1.1.1/57, 1.1.1/82

Radioactivity Licences: 8.1.1/12

REPORTS

8.2.3, 8.8.3/01, 8.3/01, 8.3/02, 8.3/03, 8.3/04, 8.6/02, 8.6/01,
8.6/03, 8.10/03, 17/03, 8.14/01, 8.7/01, 8.3/06, 8.3/11, 8.3/12,

8.3/17, 8.12/02, 8.12/03, 8.13/03, 8.3/23, 8.3/16, 8.8.1/01, 8.8.2/01,
8.2/01

REPLIES

18.35, 8.1.1/19, 18/15, 8.1.1/17, 8.3/27, 8.3/29, 8/02, 1.1.1/215,
18/54, 18/14, 18/52, 18/32, 18/36, 8.8.3/02, 8.8.3/03, 18/05, 8.6/01,
8.3/30, 18/07, 18/28

IP

3.1/01 Technology Transfer Agreement between TGL, TGI,
TGSL and EI Du Pont de Nemours

3.1/02 Name Agreement between TEL, TAI and EI Du Pont
de Nemours

3.1/03 Name Agreement between TGL, TCI and EI Du Pont
de Nemours

3.1/04 Name Agreement between TEL, TGL, TGSL and EI Du
Pont

3.1/05 Assignment and Substitution Agreement between
TGL, TGSL, EI Du Pont de Nemours and Company
and ICI

3.1/06 Patent and Know-how Licence between TCI and EI
Du Pont

4.2/01 Note on Barnburgh IT Systems dated 26/3/98 from
Ian Machin Tioxide Group IT Manager

4.3/05 Grimsby IT Systems Map

4.3/06 Tioxide UK IT Systems Map

4.6/01 Audit Report on Grimsby Site following a review
of compliance with Millenium Programme

4.6/02 Millenium Compliance - Grimsby

4.3/07 Standard Software Licence for OSI software
(Factory Information Systems)

4.3/11 Agreement between Tioxide Europe and Aspen
Technology in relation to Calciner Control
software

5.20/02 Response - Grimsby Information Technology
structure and employee details

PENSIONS

6.1/07 Response to questions re: Pension Fund (Ref:
No. P6)

18/06 Response to Question P1 relating to the Tioxide
Pension Fund

EMPLOYMENT

5.1/01 Principal Terms and conditions of Employment

5.1/30 Colin Deas Employment Contract

5.3/02 List of contractors with which Tioxide has
agreed rates

5.16/03 List of all current employee claims (Ref: No.
LIT5)

5.30/01 List of Grimsby leadership team and staff members

10.1/05 Details of UK personal injury claims relating to Grimsby (current and archived)

CONTRACTS

2.1/02 Agreement between British Railways Board and Tioxide Europe for the movement of non-hazardous chemical gypsum waste by rail.

2.1/47 Contract between (1) Tioxide Group Plc (now Tioxide Group Ltd) as agent for Tioxide Europe SA (Spain) and (2) Westralian Sands Ltd. for the supply of ilmenite.

2.1/50 Agreement between Tioxide Group Services Ltd and [] for the supply of copperas.

18/19 Agreement for sale of gypsum to major contract customer.

TAX

1.2.2/01 Details of tangible assets with a depreciated value in excess of (pound)100,000.

PROPERTY

1.1.1/146 Land Certificate of Great Coates, Grimsby. Title number HS98246 - Proprietor being Tioxide Europe UK Ltd together with plan

18/13 Response to Question 0Pl relating to the use of the Landfill Site on Humber Road

1.1.1/197 Licence between Associated British Ports ("ABP") and Tioxide Europe Limited regarding land at the south west corner of Immingham Dock of 5.1 acres, dated 15 November 1991

POTENTIAL LITIGATION

10.1/01 Correspondence with Knauf re: potential dispute

10.1/02 Summary of a potential claim by AAF Ltd

10.1/03 Summary of a potential claim against Thomas Broadbent & Sons Ltd

10.1/04 Summary of a potential claim by Knauf

10.1/06 Summary of potential personal injury claim

10.1/11 Latest correspondence with Knauf

MISCELLANEOUS

18/03 Response to NL/Kronos questions on North American streaming and capability

5.12/04 Description of industrial accidents 1995 and 1996

5.12/02 List of industrial accidents 1996 - 1998

5.16/02 List of estimated claims settlements for 1993-1997 claims

1.2.2/01 Details of Tangible Assets with a depreciated value in excess of GBP100,000

5/02 Grimsby & E A West Response re: breakdown of manufacturing costs

18/02 Requested financial information

18/37 Response - analysis of debtor and creditor balances for Grimsby and E A West

18/62 Variable selling cost from Grimsby Works to America

8.2/02 Schedule of Grimsby Car Damage Claim

18/21 Response to Q.F9 relating to neutralisation costs

SIGNATURES

SIGNED by }
for and on behalf of
TIOXIDE EUROPE LIMITED

SIGNED by }
or and on behalf of
N L INDUSTRIES, INC

PRODUCT EXCHANGE AGREEMENT

BETWEEN

NEWCO, LTD.

AND

TIOXIDE EUROPE, LTD.

INDEX

ARTICLE	TITLE
1.	DEFINITIONS
2.	SUPPLY OF PRODUCTS
3.	QUANTITIES AND FORECASTS.
4.	ORDER AND DELIVERY
5.	PRODUCT IMBALANCES
6.	QUALITY, ADJUSTMENTS
7.	TERM AND TERMINATION
8.	WARRANTY
9.	CLAIMS
10.	REMEDY
11.	PATENT WARRANTY
12.	NO CONSEQUENTIAL DAMAGES
13.	FORCE MAJEURE
14.	ALLOCATION
15.	GOVERNMENT ACTION
16.	USER PROTECTION AND PRODUCT INFORMATION
17.	LABELING AND LITERATURE, NAME ON PRODUCT
18.	TAXES, INTEREST, VAT, IMPORT DUTIES
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20.	DISPUTE RESOLUTION
21.	ASSIGNMENT
22.	NO AGENCY AND NO PARTNERSHIP
23.	ENTIRE AGREEMENT/AMENDMENTS/SEVERABILITY
24.	WAIVER
25.	NOTICES
26.	GOVERNING LAW
27.	COVENANT NOT TO COMPETE
28.	ASSURANCES

SCHEDULE "A" - TIOXIDE FINISHED PRODUCTS
SCHEDULE "B" - NEWCO FINISHED PRODUCTS
SCHEDULE "C" - TIOXIDE CALCINER DISCHARGE PRODUCTS
SCHEDULE "D" - NEWCO CALCINER DISCHARGE PRODUCTS
SCHEDULE "E" - CUSTOMER LIST (SULFATE PRODUCTS)
SCHEDULE "F" - CUSTOMER LIST (TC4)

PRODUCT EXCHANGE AGREEMENT

This Product Exchange Agreement ("Agreement") is entered into this _____ day of _____, 1998, by and between NEWCO, Ltd. ("Newco") a corporation incorporated in England and Wales and Tioxide Europe, Ltd., ("TEL"), a corporation of the United Kingdom for the purpose of exchanging Products, as defined herein and specified in the attached Schedules, collectively referred to herein as the "parties" or singularly as "party" and each party hereto variously referred to as the "supplying party" or the "receiving party" as the case may be.

Whereas, TEL, an Affiliate of DuPont, holds one-hundred percent of the shares of stock of Newco; and,

Whereas, the primary asset of Newco is the titanium dioxide manufacturing plant located at Grimsby, U.K. (the "Grimsby Plant"); and

Whereas, concurrent with the execution of this Agreement, Purchaser is acquiring the Tioxide North American titanium dioxide business; and

Whereas, concurrent with the execution of this Agreement, TEL has agreed to sell the whole of the issued share capital in Newco, to Purchaser to provide Purchaser and its Affiliates with manufacturing capacity to support Purchaser's North American business; and

Whereas, the Products currently sold in North America include specific products not currently manufactured by Newco and the parties wish to ensure continued availability of the Products while Newco and its Affiliates expand their product range to ensure continuity and while the customers for such Products carry out the necessary trials to approve Products newly manufactured; and

Whereas, the Products currently sold by the Grimsby Plant are desired by TEL (and its Affiliates) for sale in Europe for a limited period of time; and

Whereas, TEL (and its Affiliates) and Newco (and its Affiliates) therefore wish, for a limited period of time, to exchange as between one another equal, or close to equal quantities of the Products specified below for no additional consideration other than the Products themselves, or as otherwise specified on the terms and subject to the conditions contained herein; and

Whereas, the parties intend to minimize both the total quantity of products exchanged and the duration of the exchange so as independently to supply the needs of each company's own customers at or before the end of the Contract Period; and

Whereas, the parties recognize that imbalances may result in one party hereto not receiving the same quantity of Product that said party is supplying to the receiving party; and

Whereas, the terms contained herein are, among other things, developed to address said Product Imbalance as defined below in furtherance of the goals of this Agreement;

NOW THEREFORE, the parties hereto agree to enter into this Product Exchange Agreement on the terms set forth below:

1. Definitions:

In this Agreement, including the attached Schedules, the recitals, words and expressions shall have the following meaning:

"Affiliates" shall have the same meaning as set forth in the Share Purchase and Sale Agreement between TEL and Purchaser dated _____, 1998 relating to the sale and purchase of the whole of the issued share capital of Newco.

"Business Day(s)" means a day (other than a Saturday or Sunday) on which banks are generally open for normal business in each of London, Montreal and New York.

"Calciner Discharge Products" means the Newco Calciner Discharge Products or the Tioxide Calciner Discharge Products or generally both as the case may be.

"Calciner Discharge Product Imbalance" means at any Product Imbalance Date any difference in quantity between the Calciner Discharge Product received by TEL and the Calciner Discharge Product received by Newco in the period since the later of (1) the Completion Date or (2) the most recent preceding Product Imbalance Date for which the Product Imbalance has been cured or eliminated pursuant to Subclauses 5.1.4 through 5.1.6, as the case may be.

"Calciner Discharge Product Value" means an amount in U.S. dollars determined by calculating the sum of the average per-metric-ton full cost of manufacturing Calciner Discharge Products experienced by the Tioxide Group during its 1997 accounting year plus a 2.5% manufacturing margin, such sum to be escalated annually on December 31 each year by the increase/decrease in the Retail Prices Index for such year as published by H.M. Government, and multiplying such escalated sum by the relevant total number of tons of Calciner Discharge Products.

"Completion Date" as used in this Agreement has the same meaning as that set forth in the Share Purchase and Sale Agreement between TEL and Purchaser.

"Contract Period" means the period beginning on the Completion Date and ending two (2) years thereafter (subject to early termination under Clause 7 of this Agreement).

"Delivery Point" means the supplying party's plant.

"DuPont" means E. I. du Pont de Nemours and Company., a U.S. (Delaware) Corporation.

"Finished Products" means the Newco Finished Products or the Tioxide Finished Products or generally both as the case may be.

"Finished Product Imbalance" means at any Product Imbalance Date, any difference in quantity between the Finished Products received by TEL and the Finished Products received by Newco in the period since the later of (1) the Completion Date, or (2) the most recent preceding Product Imbalance Date for which the Product Imbalance has been cured or eliminated pursuant to Subclauses 5.1.4 through 5.1.6, as the case may be.

"Finished Product Value" means an amount in U.S. dollars determined by calculating the sum of the average per-metric-ton full cost of manufacturing Finished Products experienced by the Tioxide Group during its 1997 accounting year plus a 2.5% manufacturing margin, such sum to be escalated annually on December 31 each year by the increase/decrease in the Retail Prices Index for such year as published by H.M. Government, and multiplying such escalated sum by the relevant total number of tons of Finished Products.

"Force Majeure" has the meaning set forth in Paragraph 13 of this Agreement.

"Newco CD Product Imbalance" means a Calciner Discharge Product Imbalance occurring because Newco receive a quantity of Calciner Discharge Product from TEL that is greater than the quantity of Calciner Discharge Product received by TEL from Newco.

"Newco Calciner Discharge Products" means the Products listed in Schedule "D" meeting the Specifications, being all those grades of calciner

discharge produced at the Grimsby Plant (U.K.) during the three years prior to the Completion Date for subsequent treatment to become Finished Products. These Products will be produced by Newco solely at the Grimsby Plant (U.K.) during the term of this Agreement.

"Newco FP Product Imbalance" means a Finished Product Imbalance occurring because Newco received a quantity of Finished Product from TEL that is greater than the quantity of Finished Product received TEL from Newco.

"Newco Finished Products" means the products listed in Schedule "B" meeting the Specifications, being those Finished Products produced at the Grimsby Plant (U.K.) during the three years prior to the Completion Date. These Products will be produced by Newco solely at the Grimsby Plant (U.K.) during the term of this Agreement.

"Newco Products" means the Newco Calciner Discharge Products and the Newco Finished Products, collectively.

"Packaging Materials" means all materials used to package the Products, including, but not limited to, all bags, containers and other materials that are reasonably necessary to package the Products at the time title passes in accordance with Clause 4.3.

"Product" means the Calciner Discharge Products or the Finished Products, as the case may be. "Products" means the Calciner Discharge Products and the Finished Products, collectively. As used in this Agreement, "Product" or "Products" may refer to Product or Products produced by the "supplying party" or received by the "receiving party", or generally both, as the context requires.

"Product Imbalance" means the Calciner Discharge Products Imbalance or the Finished Products Imbalance.

"Product Imbalance Date" means any one of: (1) the date one year following the Completion Date, (2) the date of the end of the Contract Period, or (3) the date of termination of this Agreement pursuant to Subclause 7.2.

"Purchaser" means NL Industries, Inc., a U.S. (New Jersey) corporation.

"Quality" means, for a given Product grade, a set of values described within the Specifications.

"Specification(s)" means the standard specifications of the Products on the day prior to the Completion Date or as amended by agreement in writing between the parties hereto. For a given Product grade, such standard Specifications may describe one or more Quality.

"Tioxide CD Product Imbalance" means a Calciner Discharge Product Imbalance occurring because TEL received a quantity of Calciner Discharge Product from Newco that is greater than the quantity of Calciner Discharge Product received by Newco from TEL.

"Tioxide Calciner Discharge Products" means the products listed in Schedule "C" meeting the Specifications, being all those grades of calciner discharge produced by TEL or its Affiliates for transfer to North American during the three years prior to the Completion Date for subsequent treatment to become Finished Products. These Products will be produced by TEL or its Affiliates during the term of this Agreement at the former (ICI) Tioxide manufacturing plants.

"Tioxide FP Product Imbalance" means a Finished Product Imbalance occurring because TEL received a quantity of Finished Product from Newco that is greater than the quantity of Finished Product received by Newco from TEL.

"Tioxide Finished Products" means the products listed in Schedule "A" meeting the Specifications, being those Finished Products sold by Tioxide or an Affiliate in North America during the three years prior to the Completion Date. These Products will be produced by TEL or its Affiliates solely at former (ICI) Tioxide manufacturing plants during the term of this Agreement.

"Tioxide Products" means the Tioxide Calciner Discharge Products and the Tioxide Finished Products, collectively.

"Value" means the Calciner Discharge Product Value and the Finished Product Value.

2. Supply of Products.

2.1 During the Contract Period, TEL agrees to deliver to Newco or Newco's Affiliates and Newco (or Newco's Affiliates, as the case may be) agrees to accept from TEL the quantity of Tioxide Calciner Discharge Products and of Tioxide Finished Products as determined in accordance with Clause 3.

2.2 In consideration of the Tioxide Calciner Discharge Products and the Tioxide Finished Products supplied pursuant to Subclause 2.1, Newco agrees to deliver to TEL and TEL agrees to accept a like quantity of Newco Calciner Discharge Products and Newco Finished Products.

2.3 In consideration of any Calciner Discharge Product Imbalance and/or Finished Product Imbalance that may occur pursuant to Subclauses 2.1 and 2.2, the parties agree to cure such Product Imbalance according to the provisions of Clause 5.

2.4 For Product supplied according to Subclauses 2.1 and 2.2, the grade, package type and Quality will be determined by the provisions of Subclauses 3.2 through 3.6.

3. Quantities and Forecasts.

3.1 Based on current requirements, the parties agree that for Tioxide Products delivered to Newco:

(a) the total quantity of Tioxide Calciner Discharge Products listed in Schedule C shall not exceed 25,000 metric tonnes;

(b) the total quantity of Tioxide Finished Products listed in Schedule A, Part 1 shall not exceed 55,000 metric tonnes;

(c) the total quantity of Tioxide Finished Products listed in Schedule A, Part 2 shall not exceed 1,000 metric tonnes; and

(d) the total quantity of Tioxide Products shall not exceed 75,000 metric tonnes or such lesser amount specified in the forecast provided by Newco pursuant to Subclause 3.2;

during any period of 12 consecutive months within the Contract Period. All Newco forecasts will be for product to be made available by TEL at the Delivery Point for receipt by Newco. If these quantities are not sufficient to meet Newco's needs, the parties will negotiate in good faith to establish new limits.

3.2 Within fifteen (15) days after the Completion Date, Newco shall provide to TEL a 12-month forecast by month for the total quantity of Tioxide Product needed by specifying a quantity for each grade, Quality, and package type.

3.3 Within ten (10) days after receipt of Newco's forecast pursuant to Subclause 3.2, TEL will provide a 12-month forecast by month for the same total quantity of Newco Product to be supplied to TEL, specifying a quantity for each grade, Quality and package type.

3.4 The forecasts provided pursuant to Subclauses 3.2 and 3.3 will be updated monthly on a 12-month rolling basis by each receiving party and provided:

(a) first from Newco to TEL by the 5th day of the month preceding the first month of each updated forecast, and

(b) then from TEL to Newco by the 10th day of the month preceding the first month of each updated forecast.

3.5 On receipt of the reciprocal demand forecasts provided pursuant to Subclause 3.4, each supplying party will promptly assess its ability to meet the forecast. If any potential problem is foreseen, the parties will in good

faith promptly discuss the problem, mutually agree on a resolution, and finalize the forecast by the 15th day of the month preceding the first month of each updated forecast.

3.6 Each forecast provided according to Subclauses 3.2 - 3.4 shall be non-binding and for planning purposes only and does not represent a commitment by the supplying party to deliver and the receiving party to accept delivery of any quantity of Product, except that for each such forecast:

3.6.1 Month 1 requirements shall be a fixed and binding commitment by the receiving party to accept delivery of Product quantities by grade, Quality and package type.

3.6.2 Months 2 and 3 shall be variable by plus or minus 5% both for total quantity and for quantities by grade, Quality and package type, but are otherwise binding on the supplying party and the receiving party.

3.7 The parties will adjust forecasts for Months 4 through 12 in each rolling forecast in a good faith attempt both to meet the requirements of Subclause 3.1 and to ensure that the total quantity of Tioxide Products and of Newco Products are equal at the end of each full year of the Contract Period.

3.8 Each forecast shall also report the total quantities of Calciner Discharge Product and of Finished Product supplied and received during each full year following the Completion Date, so as to enable the parties to calculate any Product Imbalances.

3.9 All exchanges of information pursuant to this Clause 3 are subject to Clause 19.3 "Confidential Information".

4. Order and Delivery.

4.1 The receiving party shall place all orders for Product from the supplying party according to commercially reasonable procedures specified by the supplying party at least forty-five (45) days before the date of requested delivery, except that:

4.1.1 During the first month following the Completion Date, the parties will cooperate to maintain continuity of supply for orders placed prior to the Completion Date for delivery during that first month; and

4.1.2 By mutual agreement, the parties may waive the 45-day lead time to help minimize or avoid a Product Imbalance.

4.2 All orders from the receiving party shall be for full container quantities with each container loaded to the maximum allowable weight compliant with legal weight restrictions and physical property restrictions and in no instance more than two (2) grade and package type combinations per container. The receiving party shall be responsible for providing such containers. The supplying party will make good faith efforts to avoid package damage associated with loading products of dissimilar package size. The supplying party will have no liability for package damage in the case of containers with more than one (1) grade of product type where such package damage has been caused by the inclusion of two (2) grade and package type combinations per container.

4.3 All Product will be supplied by the supplying party: "Ex Works". All title and risk for the Product shall pass to the receiving party when the product is accepted for loading and shipment at the Delivery Point. The receiving party shall bear all costs of transportation, freight, duties, taxes and related costs and is responsible for the logistics of transporting the Product.

4.4 Product will be delivered by supplying party in Packaging Materials provided by the receiving party at the cost of the receiving party.

4.4.1 Packaging Materials will be available to the supplying party for its use at the relevant Delivery Point at least sixty (60) days in advance of any delivery date in sufficient quantity to allow supplying party to meet its commitments hereunder.

4.4.2 All Packaging Materials will display the receiving party's name, trademark(s), if any, and other relevant information for use by the supplying party in fulfilling the receiving party's requests for Product.

4.4.3 Any failure to supply Product due to lack of availability of proper Packaging Materials will be deemed a failure of receiving party to perform its obligations according to the provisions of this Agreement and will not be a failure of the supplying party to perform its obligations according to the provisions of this Agreement, unless the supplying party is solely negligent for lack of availability of proper Packaging Materials.

4.4.4 During the first one hundred eighty (180) days following the Completion Date or until sufficient Packaging Materials are provided by the receiving party, whichever shall first occur, the supplying party shall utilize its own Packaging Materials, with associated costs to be reimbursed by the receiving party. Receiving party shall be responsible for re-labeling in accordance with Subclause 4.4.2.

4.5 All Product made available by the supplying party, in satisfaction of an order from receiving party, will be promptly transported by receiving party from the Delivery Point.

4.6 Product will be made available throughout the delivery month in accordance with the supplying party's monthly production schedule.

4.7 The parties will use reasonable efforts to cooperate with one another in providing any necessary documentation to support these transactions and any subsequent shipments or exports contemplated hereunder.

4.8 The parties acknowledge that:

- (a) This Agreement is of short duration and designed solely to facilitate the intent of the parties described in the Recitations,
- (b) There are no significant or material differences among the financial values of the Products listed in Schedules A and B,
- (c) There are no significant or material differences among the financial values of the Products listed in Schedules "C" and "D", and
- (d) Circumstances relating to documentation, customs, duties, taxation, or other legal requirements may necessitate the assignment of a financial value to a particular quantity of Product.

The parties therefore agree that where required as in Subclause 4.8 (d), the Calciner Discharge Product value and the Finished Product value at the time of delivery to the Delivery Point shall be deemed to be equal to the Calciner Discharge Product Value and the Finished Product Value, respectively of such Product, and shall not be applied differently to either Tioxide Products or Newco Products.

5. Product Imbalances.

5.1 If a Product Imbalance should occur, the parties will promptly cure such Product Imbalance under the following terms:

5.1.1 The "Newco Imbalance Value" for such Product Imbalance shall be the sum of:

- (1) The Calciner Discharge Product Value of the Newco CD Product Imbalance, if any; and
- (2) The Finished Product Value of the Newco FP Imbalance, if any.

5.1.2 The "Tioxide Imbalance Value" for such Product Imbalance shall be the sum of:

(1) The Calciner Discharge Product Value of the Tioxide CD Product Imbalance, if any; and

(2) The Finished Product Value of the Tioxide FP Imbalance, if any.

5.1.3 Newco, if the Newco Imbalance Value is larger than the Tioxide Imbalance Value, or TEL, if the Tioxide Imbalance Value is larger than the Newco Imbalance Value (the "Reimbursing Party") shall be responsible to reimburse the other party (the "Reimbursed Party") in an amount equal to the net of the larger of the Newco Imbalance Value and the Tioxide Imbalance Value less the smaller of the Newco Imbalance Value and the Tioxide Imbalance Value (the "Net Imbalance Value").

5.1.4 The Reimbursing Party will reimburse the Reimbursed Party by (a) supplying a quantity of Finished Product, (b) supplying a quantity of Calciner Discharge Product, and/or (c) making a cash payment, such that the sum of (1) the Value of such Finished Product, (2) the Value of Such Calciner Discharge Product, and (3) the amount of the cash payment shall be equal to the Net Imbalance Value.

5.1.5 For any Product to be supplied pursuant to Subclause 5.1.4, (a) the Reimbursing Party shall specify the total quantity and (b) the Reimbursed Party shall specify whether the Product will be Calciner Discharge Product or Finished Product. The cash payment will be adjusted accordingly.

5.1.6 The calculations, determinations, and decisions to be made in Subclauses 5.1.1. through 5.1.5 will be completed within thirty (30) days of the occurrence of the Product Imbalance and any cash payment will be made by the Reimbursing Party within fifteen (15) days thereafter.

5.1.7 For any Product to be supplied pursuant to Subclauses 5.1.4 and 5.1.5, the Reimbursed Party shall specify the Product grade(s), Quality and package type, and the parties will mutually agree upon delivery timing.

5.1.8 For any cash payment, VAT shall be charged to the Reimbursed Party as appropriate.

5.2 Any quantities of Product supplied and cash payments made by the Reimbursing Party pursuant to Subclause 5.1.4 through 5.1.6 will be excluded from consideration in the determination of any later Product Imbalance.

5.3 The provisions of this Agreement relating to Product Imbalances shall not apply where any Product Imbalance has been caused by a Force Majeure event or circumstance, except to the extent that :

(a) at or near the end of the Contract Period the corrective measures of Subclauses 13.2 or 13.3 are sufficient to remove what would otherwise be a contribution of the Force Majeure event to a Product Imbalance, or

(b) the party not declaring a Force Majeure elects under Clause 13.3(b) to continue to receive Product during Force Majeure.

5.4 The parties' obligation to cure Product Imbalances pursuant to Clauses 5.1 and 5.2 shall survive termination of this Agreement.

6. Quality, Adjustments:

There will be no change in the specifications of the Product produced by the supplying party without the express written consent of the receiving party. The supplying party shall give sufficient prior notice to the receiving party of any significant change(s) in raw materials, manufacturing

processes, or test methods for mutual assessment of the probable effect on the receiving party's Product performance. Final Product attributes will remain unchanged and will be consistent with the Specifications.

7. Term and Termination.

This Agreement shall become effective on the Completion Date and terminate at the end of the Contract Period.

7.1 Clauses 5, 8, 9, 10, 11, 12, 15 and 19 shall survive termination of this Agreement.

7.2 If both TEL and Newco reach agreement at the time of submission of any rolling twelve-month forecasts that their respective needs for Products for all future months after Month 2 of the forecast will be zero, then in that case the Contract Period will be deemed to end at the end of such Month 2 for the purposes of this Agreement.

8. Warranty:

Each supplying party warrants to each receiving party only that any Product when supplied will meet the Specifications for the Product. EXCEPT FOR THE FOREGOING AND AS EXPRESSLY PROVIDED HEREIN, SUPPLYING PARTY MAKES NO EXPRESS OR IMPLIED WARRANTY (INCLUDING, WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR FROM ANY COURSE OF DEALING OR TRADE USAGE) REGARDING THE PRODUCT. Receiving party assumes all risk and liability for results obtained by the use of the supplying party Product, whether used alone or in combination with other materials.

9. Claims:

9.1 With respect to either Tioxide Products or Newco Products, no claim shall be greater in amount than the Value of the Product (plus freight, duty and disposal costs) exchanged hereunder in respect of which damages are claimed except in the case of willful breach of this Agreement. Failure to give notice of a claim within one hundred eighty (180) days from date of delivery, or the date fixed for delivery (in case of non-delivery), shall constitute a waiver by the receiving party of all claims in respect of the Product so delivered or not delivered, as the case may be except in the case of willful breach of this Agreement. No Product shall be returned to the supplying party without supplying party's permission, which shall not be unreasonably withheld or delayed, and then only in the commercially reasonable manner prescribed by the supplying party. No claim shall be allowed for Product that has been processed (e.g. "finished") in any manner. Claims include, without limitation, claims of any kind, whether or not (a) for loss, damage, expense or injury, (b) with respect to the Product delivered or for non-delivery of the Product, or (c) based on supplying party's breach of warranty, contract, statute, regulation or negligence, strict liability or any tort.

9.2 No Claim for failure to deliver on time or at all, will be valid if the reason for said late delivery or non-delivery is the failure either in whole or in part, by the receiving party to provide the supplying party with a sufficient quantity of Packaging Materials for the Products ordered by the receiving party.

10. Remedy:

Except in the case of willful breach of this Agreement, a party's exclusive and sole remedy for any claim shall be the recovery of the Value of the Product exchanged with the other party (plus freight, duty and disposal costs) in the transaction giving rise to the claim. Such recovery may be in the form of cash or in the form of Product at the discretion of the party against whom the claim is made.

11. Patent Warranty:

The supplying party warrants that the use or sale of the Products delivered hereunder will not infringe the claims of any validly issued patent covering the Products themselves, but does not warrant against infringement due to: (a) the use of the Products in combination with other Products (or third party products of other manufacturers) or materials or in the operation of any process, or (b) the compliance by supplying party with any specifications

provided to supplying party by the receiving party.

12. No Consequential Damages:

Neither party shall be liable for special, indirect, incidental, punitive or consequential damages (including, without limitation, damages for loss of business profits, business interruption or any other loss), whether or not caused by, or resulting from, the negligence of such party even if such party has been advised of the possibility of such damages.

13. Force Majeure:

13.1 Force Majeure is an event or circumstance beyond the reasonable control of the party claiming the Force Majeure including but not limited to: act of God, fire, flood, explosion, hurricane, breakdown of machinery or equipment, governmental action or inaction or request of governmental authority, accident, strike, lockout, labor trouble or shortage, inability to obtain raw material, power, equipment or transportation, but the party claiming the Force Majeure shall be diligent in attempting to remove such cause or causes and shall promptly notify the other party of its extent and probable duration. No liability shall result to either party from delay in performance or from non-performance caused by a Force Majeure other than that described in this Clause 13 and in Clause 14 and this Agreement shall remain otherwise unaffected.

13.2 If the party declaring a Force Majeure is the supplying party, the receiving party shall be entitled to reduce its own quantity commitments (by grade, Quality, and package of such receiving party's choice) as a supplying party in an amount equal to the quantity by which the non-performing party fails to perform. The non-performing party shall have no obligation to purchase quantities of Product from other sources to enable it to perform under this Agreement.

13.3 If the party declaring a Force Majeure is the receiving party, the supplying party will be entitled:

(a) to reduce its own commitments as a receiving party in an amount equal to the quantity by which the non-performing party fails to perform, or

(b) to continue to receive Product from the non-performing party.

13.4 In order to claim a Force Majeure hereunder, the party attempting to excuse its delay in performance or non-performance must notify the other party within 24 hours of obtaining knowledge of the Force Majeure and confirm the Force Majeure event in writing within 5 Business Days thereafter. If the other party does not agree that the event or circumstance is a Force Majeure, that party may dispute the claim under the Dispute Resolution provisions contained herein.

13.5 YEAR 2000 ISSUE. A delay in performance or non-performance attributable to improper processing, management, manipulation, miscalculation or misreading of data by computer-operated systems arising out of processing for the year 2000 shall not constitute a Force Majeure.

14. Allocation:

14.1 If a Force Majeure event or circumstance occurs which results in the failure of the supplying party to supply Product to the receiving party, supplying party will distribute its available supply pro rata (based on deliveries in the three calendar months prior to the Force majeure event or circumstance) between the receiving party and the aggregate of all other purchasers, including, third parties as well as divisions, joint ventures, business units, affiliates and subsidiaries of supplying party, for the duration of such Force Majeure event or circumstance without liability for any failure of performance that may result therefrom. For the avoidance of confusion, distribution among such other purchasers will be made on such basis as the supplying party may deem fair and practical after first determining the portion to be provided to receiving party.

14.2 If a non-Force Majeure event or circumstance occurs which

results in the failure of the supplying party to supply Product to the receiving party according to the forecast commitments hereunder, the supplying party shall meet all of its supply obligations under this Product Exchange Agreement prior to, and in preference over, any other supply obligations to purchasers, divisions, joint ventures, business units, affiliates and subsidiaries of supplying party.

15. Government Action:

If any Government action should place or continue limitations on the terms of this Agreement such that it would be illegal or against public or Government policy for supplying party to receive full value (i.e. equivalent exchanged product) for its Product, supplying party shall have the option: (a) to continue to perform under this Agreement subject to such adjustments that supplying party may deem necessary to comply with such Government action; (b) to revise this Agreement, subject to receiving party's written approval, in order to most nearly accomplish the original intent of this Agreement; or (c) to terminate performance of the affected portions of this Agreement without liability for damages.

16. User Protection and Product Information:

The receiving party warrants that it will use its own independent skill and expertise in connection with the selection and use of the supplying party's Product and that it possesses the skill and expertise to safely handle, store, transport, use, and dispose of the Product. In connection therewith, receiving party agrees to:

16.1 Familiarize itself with available safety and health information and precautions, including, but not limited to, those contained in any pertinent material safety data sheet;

16.2 Adopt and follow safe handling, storage, transportation, use, and disposal practices with respect to the Product, including, but not limited to, those required by applicable law and regulation; and

16.3 Instruct its employees, independent contractors, agents and customers in the warning and safe use practices required in connection with the unloading, handling, storage, transportation, use and disposal of the Product.

17. Labeling and Literature, Name on Product:

Each party hereto acknowledges that there may be risks and liability resulting from the use of each party's Products. Each party hereto acknowledges that it has received and is familiar with the supplying party's labeling, literature and any pertinent Material Safety Data Sheets ("MSDS" sheets) concerning such Products and their properties. The receiving party will forward such information to receiving party's employees and any others (including receiving party's customers), who may handle, process or sell such Product from supplying party and advise such parties to familiarize themselves with such information.

18. Taxes, VAT, Import Duties

18.1 The receiving party is responsible for payment of all taxes, duties and VAT due and payable upon movement of Product under this Agreement.

18.2 Where VAT is payable by one party to another, this shall be charged by means of a valid VAT invoice issued pursuant to the legislation extant in the country where the VAT charge is levied.

18.3 For any goods which have been supplied to the receiving party VAT-free on the basis that those goods are to be exported from the European Union by the receiving party, the receiving party is required to provide within one month of the date of supply of product a certificate of shipment proving the goods were removed from the European Union. If such certificate is not provided within that time period, then the supplying party shall charge and receiving party shall pay VAT and associated penalties, if any. Such VAT and associated penalties shall be invoiced by the supplying party and paid, within 15 days of receipt of the invoice, by the receiving party.

19. Confidential Information:

19.1 For purposes of this Clause:

19.1.1 "Confidential Information" means all information received by the receiving party from the disclosing party relating to the disclosing party, its Affiliates and the businesses conducted by the disclosing party (whether pursuant to this Agreement or otherwise) including not only written information but information transferred orally, visually, electronically, or by any other means. For the avoidance of doubt, the term Confidential Information shall not include:

- (i) information that is in the public domain at the date of this Agreement;
- (ii) information that subsequently comes into the public domain, otherwise than as a result of a breach of this Agreement, but only after it has come into the public domain;
- (iii) information which the receiving party or its Representatives obtain from a third party not under any confidentiality obligation to the disclosing party respecting such information;
- (iv) information which the receiving party or its Representatives at the time of disclosure already has in its possession and which is not subject to any obligation of secrecy on their part to the other party;
- (v) information which is independently developed by employees of the receiving party or its Representatives who had no access to the information disclosed by the disclosing party.

19.1.2 "Representatives" means Affiliates, directors, officers, employees, agents or representatives of either party or its Affiliates, and their respective solicitors, accountants, consultants and financial advisors.

19.2 Each party hereto undertakes to maintain Confidential Information received by it, its Affiliates or its Representatives relating to the other party or the other party's Affiliates in confidence and not disclose that Confidential Information to any person other than its Representatives except with the prior written approval of the other party.

19.3 Each party undertakes only to disclose to Representatives such Confidential Information relating to the other party or the other party's Affiliates as is reasonably required for the purposes of performing the obligations under this Agreement and only to Representatives whom it has informed of the confidential nature of the Confidential Information and who undertake to keep it confidential. Such information shall not be used for any other purpose than the performance of the parties' obligations hereunder. Each party shall be responsible for breach of such confidentiality undertaken by it or its Representatives.

19.4 In the event that, after receipt of Confidential Information, either party, or any person or Representative to whom it has transmitted Confidential Information, becomes legally required (by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process or otherwise) to disclose any of the Confidential Information received, the legally compelled party shall provide the other party with prompt written notice of that requirement so that the other party may seek a protective order or other appropriate remedy but shall not be obliged to delay disclosure if to do so would be in breach of any conditions for such disclosure imposed by the authority compelling disclosure and in any event should the other party not be successful in seeking or obtaining a protective order or other appropriate remedy, the other party shall waive compliance with the provisions of this Agreement for such particular case to enable the legally compelled party or its Representative to comply with any such legal requirement.

19.5 Disclosure of Confidential Information to permitted assigns shall not be a violation of this Clause 19, provided that the disclosing party has complied with the provisions of Clause 21.2.

20. Dispute Resolution:

20.1 In the event of a dispute between supplying party and receiving

party arising in connection with this Agreement, the parties will first attempt to resolve the dispute informally. If such informal efforts fail to resolve the dispute to the parties' satisfaction, senior representatives of each of the parties shall be notified and shall, within 10 Business Days of a written request from one party to the other, meet in a good faith effort to resolve such dispute or difference without recourse to legal proceedings.

20.2 If the dispute or difference is not resolved as a result of such meeting, supplying or receiving party may (at such meeting or within 10 Business Days from its conclusion) propose to the other in writing that structured negotiations be entered into with the assistance of a mediator. Upon receipt of such notice the parties to the dispute shall each propose and select a suitable mediator.

20.3 All negotiations connected with the dispute shall be conducted in strict confidence and without prejudice to the rights of the parties in any future proceedings.

20.4 Within seven (7) Business Days of the appointment of the mediator, both parties shall meet with him/her in order to agree on a program for the exchange of any relevant information and the structure to be adopted for negotiations.

20.5 If the parties to the dispute accept the mediator's recommendations or otherwise reach agreement on the resolution of the dispute, such agreement shall be reduced to writing and, once it is signed by their duly authorized representatives, shall be and remain binding upon the parties. If an agreement cannot be reached, either of the parties may invite the mediator to provide a non-binding but informative opinion in writing, provided however that neither party shall be entitled to rely on such opinion or introduce it into evidence in any legal proceedings. If agreement still cannot be reached, then any dispute or difference between the parties may be referred to the courts. Unless a party is seeking injunctive relief, no dispute shall be referred to the courts until 30 Business Days after the mediator has issued his/her recommendation(s).

20.6 Each party shall bear its own costs of this Dispute Resolution process.

21. Assignment:

21.1 Except as provided in Subclause 21.2 below, the rights, benefits and obligations of the parties under this Agreement shall not be assigned, transferred or otherwise disposed of in whole or in part without the prior express written consent of the other party.

21.2 Consent to assignment of this Agreement shall not be required (1) in circumstances where all the rights, benefits and obligations of either party hereto are proposed to be assigned or transferred to an Affiliate of the transferring party; or (2) in the event that either party hereto or such party's Affiliates (if applicable) proposes to assign all its rights, benefits and obligations to a third party purchaser of the transferring party's entire interest in the manufacture of titanium dioxide; provided however, (upon such event) the transferring party obtains the agreement of the proposed assignee or transferee, prior to the transfer or assignment, to comply with the terms of this agreement and except in the case of a sale pursuant to Subclause 21.2(2) to obtain from the assignee or transferee a re-assignment in the event that the assignee or transferee ceases to be an Affiliate.

22. No Agency and no Partnership:

22.1 Except as otherwise expressly provided for in this Agreement and/or the Schedules, or unless otherwise agreed between the parties in writing, no party shall:

- 22.1.1 make purchases or sales or incur any liabilities whatsoever on behalf of the other party hereto;
- 22.1.2 pledge the credit of the other party; or
- 22.1.3 hold itself out as acting as agent for the other party.

22.2 The parties hereto have not and expressly do not intend to form a partnership by virtue of this Agreement and do not intend to be partners.

23. Entire Agreement/Amendments/Severability:

23.1 This Agreement contains the whole agreement between the parties and their Affiliates relating to the transactions contemplated by this Agreement and supersedes and replaces all previous agreements between the parties and their Affiliates relating to such transactions.

23.2 A provision in another agreement between the parties to this Agreement or between the respective parent undertakings of the parties (and whether made before or after the date of this Agreement) which refers to this Agreement and which extends or supplements any provision of this Agreement will be deemed for the purposes of Subclause 23.1 to form part of the whole agreement between the parties as referred to in that Subclause.

23.3 Each of the parties to this agreement acknowledges on its own behalf and on behalf of each of its Affiliates that, in agreeing to enter into this Agreement, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this Agreement) and waives all rights and remedies which, but for this Subclause, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance, provided that nothing in this Clause shall limit or exclude any liability for fraud.

23.4 Except as otherwise specifically stated, no modification or amendment hereto shall be of any force or effect unless (1) reduced to writing and signed by both parties hereto, and (2) expressly referred to as being a modification of this Agreement, including the attached Schedules.

23.5 If the final judgment of a court of competent jurisdiction declares that any term or provision of this Agreement is invalid or unenforceable in whole or in part, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the list of customers in Schedule E, the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the pertinent term or provision (or to approve such reductions, deletions or replacements as agreed by the parties), and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

24. Waiver:

24.1 The failure of either party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights shall not be construed as a waiver of any such provision or the relinquishment of any such right.

24.2 The provisions of the United Nations Convention on Contracts for the International Sale of Goods 1980 shall not apply to this contract or any transaction contemplated hereunder.

25. Notices:

25.1 Any notice or other document to be served under this Agreement shall be in writing and may be delivered by hand or sent by post or facsimile process where the remote facsimile machine has an answer-back facility to the party to be served at its address or facsimile number appearing in this Agreement and marked for the attention of the person whose name is referred to in Subclause 25.2 below. Any notice or other document sent by post shall be sent by registered post (if both posted and for delivery within the same jurisdiction) or by registered airmail (if posted for delivery outside the jurisdiction in which it is posted). Any notice or other document sent by facsimile process shall also be sent to the other party by registered post or registered airmail (as the case may be) in accordance with this Clause.

25.2 The person to whom notices or documents should be addressed for the purposes of Subclause 25.1 is:

25.2.1 If to be served on TEL:

Name or Title, Business Unit

Address

25.2.2 If to be served on Newco:

Name or Title, Business Unit

Address

25.3 In proving service of a notice or document it shall be sufficient to prove that delivery was made by hand or that the envelope containing the notice or document was properly addressed and posted (either by registered post or by registered airmail, as the case may be, in accordance with the requirements of this Clause 25) or that the facsimile message was properly addressed and dispatched as the case may be.

26. Governing Law:

This Agreement is governed by and shall be construed in accordance with Delaware (U.S.) law.

27. Covenant Not to Compete

For a period of two and one-half years from and after the Completion Date, none of TEL or its Affiliates will directly or indirectly market, sell or offer for sale in North America (a) to any of the customers listed in Schedule E any product (whether or not such product is listed in Schedules A, B, C or D) that is manufactured by the sulfate process, and (b) to any of the customers listed in Schedule F any TC4 Product. Schedule E shall include all current customers and all former customers who have purchased in North America from Tioxide (or its Affiliates), during the three-year period ending on the Completion Date, titanium dioxide manufactured by the sulfate process. Schedule F shall include all current customers and all former customers who have purchased in North America from Tioxide (or its Affiliates), during the three-year period ending on the Completion Date, TC4 Product.

28. Assurances

The parties hereto acknowledge that due to inadequate information available to them on the Completion Date, there may be other Products (or in the case of Schedules E and F, other customers) which, according to the provisions of this Agreement, should have been included on the Schedules A, B, C, D, E and F. To the extent that the parties hereto obtain additional information which indicates that a Product or customer should have been included in the relevant Schedule, the parties shall consult with a view to agreeing whether the Product or customer should be included, such agreement not to be unreasonably withheld. From and after the parties' agreement pursuant to this Clause 28, such Product or customer shall be deemed to be a part of the relevant Schedule as if it had been included as on the Completion Date.

IN WITNESS WHEREOF, the parties hereto have caused this Product Exchange Agreement to be executed by their duly authorized representatives.

TIOXIDE EUROPE, LTD.

NEWCO, Ltd.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

DATED

1998

ICI AMERICAN HOLDINGS INC.

and

NL INDUSTRIES, INC.

SHARE SALE AND PURCHASE AGREEMENT

OF

TIOXIDE AMERICAS INC.

LINKLATERS & PAINES
One Silk Street
London EC2Y 8HQ

TEL: (+44) 171 456 2000

Ref: AXT

THIS AGREEMENT (this "AGREEMENT") is made on 1998 BETWEEN:

- (1) ICI AMERICAN HOLDINGS INC. a Delaware Corporation with principal place of business at 3411 Silverside Road, Wilmington, DE 19850, USA (the "SELLER"); and
- (2) N L INDUSTRIES, INC., a corporation incorporated under the laws of New Jersey, whose principal place of business is at 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, USA (the "PURCHASER").

WHEREAS:

- (A) Tioxide Americas Inc. is a corporation incorporated in Delaware, USA, short particulars of which are set out in Schedule 1 (the "COMPANY").
- (B) The Seller holds all of the issued shares in the capital of the Company (the "SALE SHARES") particulars of which are contained in

Schedule 1.

(C) The Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on the terms and subject to the conditions set out in this agreement and the Framework Agreement.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this agreement:

"ACCOUNTS" means the audited accounts of the Company for the year ended 31 December 1997;

"ADVERSE CONSEQUENCES" means all actions, suits, proceedings, hearings, investigations, charges, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, liens (other than those arising by operation of law or by statute) losses, expenses and fees, including court costs and reasonable attorneys' fees and expenses;

"AFFILIATES" means with respect to a specified entity, an entity that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, the entity specified, provided, that, without limiting the generality of the foregoing, in relation to ICI and its subsidiary companies, the term "AFFILIATES" shall not include any entity in which a party has a 50 per cent or less ownership interest. For the purposes hereof, "CONTROL" means possession, directly or indirectly, of the power to direct or cause the direction of the management and operating policies of the entity in respect of which the determination is being made, through the ownership of voting securities, contract, voting trust or otherwise but any reference in this agreement to an Affiliate of the Seller or the Purchaser shall exclude the Company, and references to the Seller's Group or the Purchaser's Group shall be construed accordingly;

"AGREED FORM" means, in relation to any document, the form of that document which has been initialled for the purpose of identification by or on behalf of the parties to this agreement;

"AMERICAS LIABILITY AGREEMENT" means the liability agreement between ICI and the Purchaser dated [];

"ASSETS" means all of the assets and rights of the Company relating to the Business but excluding the LPC Interests;

"BUSINESS" means the manufacture, import, export, sale and distribution of titanium dioxide pigments and co-products, and related products and all other business and operations as carried on by the Company as at the date hereof but shall not include:

(i) the manufacture, sale or disposal by way of trade of any organometallic compounds save the manufacture, sale or disposal of a pigment which incorporates as an essential feature of its composition an organometallic compound shall not be considered to be the manufacture, sale or disposal of an organometallic compound as such;

(ii) the manufacture, sale or disposal by way of trade of any form of titanium dioxide of ultraviolet-attenuating grade having a ratio of absorbance response at 308 nm (A308) to absorbance response at 524 nm (A524) of not less than 5 as defined in US Pharmacopeia, amendment published in Pharmacopeia Forum, Volume 22, Number 4, Page 2636 and attached hereto as Annex 2; and

(iii) any matter relating to the LPC Interests or LPC;

"BUSINESS DATA" means the Company's historical and current documents relating to the Business, including customer lists, product, distributor

and supplier lists, catalogues, literature, employee records, documents of title to the Assets (but excluding those relating to the Properties), sales targets, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional materials, production data, safety data and accounting (including management account records) and other financial data (other than the US Financial Information), whether in hard copy or in computer held form (including for the avoidance of doubt such media as microfilm and microfiche);

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are generally open for normal business in both London and New York and (when any action is required by this agreement to be taken in Canada) Montreal;

"CODE" means the United States Internal Revenue Code of 1986, as amended;

"COMPLETION" means completion of the sale and purchase of the Sale Shares in accordance with Clause 7 which shall occur immediately following signature and exchange of this agreement;

"COMPLETION DATE" means [] on the date of this agreement;

"COMPUTER SYSTEMS" means all computer hardware, software, microprocessors and firmware which in each case are used in the Business;

"CONTRACTS" means all contracts and arrangements relating to the Business entered into before Completion by or on behalf of the Company in connection with the Business which remain (in whole or in part) to be performed at Completion and, in addition, means any contracts or arrangements between the Company and the Seller (or any of its Affiliates) but shall not include any contracts or arrangements relating to the LPC Interests or LPC;

"DEFAULT INTEREST" means LIBOR plus 200 basis points compounded monthly;

"DISCLOSURE LETTER" means the letter of the same date as this agreement from the Seller to the Purchaser;

"DUPONT" means E.I. du Pont de Nemours and Company;

"EMPLOYEES" means all those individuals employed by the Company at Completion;

"ENVIRONMENT" has the meaning in Schedule 5;

"ENVIRONMENTAL AUTHORISATIONS" means all or any permits, certificates, consents, licences, approvals, registrations and other authorisations required under Environmental Laws and all terms and conditions thereof required under any Environmental Law for the operation of the Business;

"ENVIRONMENTAL LAWS" has the meaning given in Schedule 5;

"ESTIMATED CONSIDERATION" has the meaning given in Clause 3;

"FIELD OF ACTIVITY" means the manufacture, import, export, sale and distribution of titanium dioxide pigments and co-products, and related products as carried on by the Company, but shall not include:

- (i) the manufacture, sale or disposal by way of trade of any organometallic compounds save the manufacture, sale or disposal of a pigment which incorporates as an essential feature of its composition an organometallic compound shall not be considered to be the manufacture, sale or disposal of an organometallic compound as such; and

(ii) the manufacture, sale or disposal by way of trade of any form of titanium dioxide of ultraviolet-attenuating grade having a ratio of absorbance response at 308 nm (A308) to absorbance response at 524 nm (A524) of not less than 5 as defined in US Pharmacopeia, amendment published in Pharmacopeia Forum, Volume 22, Number 4, Page 2636 and attached hereto as Annex 2;

"FINAL CONSIDERATION" has the meaning given in Schedule 6;

"FRAMEWORK AGREEMENT" means the agreement dated 0 between ICI, DuPont and the Purchaser;

"GUARANTEES" means all guarantees and indemnities given by the Seller or Affiliates of the Seller in respect of obligations of the Company in relation to the Business, short particulars of which are contained in the Disclosure Letter;

"HAZARDOUS MATERIAL" has the meaning given in Schedule 5;

"ICI" means Imperial Chemical Industries PLC;

"ICI GROUP" means ICI and its Affiliates as at the Completion Date;

"IMPLEMENTATION AGREEMENTS" means the documents in Schedule 4;

"INDEPENDENT ACCOUNTANT" has the meaning given in Clause 11;

"INTELLECTUAL PROPERTY" shall mean all patents, trademarks, service marks, trade names and all goodwill associated with the foregoing, registered designs, copyrights, copyrightable works (including, without limitation, data, documentation and databases) registered internet domain names, and rights to inventions and applications for and rights to apply for protection or registrations of any of the same; including any continuation, continuation-in-part, provisional, reissue, divisional and re-examination patent applications and all rights in Technical Information;

"INTRA-GROUP LOANS" means all Net Debt due from the Company to the Seller or any Affiliate of the Seller or due to the Company from the Seller or any Affiliate of the Seller as determined in accordance with Schedule 6, and in both circumstances relating only to those Affiliates of the Seller following Completion;

"LIBOR" means the rate for deposits in US Dollars for a period of one month which appears on the Reuters Screen ISDA Page (or such other page as the parties may agree) at approximately

11.00 a.m., London time, on the first day of the period to which any interest period relates (the "RELEVANT DATE"). If such rate does not appear on the Reuters Screen ISDA Page on the Relevant Date, the rate for that Relevant Date will be determined as if the parties had specified that the rate for the Relevant Date will be determined on the basis of the rates at which deposits in US Dollars are offered by Midland Bank plc at approximately 11.00 a.m., London time, on the Relevant Date to prime banks in the London interbank market for a period of one month commencing on that Relevant Date for amounts of US\$10,000,000;

"LPC" means the Louisiana Pigment Company Limited Partnership;

"LPC INTERESTS" means all partnership interests held by the Seller or its Affiliates in LPC pursuant to the Joint Venture Agreement dated as of 18 October 1993, as amended, between the Company and Kronos Louisiana, Inc.;

"LPC BUSINESS" means the LPC Interests, sales sourced from LPC and any Stocks, Operating Debtors, Operating Creditors less than 1 year (the definitions of such terms in Schedule 6 being applied to LPC) and other assets or liabilities relating to LPC as determined and distinguished

from the Business in accordance with Schedule 7;

"LPC WARRANTIES" has the meaning given in sub-Clause 5.1(b);

"MATERIAL CONTRACTS" means all Contracts (i) which at Completion have in excess of 12 months to run and which in that time can reasonably be expected to involve income or expenditure in respect of the Business in excess of US\$200,000 per annum; or (ii) which at Completion have less than 12 months to run and which in that time can reasonably be expected to involve income or expenditure in respect of the Business in excess of US\$500,000; or (iii) which relate to the treatment and/or disposal of waste; or (iv) which relate to contract manufacturing or processing of products by third parties; or (v) which relate to third party distribution or agency in respect of products; or (vi) the absence of which would have a material negative impact on the conduct of the Business;

"NET DEBT" has the meaning given in Schedule 6;

"NON-LPC WARRANTIES" has the meaning given in sub-Clause 5.1(a);

"ORDINARY COURSE OF BUSINESS" means the ordinary course of business consistent with past custom and practice including, without limitation quantity and frequency, taking into account the relevance and reasonableness of the same and with allowance made for the inherently cyclical nature of the titanium dioxide industry;

"PARENT UNDERTAKING" shall have the meaning given in section 258 of the United Kingdom Companies Act 1985;

"PERMITS" means all licences, permits, authorisations, registrations and approvals required by law or regulation or issued or granted by statutory or other authorities to the Company for the operation of the Business (but excluding, for the avoidance of doubt, planning permissions issued by relevant planning authorities (save for Environmental Authorisations) and any licence, permit, authorisation or approval which falls within the definition of Regulatory Conditions);

"PLANT AND EQUIPMENT" means the plant, machinery, spare parts, tools, equipment, chattels, motor vehicles, furniture, fixtures and fittings (to the extent they are not included in the Properties) and all other tangible personal property located at the Property (including without limitation office equipment) which in each case is owned and/or used by the Company in relation to the Business as at Completion;

"PROPERTY" means the property shown in Schedule 2 Part I;

"PURCHASER'S AUDITORS" means PricewaterhouseCoopers;

"PURCHASER'S GROUP" means the Purchaser's ultimate parent undertaking and that parent undertaking's Affiliates;

"REGULATORY CONDITIONS" means the anti-trust or regulatory approvals (other than Environmental Authorisations) necessary to complete the sale of the Company on the terms set out in this agreement;

"SCHEME" means the Company's pension plans described in the Disclosure Letter;

"SELLER'S AUDITORS" means KPMG;

"SELLER'S GROUP" means the Seller's ultimate parent undertaking and that parent undertaking's Affiliates as at the Completion Date;

"STOCK" means the stocks of fuels, raw materials, ingredients, packaging, office and laboratory supplies, engineering spares, consumable stores, work-in-progress and finished goods at Completion held by the Company for the purposes of the Business;

"TAX" has the meaning given in the Tax Deed of Covenant;

"TAXATION" has the meaning given in the Tax Deed of Covenant;

"TAX AUTHORITY" has the meaning given in the Tax Deed of Covenant;

"TAX DEED OF COVENANT" means the tax deed of covenant in the Agreed Form;

"TAX LIABILITY" has the meaning given in the Tax Deed of Covenant;

"TECHNICAL INFORMATION" shall mean all technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including for the avoidance of doubt in such media as microfilm and microfiche or otherwise);

"TERRITORIES" means the United States of America, Canada, Mexico, Central and South America;

"UK GAAP" means generally accepted accounting principles in the United Kingdom;

"US DOLLARS", "US\$" or "\$" means the lawful currency of the United States of America;

"US FINANCIAL INFORMATION" means the financial information attached as Schedule 8;

"US NAME AGREEMENT" means the agreement in the Agreed Form;

"WARRANTIES" means the LPC Warranties and the Non-LPC Warranties; and

"WARRANTY CLAIM" has the meaning given in sub-Clause 5.4.

1.2 Unless otherwise stated, any express reference to an enactment includes references to:

- (a) that enactment as amended, extended or applied by or under any other enactment before or after this agreement;
- (b) any enactment which that enactment re-enacts (with or without modification); and
- (c) any subordinate legislation made (before or after this agreement) under any enactment, including one within (a) or (b) above,

except to the extent that any of the matters referred to in (a) to (c) occurring after the date of this agreement would increase or alter the liability of any party under this agreement.

1.3 The singular shall include the plural and vice versa and words denoting persons shall include bodies corporate and unincorporated associations of persons and, unless otherwise stated, shall include permitted successors or assigns of such persons.

1.4 Sub-Clauses 1.1 to 1.3 apply unless the contrary intention appears.

1.5 The headings in this agreement do not affect its interpretation.

1.6 Any Schedule or Annex to this agreement shall take effect as if set out in this agreement and references to this agreement shall include its Schedules and Annexes.

1.7 Where any statement in this agreement (or in the attached Schedules or Annexes) (other than in Schedule 3 paragraphs H(2) and H(4) is qualified by the expression "SO FAR AS THE SELLER IS AWARE," "TO THE SELLER'S KNOWLEDGE, INFORMATION AND BELIEF," "KNOWN TO THE SELLER" or any similar statement, that statement shall be deemed to mean the knowledge, after

reasonable investigation, of the officers and operational and functional managers of ICI and its Affiliates who have direct responsibility for the subject matter concerned, being those listed in Schedule 9.

2 SALE AND PURCHASE OF THE SALE SHARES

- 2.1 The Seller shall with full title guarantee sell and the Purchaser shall purchase the Sale Shares together with all rights attaching to them.
- 2.2 The Sale Shares shall be sold free from all liens, charges, equities and encumbrances and other rights exercisable by third parties or Affiliates of the Seller.

3 CONSIDERATION AND ADJUSTMENTS

- 3.1 Subject to sub-Clause 3.4 below, the consideration for the sale of the Sale Shares shall be US\$[o] payable in cash by the Purchaser on Completion (the "ESTIMATED CONSIDERATION").
- 3.2 The payment under sub-Clause 3.1 shall be paid to the correspondent bank named below for credit to the US Dollar account of o (the "ICI ACCOUNT") referred to below:
- Correspondent bank:
Bank account:
Account name:
Account no:
Sort code:
- 3.3 Any payments to the Purchaser under this agreement shall be paid to the correspondent bank named below for credit to the US Dollar account of o (the "PURCHASER ACCOUNT") referred to below:

3.4

Correspondent bank:
Bank account:
Account name:
Account no:
Sort code:

- 3.5 The Final Consideration shall be determined and any difference between the Estimated Consideration and the Final Consideration shall be paid in accordance with the provisions of Schedule 6.

4 PURCHASER'S WARRANTIES

The Purchaser represents and warrants to the Seller that:

- (a) it (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) has the requisite power and authority to enter into and to perform this agreement and such Implementation Agreements;
- (b) it (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) has obtained or satisfied all corporate, regulatory and other approvals, or any other significant conditions, necessary to execute and perform this agreement and such Implementation Agreements;
- (c) this agreement and the Implementation Agreements constitute valid and binding obligations of the Purchaser (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) enforceable in accordance with their respective terms; and
- (d) compliance with the terms of this agreement by the Purchaser and the Implementation Agreements by the Purchaser or its Affiliates

(as appropriate) will:

- (i) not constitute a breach of any agreement or contract to which the Purchaser or such Affiliate of the Purchaser is a party or by which it is bound; and
- (ii) be in compliance with the Purchaser's or such Affiliate of the Purchaser's memorandum and articles of association or other constitutional documents; and
- (iii) not contravene:
 - (a) any order, judgment or decree; or
 - (b) any statute, rule or regulation or;
 - (c) any other restriction of any kind by which the Purchaser or such Affiliate of the Purchaser is bound.

5 SELLER'S WARRANTIES

5.1 The Seller represents and warrants to the Purchaser in the terms set out in Part A.1 of Schedule 3.1 and that:

- (a) with respect to the Business and to the sale of the Sale Shares and not with respect to the LPC Interests, save as otherwise stated in this agreement and subject to all matters and circumstances fairly disclosed in the Disclosure Letter, each of the statements set out in Schedule 3.1 Part A.2 to N (inclusive) (the "NON-LPC WARRANTIES") is true and accurate as at the date of this agreement and the Seller acknowledges that the Purchaser has entered into this agreement in reliance upon the Non-LPC Warranties; and
- (b) with respect to the LPC Interests only, save as otherwise stated in this agreement and subject to all matters and circumstances fairly disclosed in the Disclosure Letter, each of the statements set out in Schedule 3.2 (the "LPC Warranties") is true and accurate as at the date of this agreement and the Seller acknowledges that the Purchaser has entered into this Agreement in reliance upon the LPC Warranties.

The Purchaser agrees that save as set out in Schedule 3.2, no warranty, representation, undertaking or indemnity or any other contractual obligation or otherwise is made or given by the Seller to either the Purchaser or its Affiliates in relation to LPC or the LPC Interests.

5.2 Each of the Warranties shall be separate and independent and no Warranty shall limit the scope or construction of any other Warranty or any other provision of this agreement.

5.3 The Purchaser acknowledges and agrees that:

- (i) save as may be set out in this agreement or in the Implementation Agreements, except for the Warranties and in relation to an allegation of fraud, no statement, promise or forecast made by or on behalf of the Seller or any member of the Seller's Group may form the basis of, or be pleaded in connection with, any claim by the Purchaser under or in connection with this agreement or the Implementation Agreements; and
- (ii) any claim by the Purchaser or any person deriving title from it in connection with the Warranties shall be subject to the following provisions of this clause.

5.4 The liability of the Seller in respect of any breach of the Warranties (a "WARRANTY CLAIM") or the indemnities contained in this agreement shall be governed by the terms of the Americas Liability Agreement

except as expressly provided therein.

5.5 The liability of the Seller under or in respect of a Warranty Claim shall also be limited in respect of any liability which is contingent, unless and until such liability becomes an actual liability and is due and payable provided that the Purchaser shall not be prohibited from bringing a Warranty Claim pending such liability becoming due and payable.

5.6 The Purchaser acknowledges and agrees that:

(i) no liability shall attach to the Seller by reason of any breach of any of the Warranties or any indemnities contained in this agreement to the extent that the loss including all relevant costs and expenses has been recovered by the Purchaser under Schedule 5 or any other term of this agreement or any other document referred to herein and accordingly the Purchaser may only recover once in respect of the same loss; and

(ii) in calculating the liability of the Seller for any breach of the Warranties there shall be taken into account the amount by which any Taxation for which the Purchaser is now or in the future accountable or liable to be assessed is reduced or extinguished as a result of the matter giving rise to such liability.

5.7 The Purchaser shall not be entitled to make any Warranty Claim:

(i) to the extent that the claim arises as a result only of any change after Completion in the accounting bases upon which the Company values its assets or computes its profits or arises as a result of the taxation or accounting policies, bases or practices of the Purchaser being different to those adopted or used in preparing the Accounts; or

(ii) to the extent that the matter which constitutes the claim was specifically consented to in writing by the Purchaser in the knowledge that such matter would give rise to such Warranty Claim.

5.8 The Purchaser shall not be entitled to rescind or terminate this agreement after Completion in any circumstances provided that nothing in this sub-Clause shall exclude or limit any right to rescind or terminate for fraud.

5.9 Save as otherwise provided in this agreement, the Seller shall not be liable in respect of any Warranty Claim to the extent that the liability of the Seller in respect thereof is incurred or increased as a result of any legislation not brought into force at the date of this agreement or as a result of any change in or repeal of legislation hereafter or as a result of the introduction or cessation of or change in the published practice of any taxation authority after the date of this agreement.

5.10 The Purchaser shall not be entitled to make any claim in respect of any breach or alleged breach of the Warranties to the extent that:

(i) the facts, matters or circumstances giving rise thereto (in respect of which any such claim or alleged claim arises) have been fairly disclosed in the Disclosure Letter; or

(ii) such claim arises or is incurred as a result of any voluntary act or omission of the Purchaser or any Affiliate of the Purchaser after the date of this agreement, other than any such act or omission which is in the Ordinary Course of Business or is required by law or is pursuant to a legally binding commitment of the Company or any member of the Seller's Group created or entered into before Completion.

5.11 The provisions of this Clause 5 shall have effect notwithstanding any

other provisions of this agreement.

6 SELLER'S INDEMNITY

6.1 The Seller undertakes to indemnify and keep indemnified the Purchaser, its Affiliates and the Company (the "INDEMNIFIED PARTIES") against all claims by third parties (other than any subsequent purchaser or purchasers of either the Sale Shares or the business or assets of the Company and their successors in title or assigns) giving rise to Adverse Consequences which may be paid, suffered or incurred by any of the Indemnified Parties or to which any of the Indemnified Parties may become subject and which arise as a result of the operation of the Business by the Company prior to Completion (unless and to the extent that the circumstances giving rise to the Adverse Consequences were fairly disclosed in the Disclosure Letter) and including without limitation those Adverse Consequences arising:

- (a) as a result of the failure by the Company to comply with relevant and legally enforceable corporate or other laws, rules, ordinances or regulations with respect to the operations of the Business prior to Completion;
- (b) as a result of the failure by the Company to obtain required relevant governmental permits, licences, consents or other authorisations with respect to the operation of the Business prior to Completion;
- (c) from or with respect to any breach of contract, tort or product liability or otherwise arising from, or with respect to, the operation of the Business prior to Completion and asserted by any third party; and
- (d) from or with respect to any suit, action, arbitration, charge, governmental investigation, claim, litigation or proceedings affecting the Business or the Company.

Provided that the indemnity contained in this Clause 6 shall not apply to:

- (i) liabilities expressly assumed by the Purchaser pursuant to this agreement or the Implementation Agreements; or
- (ii) to the extent that such liabilities have been taken into account in establishing the Final Consideration; or
- (iii) any Environmental Liabilities, any failure or omission to obtain or comply with Environmental Authorisations, any failure or omission to comply with any Environmental Laws or any claim by any person in respect of any matter concerning the Environment (indemnity for which is provided in sub-Clause 9.2 and Schedule 5); or
- (iv) Taxation (indemnity for which is provided in the Tax Deed of Covenant); or
- (v) the LPC Interests or LPC.

6.2 The Purchaser agrees to give the Seller notice of any and all claims asserted against the Purchaser for which indemnification under this Clause 6 is or may be sought. Such notice shall be given as soon as reasonably practicable after the Purchaser becomes aware that it has or may have a claim against the Seller. Under this Clause 6, failure to give such notice shall not abrogate or diminish the Seller's obligation under this Clause if the Seller has or receives knowledge of the existence of any such claim by any other means or if such failure does not prejudice the Seller's ability to defend such a claim.

7 COMPLETION

7.1 Completion shall take place at the offices of the [] immediately after the signature of this agreement when:

- (a) each party shall provide to the other evidence in a form reasonably satisfactory to the other that it (and each of its relevant Affiliates entering into an Implementation Agreement) has all necessary corporate approvals and consents and its signatories have necessary authority to enter into this agreement and the other agreements referred to herein;
- (b) each party shall (or shall procure that its relevant Affiliates will) duly execute and, to the extent applicable, complete the Implementation Agreements and the Tax Deed of Covenant;
- (c) the Seller shall deliver to or into the possession and control of the Purchaser:
 - (i) a duly executed transfer or transfers in favour of the Purchaser (or such Affiliate of the Purchaser as the Purchaser may nominate) of all the Sale Shares;
 - (ii) share certificate(s) or other documents of title relating to the Sale Shares (or an express indemnity in a form reasonably satisfactory to the Purchaser in the case of any missing certificates or documents of title);
 - (iii) the company books relating to the Company, including certificates of incorporation, common seals, minute books, statutory registers, shareholders' agreements and share certificate books (duly written up to date);
 - (iv) resignations of all the directors and secretary of the Company;
 - (v) the written resignation of the auditors of the Company to take effect on Completion, with acknowledgments signed by them to the effect that they have no claim against the Company and to the effect that there are no circumstances connected with their resignation which they consider should be brought to the notice of the shareholders or creditors of the Company;
 - (vi) bank statements in respect of every account which the Company has, dated two days prior to the Completion Date and the relevant reconciliation statements prepared on the previous Business Day;
 - (vii) the Business Data;
 - (viii) the documentation and title deeds to the Property in accordance with the provisions of Part II of Schedule 2;
 - (ix) the Implementation Agreements duly executed by the Seller and/or Affiliates of the Seller as applicable; and
 - (x) the Disclosure Letter;
- (d) the Purchaser shall pay to the Seller the Estimated Consideration;
- (e) the Purchaser or another member of the Purchaser's Group shall procure that all Intra-group Loans due from the Company to the Seller or any Affiliate of the Seller are repaid by the Company and the Seller or another member of the Seller's Group shall procure that all Intra-group Loans due to the Company from the Seller or any Affiliate of the Seller are repaid by the Seller or its relevant Affiliates;
- (f) the Seller shall take, or shall procure the taking of, such steps

as may be necessary to:

- (i) approve the transfers referred to in Clause 7.1(c) (i) (subject only to the Purchaser arranging and paying any taxes or duties arising in relation to the transfer); and
 - (ii) appoint such directors and secretary as the Purchaser may specify as directors and the secretary of the Company; and
 - (iii) release the securities, guarantees, claims and indemnities existing immediately prior to Completion other than those arising in the Ordinary Course of Business, owed or due to or claimed by the Seller or any Affiliate (being an Affiliate after Completion) from the Company, true and complete particulars of which are set out in Schedule 10;
- (g) each party shall deliver a copy of the Tax Deed of Covenant duly executed to the other party.

8 EMPLOYEES

8.1 The Purchaser agrees to procure that the Company for a period of four years from the Completion Date, will procure that:

- (a) the Employees will receive and enjoy contractual remuneration and benefits (including separation and other benefits described in the Disclosure Letter) which, judged objectively, are no less favourable overall than their contractual remuneration and benefits at the Completion Date; and
- (b) it will not make any unilateral material change to the contractual terms and conditions of employment with the Employees without prior consultation where required by any local laws or agreements, with recognised trade unions, appropriate employee representatives, or the Employees.

8.2 The Seller will procure that, on or before Completion, the Company will discharge its liability to Mr Rene Lachance in respect of Supplemental Employment Terms.

8.3 For the purposes of this clause, "SUPPLEMENTAL EMPLOYMENT TERMS" shall mean:

- 8.3.1 the period of additional notice (if any) due from the Company at the date such liability crystallises under the arrangement in force as at Completion which is in excess of that which he would have received under the terms of his service agreement dated 25 October 1990;
- 8.3.2 the additional life assurance cover (if any) under the arrangement in force as at Completion which is in excess of the cover provided under the terms of his service agreement dated 25 October 1990;
- 8.3.3 the supplemental retirement benefits that are in addition to the benefits to which Mr. Lachance is entitled under the TAI Retirement Plan and the TCI Staff Employees' Pension Plan; and
- 8.3.4 any other enhancements to his terms and conditions of employment granted between 25 October 1990 and Completion and which are in force as at Completion other than those granted in the Ordinary Course of Business.

8.4 The Seller will indemnify the Purchaser (for itself and as agent and trustee for the Company) on a continuing basis against any and all losses or liabilities, costs (including without limitation legal costs), charges, expenses, actions, proceedings, claims and demands which the Purchaser or the Company may incur and which relate to or arise out of the continuation after Completion of the Supplemental Employment Terms.

8.5 The Purchaser acknowledges and agrees that all of the funds set aside or due at Completion to be set aside by the Company in trust for the purpose of meeting the liability of the Seller and the Company to provide supplemental retirement benefits for Mr Lachance will be used for this purpose. The funds held in trust are held at Merrill Lynch Trust Company of America Chicago in account no. 637-95-521. If these funds have not been used for this purpose before Completion, the Purchaser will procure that the Company complies with any directions given by the Seller as to the use of these funds after Completion for the purpose of providing such benefits for Mr Lachance.

8.6 The Seller will indemnify the Purchaser (for itself and as agent and trustee for the Company) on a continuing basis against any and all losses or liabilities, costs (including without limitation legal costs) charges, expenses, actions, proceedings, claims and demands which the Purchaser or the Company may incur as a result of the severance payments, pension entitlements, accelerated pension entitlements and any other benefits actually paid to any employee whose employment is terminated after Completion if and to the extent such payments, entitlements and/or benefits are in excess of those which would have applied at any time in the period prior to 10 September 1997 Provided always that the dismissal which results in the excess costs being incurred takes effect within four years of Completion and the regular salary figure used in the calculations is one which has been prevailing in respect of the relevant employee for at least six months prior to termination. This indemnity shall not extend to any losses or liabilities, costs

(including without limitation legal costs) charges, expenses, actions, proceedings, claims and demands which the Purchaser or the Company may incur as a result of its or their negligence or default. Any claims under this indemnity must be made within 4 years and 3 months of Completion following which this indemnity shall have no effect.

8.7 The Seller shall not be required to make any payment under the indemnity set out in sub clause 8.6 unless a draft certificate shall have been delivered to it by the Purchaser within 30 days after the date requiring the Seller to indemnify the Purchaser pursuant to sub-clause 8.6 and certifying the amount payable thereunder. In order to enable the Seller to review the certificate, the Purchaser shall (to the extent it is permitted by law to do so) make available and supply to the Seller and, at the Seller's request and expense, the Seller's auditors, copies of all relevant records and other working papers) relating to the subject matter of the indemnity, during normal office hours.

8.8 If the Seller does not within 30 days after presentation to it of the draft certificate give notice to the Purchaser that it disagrees with the certificate or any item thereof, such notice stating the reasons for the disagreement in reasonable detail, the draft certificate shall become final and binding on the parties for all purposes.

8.9 If the Seller gives a valid notice within such 30 days, the parties shall attempt in good faith to reach agreement in respect thereof and, if they are unable to do so within 21 days of such notification, either party may by notice to the other refer the certificate to the Independent Accountants in accordance with the provisions of clause 11 of this agreement which shall apply mutatis mutandis, references to the "COMPLAINANT" being deemed to be references to the "SELLER" and references to the "OTHERS" being to the "PURCHASER".

8.10 The Seller shall pay interest at the rate of LIBOR plus 200 basis point compounded monthly on all payments pursuant to this clause from the date of delivery of the draft certificate.

9 PROPERTY, ENVIRONMENTAL AND LOUISIANA GRANTS

9.1 The Seller and the Purchaser shall observe and perform the provisions of Schedule 2 expressed to be observed and performed by each of them

respectively.

9.2 The Seller and the Purchaser shall observe the provisions of Schedule 5 expressed to be observed and performed by each of them respectively, which shall apply only to the Business and not the LPC Interests or LPC.

9.3 The Seller and the Company shall cooperate with the Purchaser in taking reasonable steps to transfer to the Purchaser the ongoing benefits of the applicable Louisiana Exemption Grants defined in Section 5.1, Article V, "TAX MATTERS OF THAT CERTAIN FORMATION AGREEMENT" dated as of October 18, 1993 between Affiliates of the Purchaser and the Seller.

10 PENSIONS

10.1 The Purchaser agrees to procure that the Company will, commencing with the Completion Date, respect and perform the provisions of the Scheme.

10.2 Subject to the payment of the transfer amount, as described below, the Purchaser will provide retirement benefits for Mr J Gush and Mr S G Heyes in respect of their service with the Company on and after Completion so that, in each case, their total benefits on retirement, leaving service or death (inclusive of any retirement benefits attributable to service up to Completion) are as described in their retirement benefit profiles in the Agreed Form. The Purchaser will also nominate retirement benefits arrangements to which a transfer payment can be made from the Tioxide Offshore Pension Fund.

10.3 The Purchaser shall indemnify the Seller (for itself and its Affiliates) on a continuing basis against any and all losses, liabilities, costs (including without limitation legal costs), charges, expenses, actions, proceedings, claims and demands which the Seller or its Affiliates may incur and which relate to or arise out of any failure by the Purchaser to comply with these obligations.

10.4 The Seller (or its relevant Affiliate) will use its reasonable endeavours to procure payment of a transfer amount from the Tioxide Offshore Pension Fund to the arrangements nominated by the Purchaser.

10.5 The transfer amount will be:

10.5.1 based on benefits accrued by Mr Gush and Mr Heyes under the Tioxide Offshore Pension Fund for service up to Completion (i.e. excluding benefits earned under all other Tioxide plans in which they have participated); and

10.5.2 calculated on a past service reserve basis using the projected unit method, based on salaries projected to retirement or earlier date of leaving or death, using the actuarial assumptions set out in the actuarial valuation of the Tioxide Offshore Pension Fund as at 1 April 1997 and will be adjusted as agreed between the Seller and the Purchaser for the period between Completion and the date of payment.

10.6 If an appropriate transfer amount cannot be agreed within three months after Completion, either party may require the amount to be determined by an independent actuary, to be nominated by the Seller and the Purchaser jointly, or if they cannot agree, by the President of the Institute of Actuaries on application by either party. The independent actuary will act as an expert and not as an arbitrator, and his decision will be final and binding on the parties. His costs will be payable equally by the Seller and the Purchaser.

10.7 If the trustee of the Tioxide Offshore Pension Fund does not pay the transfer amount in full by a date one month after the date on which it is agreed (or decided by the independent actuary), the Seller will pay to the Purchaser the amount of the shortfall by way of adjustment to the Final Consideration. However, the Seller will not be required to pay an amount in excess of the net cost to the Purchaser or the Company (after taking account of tax) of making good the shortfall by a payment to the arrangements.

11 INDEPENDENT ACCOUNTANT

- 11.1 If either party wishes to refer any matter in dispute in accordance with the provisions of Clause 3 or Schedule 6 for determination under this Clause it shall give notice to the other requiring the appointment of an independent accounting firm of international reputation (the "INDEPENDENT ACCOUNTANT") excluding accounting firms who have acted as auditors of either party or of any of their Affiliates in the last five years. If the parties are unable to agree upon the Independent Accountant within 14 days of such notice, then the Independent Accountant shall be appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either party.
- 11.2 If the Independent Accountant delays or becomes unwilling or incapable of acting or if for any other reason the President for the time being of the Institute of Chartered Accountants in England and Wales thinks fit he may discharge the Independent Accountant and, in the absence of agreement between the parties, appoint another in its place.
- 11.3 The Independent Accountant shall act as an expert and not as an arbitrator and his decision shall (in the absence of manifest error) be final and binding on the parties. The Independent Accountant shall afford the parties the opportunity of making written representations to them and shall make its determination within 40 days of its appointment.
- 11.4 The fees and expenses of the Independent Accountant shall be borne by the parties in equal shares unless the Independent Accountant determines otherwise.

12 PROTECTIVE COVENANTS

- 12.1 The Seller covenants with the Purchaser that no member of the Seller's Group will:
- (a) for a period of five years from Completion within any part of the Territories carry on or be engaged or involved in the Field of Activity (save as the owner for investment purposes only of securities traded on a recognised stock exchange and not exceeding one per cent. of the securities of that class); or
 - (b) without prior approval from the Purchaser, for a period of two years from Completion, directly or indirectly solicit, or endeavour to entice away from the Purchaser or its Affiliates any of the Employees.
- 12.2 Each of the restrictions in sub-Clause 12.1 above shall be enforceable independently and its validity shall not be affected if the other is invalid.
- 12.3 The Seller acknowledges that the provisions of this Clause 12 are no more extensive than is reasonable to protect the Company.
- 12.4 Nothing in this Clause 12 or in this agreement shall prevent:
- (a) the Seller or its Affiliates from purchasing shares in any company or any business which has an interest in the Field of Activity (the ownership of which would otherwise contravene sub-Clause 12.1) unless the turnover of such company or business in its last accounting year generated by its interest in the Field of Activity was the greater of 10 per cent of the aggregate turnover of such company or business and US\$100 million. In the event that the Seller or any of its Affiliates within five years from Completion purchases any corporation or business which does have interests in the Field of Activity, the Seller or the relevant Affiliate are contractually obliged to offer for sale such interests to DuPont.

If DuPont does not purchase such interests from the Seller (or its relevant Affiliate), the Seller (or the relevant Affiliate) shall, if DuPont shall fail to or does not accept the offer

referred to above within such period to which it is entitled for such purpose, within 30 days of receipt from DuPont of notice that DuPont does not intend to purchase such interests offer for sale such interests to the Purchaser on terms which are no less favourable by written notice ("OFFER NOTICE").

If the Purchaser does not unconditionally purchase such interests from the Seller (or its relevant Affiliates) within a period of 18 months after the date of the Offer Notice, the Seller (or the relevant Affiliate) shall be free to retain such interests with the consent of the Purchaser (such consent not to be unreasonably withheld or delayed). If such consent is reasonably withheld, the Seller (or the relevant Affiliate) shall use its best endeavours to divest such interests within 12 months of such consent having been withheld; or

- (b) the Seller or its Affiliates from carrying on or being engaged or involved in:
 - (i) any business it currently carries on (other than the Business);
 - (ii) any business which only supplies other members of the Seller's Group; or
 - (iii) any business after such time as the Purchaser or its Affiliates have ceased to carry on or be engaged or involved in such business other than by way of trade sale.

13 ANNOUNCEMENTS

The parties agree that neither party shall make or permit any member of the Seller's Group or the Purchaser's Group, as the case may be, to make any announcement concerning this agreement or any ancillary matter except as required by law or any competent regulatory body or with the prior written approval of the other party which will not be unreasonably withheld or delayed.

14 DEFAULT INTEREST

Subject as otherwise provided to the contrary in this agreement, if any sum due for payment under this agreement or in accordance with this agreement is not paid on the due date, the party in default shall pay Default Interest on that sum from the due date until the date of actual payment calculated on a day-to-day basis.

15 NOTICES

- 15.1 Any notice or other document to be served under this agreement shall be in writing and may be delivered by hand or by courier, sent by fax or by post to the party to be served at its address appearing in this agreement (and marked for the attention of the person whose name is referred to in sub-Clause 15.3 below) or at such other address (or marked for the attention of such other person) as it may have notified to the other party in accordance with this Clause 15. Any notice or other document sent by post shall be sent by registered post (if both posted and for delivery within the same jurisdiction) or by registered airmail (if posted for delivery outside the jurisdiction in which it is posted), in either case return receipt requested (or any substantially equivalent service).
- 15.2 Any notice or document delivered or sent in accordance with sub-Clause 15.1 shall be deemed to have been served:
 - 15.2.1 if delivered by hand or by courier, at the time of delivery; or
 - 15.2.2 if sent by fax, at the time of delivery if sent between 12.01 a.m. and 6.00 p.m. (local time at the destination) or on the Business Day after transmission, if sent at any other time;

15.2.3 if posted, at 10.00 a.m. on the second Business Day after it was put into the post if posted for delivery within the same jurisdiction, or at 10.00 a.m. (local time at the destination) on the fifth Business Day after it was put in the post if sent by registered airmail.

15.3 The person to whom notices or documents should be addressed for the purposes of sub-Clause 15.1 is:

(a) if to be served on the Seller or on Affiliates of the Seller:

[*]

Fax: [*]

copy to the Company Secretary of Imperial Chemical Industries PLC of Imperial Chemical House, 9 Millbank, London, SW1P 3JF

Fax: (44) 171 798 5170

(b) if to be served on the Purchaser:

General Counsel
NL Industries, Inc.
16825 North Chase Drive
Suite 1200
Houston, Texas USA TX 77060

Fax: (1) 281 423 3333

15.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made by hand, courier or fax or that the envelope containing the notice or document was properly addressed and posted (either by registered post or by registered airmail, as the case may be, in accordance with the requirements of this Clause 15).

16 GENERAL

16.1 Each of the obligations, Warranties and undertakings set out in this agreement which is not fully performed at Completion will continue in force after Completion.

16.2 Unless otherwise expressly stated all claims made and payments to be made under this agreement shall be made in US Dollars. Payments to the Seller shall be made in immediately available funds to the account of the Seller at such account as the Seller may notify to the Purchaser and to the Purchaser in immediately available funds to such account as the Purchaser may notify to the Seller. All payments and values under this agreement shall be in US Dollars and where an amount is not itself calculated in US Dollars, it shall be converted into US Dollars at the mid-market closing exchange rate for that currency in US Dollars as published in the London Edition of the Financial Times published two Business Days prior to the date on which the relevant payment is due or where no such rate is published, at the rate quoted by Citibank, N.A. at the close of business in London on that date. This sub-Clause shall not apply to Schedule 6.

16.3 Save as otherwise provided to the contrary in this agreement, each payment to be made under this agreement shall be made in the currency in which the relevant amount is payable, free and clear of all deductions or withholdings of any kind, except for those required by law, and if any deduction or withholding must be made by law, an additional amount will be paid which is necessary to ensure that the recipient receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.

16.4 None of the rights or obligations under this agreement may be assigned or transferred without the written consent of the other party (the "NON-ASSIGNING PARTY") other than an assignment of the rights (but not

the obligations) to an Affiliate of the assigning party provided that:

- (a) such assignment shall only be permitted if the assignment has no adverse effect on the Non-assigning Party;
- (b) if the Affiliate to which the rights have been assigned ceases to be an Affiliate of the assigning party, the rights which have been transferred shall be re-transferred to the party which originally assigned those rights or to another Affiliate of that original assigning party; and
- (c) it shall be a condition of any such assignment that reasonable notice is given in writing to the Non-assigning Party of the proposal to assign (identifying the rights proposed to be assigned, the identity of the proposed assignee and such other details relating thereto as the Non-assigning Party may reasonably require).

16.5 Save as otherwise provided in this agreement, each party shall pay the costs and expenses incurred by it and its Affiliates in connection with the entering into and completion of this agreement.

16.6 This agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any party may enter into this agreement by executing a counterpart.

16.7 No amendment, variation or waiver of this agreement or any provision of this agreement shall be effective unless it is in writing specifically referring to this agreement and duly executed by or on behalf of both parties.

16.8 Both parties shall at their own expense at all times from the date of this agreement do all things as may be required to give effect to this agreement including, without limitation, the execution of all deeds and documents, procuring the convening of all meetings, the giving of all waivers and consents and the passing of all resolutions and otherwise exercising all powers and rights available to them.

16.9 The Seller and the Purchaser agree to make a timely, effective and irrevocable election under Section 338(h)(10) of the Code and under any comparable statutes in any other jurisdiction with respect to the Company (the "SECTION 338(H)(10) ELECTION"), and to file such election in accordance with applicable regulations. Without limiting the generality of the foregoing, in order to effect such election, the Seller and the Purchaser shall jointly execute the necessary copies of IRS Form 8023 and attachments required to be filed therewith. The Section 338(h)(10) Election shall properly reflect the Price Allocation (as hereinafter defined). Within 45 days after the Completion Date, the Purchaser shall deliver to the Seller a statement (the "ALLOCATION STATEMENT") allocating the modified ADSP (as such terms is defined in Treasury Regulations Section 1.338(h)(10)-1) (the "MODIFIED AGGREGATE DEEMED SALES PRICE") of the assets of the Company in accordance with this Agreement and the Treasury Regulations promulgated under Section 338(h)(10).

The Seller shall have the right to review the Allocation Statement. If within 30 days after receipt of the Allocation Statement, the Seller notifies the Purchaser in writing that the allocation of one or more items reflected in the Allocation Statement is not a reasonable allocation, the Purchaser and the Seller will negotiate in good faith to resolve such dispute. If the Purchaser and the Seller fail to resolve such dispute within 30 days, the Independent Accountant shall determine whether the allocation was reasonable and, if not reasonable, shall appropriately revise the Allocation Statement. If the Seller does not respond within 30 days, or upon resolution of the disputed items, the allocation reflected on the Allocation Statement (as such may have been adjusted) shall be the "PRICE ALLOCATION" and shall be binding on the parties hereto. The Seller and the Purchaser agree to act in accordance with the Price Allocation in the preparation of financial statements, filing and audit of any Tax return.

17 WHOLE AGREEMENT

- 17.1 Subject to sub-Clause 17.2 below, this agreement, the Framework Agreement and the Implementation Agreements (if and when executed) contain the whole agreement between the parties and their respective Affiliates relating to the transactions contemplated by this agreement and the Implementation Agreements and supersede all previous agreements between the parties and their respective Affiliates relating to such transactions.
- 17.2 A provision in another agreement between the parties to this agreement or between the respective parent undertakings of the parties (and whether made before or after the date of this agreement) which refers to this agreement and which extends or supplements any provision in this agreement will be deemed for the purposes of sub-Clause 17.1 above to form part of the whole agreement between the parties as referred to in that sub-Clause.
- 17.3 Each of the parties to this agreement acknowledges on its own behalf and on behalf of each of its Affiliates that, in agreeing to enter into this agreement and the Implementation Agreements, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this agreement) and waives all rights and remedies which, but for this sub-Clause, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance, provided that nothing in this Clause shall limit or exclude any liability for fraud.

18 GOVERNING LAW

This agreement is governed by and shall be construed in accordance with English law.

19 JURISDICTION

- 19.1 The parties agree, subject to sub-Clause 19.2, to submit to the exclusive jurisdiction of the courts of the State of Delaware for all purposes relating to this agreement.
- 19.2 If the courts of the State of Delaware decline jurisdiction, the English courts shall have exclusive jurisdiction for all purposes relating to this agreement.
- 19.3 In both sub-Clauses 19.1 and 19.2, neither party shall take any action to avoid, dispute or suggest to such court that such jurisdiction is improper.
- 19.3 If the English courts have jurisdiction, ICI American Holdings Inc. irrevocably appoints Imperial Chemical Industries PLC of Imperial Chemical House 9, Millbank, London SW1P 3JF as its agent for process in England and the Purchaser irrevocably appoints Herbert Smith (Ref 554) of Exchange House, Primrose Street, London, EC2A 2HS as its agent for process in England.

AS WITNESS the hands of the duly authorised representatives of the parties on the date which first appears on page 1.

Date and Place of
Incorporation: 11 August 1971, Dover, Delaware, USA

Registered Office: 2001 Butterfield Road, Suite 601,
Downers Grove,
IL 60515 USA

Authorised Share Capital: 11,000 Common stock of US\$1 par value

Shareholders and Issued
Share Capital: 10,750 Shares of US\$1 each owned by
ICI American Holdings Inc.

Directors: J.A. Collingwood
G. Gauthier
R. Lachance

Secretary: R. Lachance

SCHEDULE 2
PROPERTY
(CLAUSE 1)
PART I

ADDRESS	ESTATE OR INTEREST	USE
2001 Butterfield Road, Suite 601, Downers Grove Illinois 1660515	Leasehold	Offices

PART II

On Completion, the Seller shall deliver to the Purchaser all title documentation (and other documentation disclosed to the Purchaser) in connection with the Property.

SCHEDULE 3.1
WARRANTIES WITH RESPECT TO THE BUSINESS
AND TO THE SALE SHARES ONLY

A. GENERAL

A.1 CAPACITY AND CONDUCT OF BUSINESS

- (1) The Seller (and each of its Affiliates in respect of the Implementation Agreements to which they are parties) has the requisite power and authority to enter into and to (otherwise as provided in this agreement) perform this agreement and such Implementation Agreements.
- (2) The Seller (and each of its Affiliates, in respect of the Implementation Agreements to which they are parties) has obtained and satisfied all corporate, regulatory and other approvals, and any other conditions, necessary to execute and (otherwise as provided in this agreement)

perform this agreement and the Implementation Agreements.

- (3) This agreement and the Implementation Agreements constitute (or when executed will constitute) valid and binding obligations of the Seller (and each of its Affiliates in respect of the Implementation Agreements to which they are parties) enforceable in accordance with their terms.
- (4) The execution and compliance with the terms of this agreement by the Seller and the Implementation Agreements by the Seller or its Affiliates (as appropriate) will:
 - (a) not constitute a breach of any material contract to which the Seller (or any of its Affiliates) is a party or by which it or they are bound or entitle any person to terminate or avoid any such agreement or contract;
 - (b) be in compliance with the Seller's and the Company's memorandum and articles of association or other constitutional documents (or those of any of its Affiliates);
 - (c) not contravene:
 - (i) any order, judgment or decree; or
 - (ii) any statute, rule or regulation;
 - (iii) any other restriction of any kind by which the Seller or any of its Affiliates or the Company is bound; or
 - (d) not result in the loss or impairment of or any default under any licence, authorisation or consent required by the Company for the purposes of its business.
- (5) All factual information contained in this agreement relating to the Company is true and accurate in all material respects.
- (6) There are no outstanding powers of attorney executed on behalf of the Company.

A.2 THE COMPANY

- (1) The information relating to the Company contained in Schedule 1 is true and accurate.
- (2) Compliance has been made with all legal requirements in connection with the formation of the Company and all issues and grants of shares, debentures or other securities of the Company.

A.3 OWNERSHIP OF THE SALE SHARES

- (1) The Seller is the sole legal and beneficial owner of the Sale Shares. The Sale Shares constitute the entire issued share capital of the Company.
- (2) The Seller is entitled to sell and procure the transfer of the full legal and beneficial ownership in the Sale Shares free from any encumbrance, equity or third party right of any kind or nature whatsoever, from any agreement or contract to grant the same and from any claim to any of the same.
- (3) The Sale Shares are fully paid up or credited as fully paid up and constitute the whole of the issued and allotted share capital owned by the Seller in the Company.
- (4) No agreement or contract has been entered into which requires or may require the Company to allot or issue any share or loan capital and the Company has not allotted or issued any securities which are convertible into share or loan capital and there are no voting trusts, proxies or other agreements or understandings with respect to the voting of the Sale Shares.

A.4 SUBSIDIARIES

- (1) The Company is not the holder or beneficial owner of (nor has agreed to acquire) any class of any shares or loan capital or other securities of any other corporation (whether incorporated in the United States of America or elsewhere).
- (2) Other than with respect to its interest in LPC, the Company is not and has not agreed to become a member of any partnership or other unincorporated association, joint venture or consortium (other than recognised trade associations).
- (3) The Company does not have any place of business or permanent establishment (as that expression is defined in double taxation conventions) outside the United States of America.

A.5 OWNERSHIP OF ASSETS

- (1) Except for the LPC Interests and those assets that are leased (as described in the Disclosure Letter) the Company has full legal and beneficial title to all assets (whether tangible or intangible) reflected in the US Financial Information (save for current assets and fixed assets worth less than US\$100,000, both as defined for the purposes of the US Financial Information, disposed of by the Company in the Ordinary Course of its Business since 28 February 1998) and to all assets acquired by the Company since 28 February 1998.
- (2) None of the Assets is subject to any encumbrance (including, without limitation, any debenture, mortgage, charge, lien (other than any such lien arising by operation of law or by statute), deposit by way of security, bill of sale, option or right of pre-emption) except those that arise in the Ordinary Course of Business and do not have a material adverse effect on the Business. All significant items of Plant and Equipment have been regularly and adequately maintained where such maintenance is normally required and are in reasonable working order having regard to their age and use and taken as a whole are capable of operating the Business fully and effectively as conducted by the Company prior to Completion.
- (3) Save for fluctuations and variations in Stock due to normal business factors including, without limitation, production schedules and market demand (including seasonal factors affecting the same) the Stocks in aggregate comprise broadly the same mix of products as has been required and has been maintained at levels sufficient to meet the level of sales of the Business for the last four quarters. The Stock is owned by the Company free and clear of all liens, claims, charges and encumbrances other than any such liens arising by operation of law or by statute. The Stock is located at the Property and as disclosed in the Disclosure Letter.
- (4) The Company owns or has the right to use all the property rights and assets necessary for the Company to carry on fully and effectively the Business in the manner and to the extent to which it is presently conducted.
- (5) The Business Data taking into account the time, purpose, nature and context in which it was prepared is in all material respects a bona fide and accurate record and in the Seller's opinion is collectively sufficient for the purposes of conducting the Company's business in the Ordinary Course of Business. The Business Data and the Company's information, and the means of access to them, are exclusively owned by it and under its direct control or are under its authority.
- (6) The Disclosure Letter contains details of the current insurance arrangements applicable to the Business. Those arrangements are in full force and effect, all premiums have been duly paid and, so far as the Seller is aware, nothing has been done or omitted to be done which would make any policy of insurance of the Company void or voidable. There is no claim outstanding under any such arrangement.

A.6 COMPLIANCE WITH STATUTES

The Company has complied with all applicable laws (including rules, regulations both having the force of law, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of national, local, and foreign governments (and all agencies thereof), and no action, suit, proceeding, hearing, investigation, charge, claim, demand, or notice has been filed or commenced against the Company alleging any failure so to comply.

A.7 LICENCES AND CONSENTS

The Company has all Permits necessary to own and operate its Assets and to carry on the Business in the manner in which such business is now carried on. All such Permits are valid and subsisting and have been complied with in all material respects. The Company has paid all fees due under the same. A list of material Permits has been disclosed and identified in the Disclosure Letter and the list identifies those material Permits which allow for revocation on a change in controlling shareholder.

A.8 LITIGATION

- (1) The Company is not engaged in any litigation or arbitration proceedings except as plaintiff for collection of debts in the Ordinary Course of Business which is likely to involve the Company claiming or paying sums in excess of US\$100,000 or which otherwise will have a material effect on the operation of the Company and the Business and there are no such proceedings pending and no letter before action has been received by the Company and so far as the Seller is aware there are no facts likely to give rise to any such proceedings. The Seller has disclosed in the Disclosure Letter a list (which is complete and accurate in all material respects) which includes a description of each pending law suit, claim (including customer complaints), administrative proceedings, arbitration, labour dispute or governmental investigation or inspection to which the Company is a party or involves the operation of the Business or involves the Sale Shares and in each case which is likely to involve the Company claiming or paying sums in excess of US\$100,000. The Seller has disclosed all material (individually or in the aggregate) product liability claims received by the Company or by the Seller during the last three years. There are no orders, decrees, judgments or agreements with any Court or governmental authority to which the Company or the Seller (on behalf of the Company) is a party or by which the Company or the Seller or the Sale Shares are bound and which will have a material effect on the operation of the Company and its business.
- (2) No administrator, receiver or administrative receiver or any other equivalent officer has been appointed in respect of the Company or in respect of any parts of the assets or undertakings of the Company.
- (3) No petition has been presented, no order has been made, no resolution has been passed and no meeting has been convened for the winding-up of the Company or for an administration order to be made in relation to the Company nor has any such order been made.
- (4) No voluntary arrangement has been approved and no compromise or arrangement has been sanctioned in respect of the Company pursuant to any applicable bankruptcy or insolvency legislation.
- (5) The Company has not become unable to pay its debts.
- (6) No distress, distraint, charging order, garnishee order, execution or other process has been levied or applied for in respect of the whole or any part of any of the property, assets and/or undertaking of the Company.

A.9 ENVIRONMENTAL MATTERS

(1) Environmental Authorisations

- (a) The Company has lawfully obtained all Environmental Authorisations and each such authorisation is in full force and effect and the Company has complied at all times with and can continue to comply in the future with all conditions of such authorisations.
- (b) No works or costs are or will be necessary to obtain or secure compliance with or maintain any existing Environmental Authorisations or their conditions or otherwise to comply with Environmental Laws.
- (c) The Company has received no communication in any form in respect of any Environmental Authorisation varying, modifying in any material respect, revoking, suspending or cancelling the same or indicating an intention or threatening so to do and there are no facts or circumstances which the Seller knows or ought reasonably to know which will result in any Environmental Authorisation being so varied, modified, revoked, suspended or which may prejudice their renewal.
- (d) The Seller or the Company has taken all necessary action in connection with the renewal or extension of all Environmental Authorisations.
- (e) The Company is not engaged in and, so far as the Seller is aware, there are no facts which make it likely or desirable that it should be engaged in any appeal in respect of any Environmental Authorisation or any conditions contained therein or any refusal of any Environmental Authorisation.
- (f) So far as the Seller is aware or ought to be aware, there is no reason (other than reasons relating to the Purchaser or its Affiliates) to believe that those Environmental Authorisations which have been applied for but which have not yet been granted or are pending will not be granted within a reasonable period of time and on terms which are acceptable in order for the Company to continue its current business operations.
- (g) So far as the Seller is aware or ought to be aware, the execution and/or performance of this agreement and all other documents which are to be executed at Completion will not result in any Environmental Authorisations being varied, modified, revoked, suspended, cancelled or not renewed, other than for reasons relating to the Purchaser or its Affiliates.

(2) Compliance with Environmental Laws

- (a) The Company, in relation to the Business, is in compliance with Environmental Laws and the state and use of the Property have been at all times in conformity with Environmental Laws.
- (b) The Company, in relation to the Business, has not received any communication in any form from any competent authority requiring the taking of remedial or other steps in relation to the pollution or protection of the Environment or the state or use of the Property. So far as the Seller is aware, there are no circumstances which might give rise to such communications being received and the Seller is not aware of any intention on the part of any such authority to give such notice.
- (c) In relation to the Business, no proceedings or other action, claim or investigation are or have been in existence or so far as the Seller is aware pending or threatened against the Company arising from or in relation to any Environmental Authorisations or otherwise concerning Environmental Laws.

(3) Liability

- (a) The Company or the Seller, in relation to the Business, has not received any notice or intimation of any complaint or claim from any person in respect of any matter concerning the Environment.
 - (b) The Company or the Seller, in relation to the Business, are not and have not been engaged in any action, litigation, arbitration or dispute resolution proceedings relating to or concerning any actual or potential liability under Environmental Laws and the Seller is not aware of any such matters pending or being threatened or of any circumstances or facts likely to give rise to any such matters.
 - (c) The Company or the Seller, in relation to the Business, are not and have not been subject to any injunction or similar remedy or order by a court of competent jurisdiction, or to any undertakings given to such court in respect of any matters relating to or concerning the Environment.
- (4) As far as the Seller is aware, there has not been in relation to the Business in the last three years any adverse report, complaint or investigation or any prosecution, formal caution or warning for any violation of any applicable laws or regulations relating to health, safety and the environment.

A.10 DATA ROOM DOCUMENTS

- (1) Save as disclosed in Schedule 6 of the Disclosure Letter, so far as the Seller is aware, each licence, permit, contract, list and report set out in Annex 6 and disclosed in the Data Room, and identified on Annex 6 by reference to the reference number set out in the Data Room Index annexed to the Disclosure Letter:
 - (a) other than where redacted, is a true copy of the original;
 - (b) is the latest version thereof;
 - (c) is complete; and
 - (d) has not been altered, amended or varied since the date thereon.
- (2) To the extent that any note, summary or response to questions of or in respect of the documents set out in Annex 6 referred to in sub-Paragraph A.10(1) contains any expression of opinion of the ICI Group (not including the opinion of third parties), such opinion reflects the current reasonably held opinion of its author given in good faith taking into account the respective author's knowledge and understanding.

B. US FINANCIAL INFORMATION

- (1) The US Financial Information relating to the Business has been derived from the books of the Company, which books have been regularly and consistently kept and maintained using ICI's normal accounting policies and practices as set out or referred to in ICI's Controller's Manuals (and the policies contained in these Manuals are in accordance with UK GAAP) as applied by the relevant business on a consistent basis in accordance with UK GAAP and, on such basis, represents the assets and liabilities of the Business as at 28 February 1998.
- (2) The US Financial Information relating to the Business fairly represents the matters presented therein. Since 28 February 1998 there has been:
 - (a) no material change in any accounting or inventory valuation methods used by the Company in connection with the Assets;
 - (b) no upward revaluations of existing Stocks; and
 - (c) no material adverse change in the Business or financial condition

of the Company, which for this purpose shall not include the inherently cyclical nature of the titanium dioxide industry or general economic conditions.

(3) Since [DATE OF FRAMEWORK AGREEMENT] 1998:

- (i) the Company has not sold, leased, transferred, or assigned any of its assets, tangible or intangible, other than for a fair consideration in the Ordinary Course of Business;
- (ii) the Company has not entered into any agreement, contract, lease, or licence (or series of related agreements, contracts, leases and licences) either involving more than US\$1,000,000 within a 12 month period or outside the Ordinary Course of Business;
- (iii) no party (including any of the Company's Affiliates) has accelerated, terminated, modified, or cancelled any agreement, contract, lease, or licence (or series of related agreements, contracts, leases, and licences) involving more than US\$250,000 within a 12 month period to which the Company is a party or is bound;
- (iv) the Company has not imposed or permitted another to impose any encumbrance upon any of its assets, tangible or intangible other than those arising by operation of law or statute;
- (v) the Company has not made any capital expenditure (or series of related capital expenditures) either involving more than US\$250,000 or outside the Ordinary Course of Business;
- (vi) the Company has not made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other person (or series of related capital investments, loans and acquisitions) either involving more than US\$250,000 or outside the Ordinary Course of Business;
- (vii) other than to Affiliates of the Seller, the Company has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any indebtedness for borrowed money or capitalised lease obligation either involving more than US\$250,000 singly or US\$2,500,000 in the aggregate;
- (viii) the Company has not delayed or postponed the payment of accounts payable and other liabilities other than in the Ordinary Course of Business;
- (ix) the Company has not cancelled, compromised, waived, or released any right or claim (or series of related rights and claims) either involving more than US\$250,000;
- (x) the Company has not granted any licence or sublicense of any rights under or with respect to any Intellectual Property;
- (xi) there has been no change made or authorised in the constitutional documents of the Company;
- (xii) the Company has not issued, sold, or otherwise disposed of any of its capital stock, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its capital stock;
- (xiii) the Company has not declared, set aside, or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased, or otherwise acquired any of its capital stock;
- (xiv) the Company has not experienced any damage, destruction, or loss (whether or not covered by insurance) to its property involving sums in excess of US\$250,000;

(xv) the Company has not made or pledged to make any charitable contribution outside the Ordinary Course of Business;

(xvi) the Company has not committed to any of the foregoing.

C. ANTI-COMPETITIVE ARRANGEMENTS

The Company or the Seller, in relation to the Business, have not received in the last 3 years any process, notice or communication, formal or informal, from any anti-trust regulatory authority, relating to any aspect of the Business, which alleges any illegal practices in relation to the Business and so far as the Seller is aware no such process, notice or communication is likely to be received.

D. MATERIAL CONTRACTS

- (1) Particulars of all Material Contracts are annexed to the Disclosure Letter.
- (2) The Company is not in breach of, or default under, any of the Material Contracts or any other Contracts the consequence of which would or may have a material adverse effect on the Company and, so far as the Seller is aware, no state of facts exists or event has occurred, is pending or is threatened which after the giving of notice or the lapse of time would or may constitute or result in a breach or a default by the Seller or by the Company or any other person, firm, corporation or entity of or in relation to any contract the consequences of which would have a material effect on the operation of the Business. All Material Contracts are legal, valid and binding obligations of the Company and are enforceable in accordance with their terms.

E. EMPLOYEES

- (1) Particulars of the material terms of employment of all Employees and officers of the Company are annexed to the Disclosure Letter and such particulars are true, complete and accurate.
- (2) No Employee has given to the Company and the Company has not received from any Employee, nor has the Company given to any Employee, notice of termination of any such Employee's employment.
- (3) Standard form consultancy agreements, agency or self-employed or contracted labour agreements or contracts where sums in excess of US\$75,000 per annum are paid or are payable by the Company have been disclosed in the Disclosure Letter.
- (4) So far as the Seller is aware, there is no material industrial action by the Employees pending or threatened in relation to the Business nor has there been within the last 12 months.
- (5) Particulars of all loans made by the Company to Employees and which shall remain outstanding at Completion, together with sums owed by the Company to any Employee (other than remuneration and other contractual or customary benefits) are disclosed in the Disclosure Letter.
- (6) No Employee of Grade 37 or above previously employed by the Company has a right to return to work or any right to be reinstated or re-engaged by the Company, whether under statute or otherwise.
- (7) No Employees previously employed by the Company have a right to return to work or any right to be reinstated or re-engaged by the Company, whether under statute or otherwise.
- (8) In relation to the Employees, there are no existing nor, so far as the Seller is aware, threatened arbitration procedures arising out of or under any union recognition or works council agreement covering the Employees nor, so far as the Seller is aware, does any basis therefore exist nor has the Seller or the Company received any request for recognition or representation by any trade union not currently

recognised at the Property.

- (9) The Company has complied in all material respects with all statutes, regulations, orders and codes of conduct relating to employment and relations with Employees and trade unions and has maintained records required by law regarding the service of each of its Employees.
- (10) The Disclosure Letter contains a list of Employees at the Property together with a list of Employees below Grade 37 and a list of Employees above Grade 37. The Disclosure Letter also contains a list of Employees of the Company who are employed at locations other than at the Property.
- (11) So far as the Seller is aware here are no material complaints, disputes or grievances pending or threatened against the Company of any nature in relation to its Employees or former Employees.
- (12) All of the Employees are employed by the Company.
- (13) The Company has discharged such obligations to Employees in respect of salaries, wages, commissions, bonuses, overtime pay and holidays as have accrued and become payable to Employees in accordance with the Company's normal pay policies, including the normal timing of such payments, as at the date hereof.

For the purposes of this Part E, "GRADE 37" refers to a particular grade of employee, as determined by the Company, using the Hay-MSL evaluation system.

F. PENSIONS

In this Part F, "SCHEME DOCUMENTS" means the documents relating to the Scheme identified in the Disclosure Letter.

- (1) Except pursuant to the Scheme, the Company has not paid, provided or contributed towards, and is not under any obligation (whether or not legally enforceable) to pay, provide or contribute towards any relevant benefit payable on death or retirement for or in respect of any present or past officer or employee (or any spouse, child or dependant of any of them) of the Company.
- (2) The Scheme Documents comprise all the documents governing the Scheme including financial statements for the preceding period of three years, all explanatory booklets and announcements to the Employees describing the terms of the Scheme (other than routine benefit statements) of current effect and full particulars of any enhancement of benefit and contributions payable to the Scheme and there is no obligation to provide or continue to provide benefits in respect of Employees or former Employees of the Company under the Schemes other than as revealed in the Scheme Documents.
- (3) The Scheme has been registered as required under applicable legislation.
- (4) The Scheme has at all times complied with the provisions of all relevant statutes, regulations and requirements and have been administered in accordance with the trusts, powers and provisions of the Scheme and with due regard to the general requirements of trust law and the advisers to the Scheme have not had and do not have any cause to report any matter.
- (5) The Company has complied in all material respects with its obligations under the Scheme and all amounts due to be paid to the Scheme by it and its Employees have been paid.
- (6) There are no claims or actions in progress, pending or threatened (other than routine claims for benefits) against the trustees of the Scheme or the Company about benefits payable under the Scheme in respect of Employees or former Employees of the Company.
- (7) All information of a factual nature made available to the Purchaser or its advisers in connection with the Scheme is true and accurate in all material respects and there is no omission therefrom.
- (8) No proposal has been announced to alter or discontinue the Scheme nor has any proposal which is legally enforceable been announced to

establish any retirement, death or disability agreement or arrangement of the nature referred to in paragraph (1) above in respect of Employees which proposal remains outstanding and has not been implemented.

- (9) There is no amount which is due to the trustees of the Scheme.

G. PROPERTY

- (1) The Property constitutes all of the freehold or leasehold or other immovable property currently owned by the Company or in which the Company has an ownership interest.
- (2) The particulars of the Property shown in Schedule 2 (including in the case of immovable property registration particulars) are true, complete and correct. The use of the Property for the purpose stated in Schedule 2 corresponds to the use to which it is in fact put or (where the Property is not presently in use) to the use to which it was last in fact put.
- (3) The leasehold interest relating to the Property is held pursuant to a valid and binding lease.
- (4) The Company does not require the use and is not in occupation of or entitled to any estate or interest in any land or premises other than the Property. The Company is in exclusive occupation of the whole of the Property and on Completion shall be in exclusive occupation of the whole of the Property.
- (5) The Property is not affected by any of the following matters:
- (a) any easement, reservation, covenant, restriction, agreement, licence, franchise, mortgage, charge, encumbrance, or third party right;
 - (b) any notice, order, proposal, dispute or complaint relating to it or its present use under any legislation, agreement, covenant, condition, licence or consent; or
 - (c) outgoings (other than uniform business rates, water charges and other standard payments to the relevant water company including, without limitation, insurance premiums and other usual business expenses), whether of a periodically recurring nature or otherwise and whether payable by the owner or occupier of the relevant property.
- (6) All obligations, restrictions, conditions and covenants (including any imposed by or pursuant to any lease but excluding any referred to in paragraph A.9 above) affecting the Property have been observed and performed so far as the Seller is aware and there are no subsisting allegations of a breach of any thereof relating to the Property or its present use under any legislation, agreement, covenant, condition, licence or consent other than those referred to in paragraph A.9 or so far as the Seller is aware any circumstance which might give rise to such a breach.
- (7) The Property is in a good and substantial state of repair and condition and fit for the purposes for which it is presently used and the Company has not used in the Property any substances not in conformity with relevant standards or codes of practice or which are generally known to be deleterious to health and safety and there are no uncompleted works of any description at the Property other than routine maintenance.
- (8) There are no subsisting allegations that the use of the Property for the purpose stated in Schedule 2 is not the permitted use under the provisions of all relevant legislation.
- (9) The Company has no liabilities or contingent liabilities (but excluding any matters referred to in paragraph A.9 above) in respect of any properties (other than the Property) (or any interest therein) whether by privity of contract or by way of guarantee or surety or otherwise.

- (10) The Property has the benefit of all rights, easements and consents required for the occupation and operation of the Property for its present use and any plant, machinery and processes thereat and such rights, easements and consents are enjoyed on terms which do not permit them to be determined by any third party or by effluxion of time.
- (11) There are no outstanding liabilities to make payments in respect of rates, water charges, or any other charges payable in respect of the Property to any governmental, state, municipal or other similar authority.

H. INTELLECTUAL PROPERTY

- (1) The rights licensed to the Company pursuant to the US Name Agreement in combination with all rights owned by the Company in Intellectual Property constitutes all the Intellectual Property necessary for the conduct of the Business by the Company as now conducted.
- (2) The Seller does not have actual notice of any infringement by others or of attacks on the validity or enforceability of or on the Company's title to any Material Intellectual Property used in the Business. The Disclosure Letter identifies all patents, patent applications, registrations and applications for registration of Intellectual Property, all Material unregistered trademarks, service marks, trade names and copyrights owned by the Company. "MATERIAL" in this Warranty H(2) means Intellectual Property the absence of which would have a significant negative impact on either (a) the revenue attributable to or derived from the Intellectual Property or (b) otherwise on the conduct of the Company's business. The Disclosure Letter also identifies the status of the relevant patents and, so far as the Seller is aware, whether or not such patents are currently being opposed.
- (3) The Disclosure Letter identifies all information technology used by the Company which is defined in the Disclosure Letter as being "MATERIAL INFORMATION TECHNOLOGY".
- (4) The Seller does not have actual knowledge and has not received written notification that the activities of the Business infringe the Intellectual Property of any third party (the Seller having no obligation to conduct investigations in relation to any such potential infringement).
- (5) So far as the Seller is aware or ought to be aware, all Material agreements relating to Intellectual Property and Technical Information to which the Seller is a party and which relate to the Business are listed in the Disclosure Letter. "MATERIAL" in this Warranty H(5) means agreements relating to Intellectual Property the absence of which would have a significant negative impact on either (a) the revenue attributable to or derived from the Intellectual Property or (b) otherwise on the conduct of the Company's business.
- (6) All Intellectual Property material to the conduct of the Business immediately prior to Completion will be owned or available for use by the Company immediately after Completion. For the purposes of this Warranty H (6), material has the same meaning as in Warranty H (2).

I. BROKERS

Neither the Seller nor the Company has employed any investment banker, broker or finder or incurred any liability for any brokerage fees, commissions, finders fees or similar payments in connection with the transactions contemplated by this agreement for which the Purchaser, the Purchaser's Affiliates, LPC or the Company may be liable.

J. TAXATION

- (1) Tax Returns, disputes, records and claims etc.
 - (a) The Company has timely filed all proper returns required to be made for any Taxation purpose and has supplied or caused

to be supplied all information required by law to be supplied to any revenue authority.

(b) There is no dispute or disagreement (not including routine queries relating to the Taxation returns of the Company) outstanding at the date of this Agreement with any revenue authority regarding the proper method of computing the profits of the Company (or any part of it) for Taxation purposes or the proper treatment of any supplies of goods or services made (or treated as made) by the Company or in respect of any other Taxation matter and there are no circumstances of which the Seller is aware which make it likely that any such dispute or disagreement will commence. Without prejudice to the generality of the foregoing, there is no current investigation being undertaken by any Taxation authority and, so far as the Seller is aware, there are no existing circumstances which make it likely, in the event of such an investigation taking place, that a liability will arise. There are no liens for Tax upon the Assets of the Company, except liens for current Tax not yet due.

(c) The amount of Taxation chargeable on the Company during any accounting period ending on or within six years before Completion has not to any material extent depended on any concession, agreement, dispensation or other formal arrangement with any revenue authority in circumstances where either:

(i) the availability of any such arrangement will be prejudiced as a result of the change of control of the Company resulting from this agreement; or

(ii) the Company has not acted in accordance with the terms of the arrangement in question.

(d) The Company has made all Taxation claims, disclaimers and elections and taken all other action the making or doing of which was assumed to have been made for the purpose of the Taxation provisions in the Accounts.

(2) Duties etc.

All customs duties and sales and goods and services taxes payable to any revenue authority upon the importation of any of the Company's assets and all excise duties payable to any revenue authority in respect of any of these assets have been paid in full, and none of these assets is liable to confiscation or forfeiture or subject to a Tax lien except for liens for current Tax not yet due (whether by virtue of non-payment or underpayment of any Taxation or duty or by virtue of non-compliance with any legislation or regulation relating to any Taxation or duty or otherwise howsoever).

(3) Contracts

In relation to the Business, no contracts to which the Company is a party and no obligation to any present or former director, employee or officer involve any future liabilities of a revenue nature which when incurred will not be deductible in computing profits for Tax purposes otherwise than as a result of any future changes in the law or as a result of any voluntary act after Completion of the Purchaser or of the Company outside the Ordinary Course of Business of the Company.

(4) Distributions and payments

In relation to the Business, the Company has deducted and properly operated and accounted to the appropriate revenue authority for all amounts which it has been obliged to deduct in respect of Taxation.

(5) Employee benefits

(a) The Company has made all required deductions and withholdings from all payments made, or treated as made, to its directors, Employees or officers or former directors, Employees or

officers or any person required to be treated as such, and accounting to the taxation authorities for all Taxation so deducted and for all Taxation chargeable on the Company on benefits provided for its directors, Employees or officers, or former directors, Employees or officers.

- (b) The Disclosure Letter contains full details of all share incentive schemes, profit sharing schemes and profit related pay schemes established by the Company.

(6) Residence and offshore interests

- (a) The Company is and has at all times been resident in the United States of America for the purposes of all Taxation Statutes and has not at any time been resident outside the United States of America for the purposes of any Taxation Statute or any double taxation arrangements.

- (b) The Company has not at any time had a branch outside the United States of America or any permanent establishment (as that expression is defined in the respective double taxation relief orders current at the date of this Agreement) outside the United States of America and the Company has no existing entitlement to receive royalties, (or any sum treated as royalties for any Taxation purposes) which are paid subject to deduction of Tax in a jurisdiction outside the United States of America.

(7) Election under section 338 (h) (10) of the Code

The Seller represents that it has filed a consolidated federal income tax return for the Company for the taxable year immediately preceeding the current taxable year and the Seller is eligible to make an election under Section 338 (h) (10) of the Code.

K. MILLENNIUM COMPLIANCE

- (1) For the purposes of this agreement "MILLENNIUM COMPLIANT" means that the Computer Systems are capable of the following functions before, during and/or after 1 January 2000:

- (a) handling date information involving all and any dates before, during and/or after 1 January 2000 including accepting date input, providing date output and performing date calculations in whole or part;
- (b) operating accurately without interruption on and in respect of any and all dates before, during and/or after 1 January 2000 and without any change in performance;
- (c) responding to and processing two digit year input without creating any ambiguity as to the century; and
- (d) storing and providing date input information without creating any ambiguity as to the century.

- (2) The Disclosure Letter contains material details of the measures that have been implemented within the Business to determine the extent to which its Computer Systems are not Millennium Compliant, and material details of any programme undertaken by the Business with a view to its Computer Systems achieving Millennium Compliance (or so close to Millennium Compliance as is practicable).

L. INTRA-GROUP ARRANGEMENTS

- (1) There is no indebtedness or liability (actual or contingent) nor any security owed by the Company to any member of the Seller's Group or ICI's Group (as constituted following Completion) other than arising in the Ordinary Course of Business and as conducted on arm's length terms.

- (2) There is no agreement or contract to which the Company is a party and to which any member of the Seller's Group (as constituted following Completion) is a party or in which any such member is otherwise interested in any way whatsoever which shall continue beyond the Completion Date.

M. DEBTORS

- (1) The Company has not made, or entered into any contract or agreement to make any loan to, or other arrangement with, any person as a result of which it is or may be owed any money other than trade debts incurred in the Ordinary Course of Business and cash at bank.
- (2) The Company is not entitled to the benefit of any debt otherwise than as the original creditor and has not factored or discounted any debt or agreed to do so.
- (3) All of the debts which will be reflected in the Final Completion Statement as owing to the Company (apart from bad and doubtful debts to the extent to which they have been provided for in the Final Completion Statement (as defined in Schedule 6)) will realise their full value as included in the Final Completion Statement within the payment terms agreed with the respective creditors.

N. OTHER OPERATIONS AND ASSETS

- (1) During the 8 years prior to the date hereof, neither the Company, nor any of its downstream Affiliates nor any entity to which the Company has succeeded through merger or by operation of law, has engaged, directly or through downstream Affiliates or agents or in partnership, in a business other than the manufacture, import, export, sale and distribution of titanium pigments, co-products and related products.
- (2) The Seller has disclosed to the Purchaser details of all real property owned, leased or occupied by the Company or any of its downstream Affiliates or any entity to which the Company has succeeded through merger or by operation of law at any time during the 8 years prior to the date hereof.
- (3) The Seller has disclosed to the Purchaser all off-site disposal locations of Hazardous Materials owned by the Company, its downstream Affiliates and any entity to which the Company has succeeded through merger or by operation of law during the 8 years prior to the date hereof.
- (4) Neither the Company, nor any of its downstream Affiliates nor any entity to which the Company has succeeded through merger or by operation of law has owned or controlled a business for whose liabilities any of them could be responsible the business records of which have not been made available in the Data Room.

SCHEDULE 3.2

WARRANTIES WITH RESPECT TO THE LPC INTERESTS ONLY

- (1) With respect to the LPC Interests, the execution, delivery and performance by Seller of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate the certificate of incorporation or bylaws of the Seller or the Company, (ii) violate any law, rule, regulation, judgment, injunction, order or decree applicable to LPC or the LPC Interests, (iii) constitute a default under any provision of any agreement or other instrument binding upon the Seller or the Company relating to the LPC Interests or LPC, or (iv) result in the creation or imposition of any lien on the LPC

Interests.

- (2) The Seller or the Company has good title to the LPC Interests, free and clear of any lien or other adverse interest.
- (3) There is no action, suit, investigation or proceeding pending against, or to the knowledge of Seller or the Company, threatened against or affecting, the Seller or the Company before any court or arbitrator or any governmental body, agency or official, relating to the LPC Interests, which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this agreement.
- (4) Neither the Seller nor the Company is in violation of any law, rule, regulation, judgment, injunction, order or decree applicable to the LPC Interests or to LPC.
- (5) The US Financial Information relating to the LPC Interests has been derived from the books of the Company, which books have been regularly and consistently kept and maintained using ICI's normal accounting policies and practices as set out or referred to in ICI's Contoller's Manuals (and the policies contained in these Manuals are in accordance with UK GAAP) as applied by the relevant business on a consistent basis in accordance with UK GAAP and, on such basis, represents the assets and liabilities of the Business as at 28 February 1998.
- (6) The US Financial Information relating to the LPC Interests fairly represents the matters presented therein. Since 28 February 1998 there has been:
 - (a) no material change in any accounting or inventory valuation methods used by the Company in connection with the Assets; and
 - (b) no upward revaluations of existing Stocks.

SCHEDULE 4
IMPLEMENTATION AGREEMENTS

- 1 Deed of Indemnity
- 2 Name Agreement between Tioxide Europe Limited, E.I. Du Pont de Nemours and Company and the Company
- 3 LPC Termination Agreement between Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Kronos Europe S.A./N.V., Kronos Canada Inc., Kronos Titan GmbH, LPC, Tioxide Group Limited and Tioxide Group Services Limited
- 4 LPC Licence Agreement between Kronos, Inc., Kronos Louisiana, Inc., Kronos International, Inc., Kronos Europe S.A./N.V., Kronos Canada Inc., Kronos Titan GmbH, LPC and Tioxide Europe Limited

SCHEDULE 5
ENVIRONMENT

- 1 INTERPRETATION

For the purposes of this Schedule, words and expressions defined in the Share Sale Agreement to which this Schedule is attached shall have the same respective meanings in this Schedule and, in addition, the following terms shall have the following respective meanings:

"COMMERCIALY REASONABLE EXPENSES" are those costs and expenses which a reasonable person acting in a commercially prudent manner, taking into account (but without imposing an absolute requirement) the need to minimise his expenditure, would expend, in the case of any obligation to carry out the remediation of Environmental Contamination pursuant to Environmental Laws, to meet that obligation. For the avoidance of doubt, Commercially Reasonable Expenses shall not include any costs or expenses to the extent that they are incurred as a result of the adoption or imposition of standards of clean-up materially more stringent than those which are provided for under Environmental Laws;

"CONTROLLED WATERS" means waters including any ground or surface waters;

"COUNTER INDEMNITY" means the indemnity defined in sub-paragraph 3.1 of this Schedule;

"ENVIRONMENT" means air, Controlled Waters, land (whether on, in or below such land, excluding any buildings or other permanent structures on, in or below the land) but including the surface of any river bed, the surface of any sea bed or any other land covered by water, and flora and fauna and all other natural resources;

"ENVIRONMENTAL CONTAMINATION" means any discharge, transport, emission, release, leakage, spillage, escape or disposal of Hazardous Material at or from the Site(s) onto or into any part of the Environment;

"ENVIRONMENTAL LAWS" means any and all legislation (whether civil, criminal or administrative), statutes, treaty, statutory instrument, directive, bylaw or judgment, regulations, ordinances, notices, orders, government circulars, codes of practice, policy and guidance notes or decisions of any competent regulatory body or common law relating to pollution or protection of the Environment or harm to human health arising from Environmental Contamination, which as at Completion are in effect and legally capable of enforcement by legal process in the country in which the Site(s) are situated;

"ENVIRONMENTAL LIABILITIES" means all claims, costs, damages, expenses (including reasonable professional fees incurred), losses, liabilities (including without limitation liability to third parties), fines or penalties suffered or incurred by the Company, the Purchaser or its Affiliates (or the Seller or its Affiliates in the case of the Counter Indemnity) in relation to the Company (excluding in the case of the Indemnity but not the Counter Indemnity the LPC Interests and LPC) as a direct consequence of or in connection with any Environmental Proceeding;

BUT EXCLUDING any claims, costs, damages, expenses, losses, liabilities:

(i) in respect of capital expenditure on plant and equipment other than capital to carry out remediation of Environmental Contamination pursuant to Environmental Laws;

(ii) in respect of loss of anticipated profits, loss of revenue, or any other loss in respect of business interruption other than such reasonably foreseeable losses of third parties who have themselves directly suffered the relevant Environmental Contamination or whose use of the Environment has been adversely and directly affected by the relevant Environmental Contamination;

(iii) where applicable to the extent that they are not Commercially Reasonable Expenses;

"ENVIRONMENTAL PROCEEDING" means in relation to the Company:

(i) subject to (ii) below, any one or more writs, interim or final judicial or administrative decrees, judgments, injunctions, orders, or notices:

(a) under which the Company, the Purchaser or its Affiliates (or the Seller or its Affiliates in the case of the Counter Indemnity) are obliged by Environmental Laws or legal process pursuant to Environmental Laws to undertake or pay the cost of remediation or with which the aforesaid parties are otherwise obliged to comply; or

(b) in respect of any violation or alleged violation of Environmental Laws; or

(c) in respect of:

(01) any personal injury to any third party; or

(02) damage to any property of any third party,

both pursuant to Environmental Laws;

Provided that in the case of the Indemnity only:

* the reference to the Company shall exclude the LPC Interests and LPC; and

* in paragraphs (i) (c) (01) and (02), the reference to a "THIRD PARTY" shall not include any employee, contractor or agent of the Company, the Purchaser or and its Affiliates, except when:

- the personal injury other than asbestos-related personal injury (in the case of paragraph (i) (c) (01); and/or

- the damage to property (in the case of (i) (c) (02),

occurs after Completion and, the Purchaser did not know or reasonably ought not to have known of the circumstances which gave rise to that personal injury, or as the case may be, that damage; and

(ii) any agreement between the Seller and Purchaser (or in the event of disagreement any determination by the Experts) that it is Reasonably Necessary to undertake remediation of Environmental Contamination, which would (but for the fact that an environmental authority is unaware of it) be more likely than not to result in an environmental authority bringing an Environmental Proceeding under (i) (a) in the definition of Environmental Proceeding and which would result in Environmental Liabilities;

"HAZARDOUS MATERIAL" means hazardous, poisonous, dangerous, noxious or toxic substances, pollutants or wastes including (to the extent they are hazardous, poisonous, dangerous, noxious or toxic) pesticides, contaminants, petroleum products, asbestos, polychlorinated biphenyls and radiation;

"INDEMNITY" means the indemnities contained in paragraph 2 below;

"REASONABLY NECESSARY" means reasonably necessary to avoid or avert or mitigate the development of substantial adverse and material pollution of the Environment or harm to human health which will arise within a period of six months; and

"SITES(S)" means the Properties.

2 INDEMNITY

2.1 Subject to the provisions of this agreement, the Seller undertakes to the Purchaser (for the benefit of the Company, the Purchaser and each of

its Affiliates) that it will indemnify and hold harmless the Company, the Purchaser and each of the Purchaser's Affiliates against:

2.1.1 all Environmental Liabilities arising at or from the Site(s), to the extent that such Environmental Liabilities are a result of Environmental Contamination occurring on or before Completion; and

2.1.2 save in respect of the LPC Interests and LPC, all costs, damages, expenses, losses, fines or penalties suffered or incurred by the Company or the Purchaser or its Affiliates as a result of any prosecutions commenced or proceedings taken, or notices served or other formal enforcement action between [DATE OF SIGNATURE OF FRAMEWORK AGREEMENT] 1998 and Completion by any competent regulatory body in connection with the Environment or health and safety as a result of any breaches of any Environmental Laws related to the operation of those Sites which are owned, occupied or used by the Company AT [DATE OF SIGNATURE OF FRAMEWORK AGREEMENT] 1998. "DAMAGES" in this paragraph 2.1.2 includes any capital expenditure reasonably required to remedy such breaches; and

2.2 notwithstanding sub-paragraphs 2.1 above and 4.1 below, neither the Seller nor any of its Affiliates shall be liable under the Indemnity or otherwise to the extent that such liability arises from or is attributable to the failure of the Purchaser to comply or procure the Company's compliance with the provisions of paragraphs 4.2, 6.1, 6.2, 7, 8, 9, 10, 12 and 14 of this Schedule.

3 THE COUNTER INDEMNITY

3.1 The Purchaser undertakes to the Seller (for the benefit of the Seller and each of its Affiliates) that, subject to the provisions of this agreement, it will indemnify and hold harmless (the "COUNTER Indemnity") the Seller and each of its Affiliates against all Environmental Liabilities arising at or from the Site(s) to the extent that such Environmental Liabilities are as a result of Environmental Contamination after Completion.

3.2 Notwithstanding sub-paragraph 3.1 above, the Purchaser and its Affiliates shall not be liable to the Seller under the Counter Indemnity or otherwise to the extent that such liability arises from or is attributable to the failure of the Seller to comply with the provisions of paragraphs 3.3, 4.2, 6.1, 6.2, 7, 8, 9, 10, 12 and 14 of this Schedule.

3.3 The Seller shall take all reasonable steps to avoid or mitigate any Environmental Liabilities and potential Environmental Liabilities which may give rise to a claim under or in connection with this Counter Indemnity, howsoever arising.

3.4 The provisions of sub-paragraphs 4.2 and 12.1 shall apply equally mutatis mutandis in respect of the Seller and the Purchaser's rights or obligations in respect of the Counter Indemnity.

4 LIMITATIONS

4.1.1 Neither the Seller nor any of its Affiliates shall be liable under the Indemnity to the extent that Environmental Liabilities have arisen, been increased, exacerbated, enhanced or caused as a result of any act or omission (whether direct or indirect) of the Company, the Purchaser or any Affiliates, employees, agents or contractors thereof after Completion (including, without limitation, any change of use of the Site(s) including closure of all or any part of the Sites but not including any material change of process within the existing plant and/or buildings or any material change to or development of the business and operations carried on at any Site which does not result in any Site or any part of any Site ceasing to be used for general industrial/manufacturing of a type materially similar to the existing Site operation.

- 4.1.2 The word "OMISSION" as used in this paragraph 4.1 shall not mean any failure by the Company or Purchaser to carry out remediation or preventative action in circumstances where it is not within their power to do so or where the Purchaser is not aware or could not reasonably have been aware of the Environmental Liabilities in question or where (without prejudice to the obligations of the Purchaser under paragraph 5) the rights of the Purchaser to bring a claim under the Indemnity would be prejudiced as a result thereof.
- 4.2 No claim may be made for any Environmental Liabilities under the Indemnity or Counter Indemnity to the extent that any Environmental Liabilities arise:
- 4.2.1 as a result directly or indirectly of information voluntarily given, in the case of the Indemnity by the Purchaser or the Company (but only post Completion in the case of the Company) or, in the case of the Counter Indemnity, by the Seller after Completion to a regulatory authority in circumstances other than where there is a mandatory reporting requirement under Environmental Laws or where information is given as required in the context of applications for or variations to authorisations, licences and other forms of environmental consent required by the Business in the course of the Company's or the Purchaser's or Seller's normal business activities (as appropriate) or where the other party has previously proposed or approved this course of action in writing; and
- 4.2.2 save where compelled by law, from any admission of liability by a representative of the Purchaser or Seller holding a rank not less than that of Senior Vice President in respect of any clean-up which needs to be done, except where the other party has approved such admission in writing such approval not to be unreasonably withheld or delayed.
- 4.3 No claim under the terms of the Indemnity or Counter Indemnity for any Environmental Liabilities shall be valid unless notice has been served in accordance with the provisions of paragraph 7 and in the case of Indemnity, but not the Counter Indemnity, said notice has been served within 10 years of Completion.
- 4.4 The Seller's liability under the Indemnity shall be limited in accordance with the provisions of the Americas Liability Agreement, except for sub-clauses 4.1.2 (save for the proviso to sub-clause 4.1) and 4.2 of the Americas Liability Agreement, the subject matter of which will be governed by the provisions of this Schedule.
- 4.5 In the event that the Indemnitor (as defined in paragraph 6.1) either incurs external charges, costs and expenses for environmental services or internal charges for its own environmental services, in either case including but not limited to testing and/or analytical services and/or contaminated soil disposal facilities, in connection with or in relation to any actual or potential Environmental Liabilities under the Indemnity or Counter Indemnity (as appropriate) then such external and internal charges, costs and expenses shall be deemed to be payments made under the Indemnity or Counter Indemnity (as appropriate). Any internal charges shall be made on the same basis as the Indemnitor charges to its own business or its Affiliates.
- 4.6 It is hereby expressly agreed that, save where the Seller has accepted liability or becomes otherwise liable under the terms of the Indemnity, all costs incurred by the Purchaser in carrying out environmental analyses and tests of the Site(s) (and its (or their) surrounds) shall be borne by the Purchaser, other than costs in the exercise of the rights and powers given to the Seller by sub-paragraphs 9.1 and 9.2 which shall be borne by the Seller unless the Purchaser becomes liable therefor under the terms of the Counter Indemnity or unless the parties otherwise agree.
- 4.7 The Seller shall be liable under the Indemnity for any asbestos-related personal injury unless and to the extent that any works carried out by the Purchaser or its Affiliates or the Company after Completion, were

not carried out by a reputable contractor or contractors, who were duly and properly authorised or approved to undertake such works to at least the standards of the relevant federal, state or other regulatory authorities published by or in operation (in accordance with good industry practice) at all times during the carrying out of such works.

5 MITIGATION

The Seller and the Purchaser shall take all reasonable steps after Completion to avoid or mitigate any Environmental Liabilities and/or potential Environmental Liabilities to the extent it is reasonably within their respective powers to do so, which may give rise to a claim under or in connection with this Indemnity or Counter Indemnity, as appropriate, howsoever arising. Such steps will include but shall not be limited to:

- 5.1 in the case of the Purchaser, carrying out (where reasonably practicable) appropriate soil tests before taking any action which is likely to cause a material disturbance to soil;
- 5.2 in the case of the Purchaser, where reasonably practicable carrying on its activities on the Site(s) so as to minimise disturbance to known areas of existing or probable soil contamination (other than deliberate removal of such contaminated soil) without incurring abnormal unusual or excessive cost in so doing;
- 5.3 where relevant, (with the approval of the other party not to be unreasonably withheld or delayed) settling a claim of any party (not being an Affiliate of the Purchaser in the case of the Indemnity or of the Seller in the case of the Counter Indemnity) which will or may fall within the terms of the Indemnity or Counter Indemnity, as appropriate, the costs and expenses associated with such settlement (so approved by the other party) being deemed to be Environmental Liabilities for the purposes of this agreement, provided always that nothing in this sub-paragraph 5.3 shall oblige the Purchaser or the Seller to enter into any settlement which it does not, in its sole discretion, consider to be in the best interests of its operations;
- 5.4 making reasonable and timely efforts to pursue claims against any third parties (including insurers) who may have some liability in respect of the matter in question under the Indemnity or Counter Indemnity as appropriate provided always that this shall not limit or restrict or operate in any way as a pre-condition to the rights to make a claim under this Indemnity or Counter Indemnity, as appropriate; and
- 5.5 in the case of the Purchaser, using reasonable endeavours to avoid acts or omissions of the nature described in sub-paragraph 4.1 of this Schedule.

6 Notification

- 6.1 As soon as reasonably practicable after either party becomes aware of any actual or potential Environmental Liabilities which may give rise to a claim by it under the Indemnity or Counter Indemnity (the "CLAIMANT") (whether or not the Claimant is of the opinion that it has a valid claim against the other party under the Indemnity or Counter Indemnity (the "INDEMNITOR")), the Claimant shall give written notice thereof to the Indemnitor (and thereafter will use all reasonable efforts to keep the Indemnitor reasonably informed of all material developments relating thereto). Such written notice shall include reasonable details of all relevant matters relating to any actual or potential Environmental Liabilities. Thereafter, the Claimant will promptly advise the Indemnitor orally of the Claimant's reasonable estimate of the extent of and, where reasonably practicable, the cost of remediation of the Environmental Liabilities, as a result thereof), provided that the Indemnitor shall have given the Claimant written notice of the name of its representative to whom such oral communication shall be imparted.
- 6.2 Neither party shall admit, settle or discharge any claim or liability which might constitute a claim against the other under the Indemnity or Counter Indemnity (as appropriate) without having first served a notice under this paragraph 6 and given the other a reasonable opportunity to

consider the circumstances referred to in the said notice.

7 CLAIMS

In the event that the Claimant wishes to make a claim against the Indemnitor under the Indemnity or Counter Indemnity (as appropriate) then it shall do so by giving notice in writing of the same to the Indemnitor giving such details as are then in its possession of the relevant subject matter of such claim.

8 CONDUCT

If any notice is received by either party under paragraphs 6 or 7, the Claimant shall, if so requested by the Indemnitor, take all steps which are necessary and reasonable to avoid, resist, appeal, compromise or defend any claim and any adjudication in respect thereof (subject to the Claimant being indemnified against all cost and expenses which may reasonably and necessarily be incurred in connection therewith), and the Indemnitor shall (subject to the provisions of this paragraph), at its request, be allowed to conduct any negotiations, proceedings or appeals incidental thereto PROVIDED ALWAYS that if the claim relates to or arises from a Site which at the time is owned, occupied or used by the Company and which is operational at the date of the notice under paragraph 7 then the Purchaser shall have conduct of all negotiations, proceedings or appeals incidental thereto but shall nonetheless keep the Seller fully informed of all material developments relating to the subject matter of the claims.

9 SITE ACCESS

If any notice is received by the Seller under paragraphs 6 or 7:

- 9.1 the Seller and/or its agents and contractors shall be free to have access to any Site(s) to the extent it is within the power of the Company, the Purchaser or its Affiliates, during normal business hours, and after reasonable prior notice, and, if so required by the Purchaser, in the presence of authorised representatives of the Purchaser to assess (including but not limited to assessment by soil sampling and testing) the extent of the Environmental Liabilities and/or potential Environmental Liabilities and to determine the action required in order to remediate such liabilities (such actions to be subject to the prior agreement of the Purchaser (including as to the action to be taken) such agreement not to be unreasonably withheld); and
- 9.2 the Purchaser shall (during normal business hours) allow the Seller or its agents access to inspect and take copies of such books and records of the business of the Company and/or the Purchaser relating to the Site(s) as may be necessary in connection with any Environmental Liabilities and/or potential Environmental Liabilities.
- 9.3 The Seller shall exercise proper care in the exercise of its powers and rights pursuant to this paragraph 9 and shall indemnify the Purchaser for all reasonably incurred losses or liabilities arising from the Seller's failure to do so.

10 DISCUSSIONS

Upon either party having given a notice under paragraphs 6 or 7, either the Seller or the Purchaser may request a meeting as soon as practicable to discuss the matter (and if either does so the other party shall comply promptly with such request) and, irrespective of whether there has been any agreement on liability, each party shall be fully involved but (save as otherwise agreed between the parties) not as to make any admission or liability not permitted by the other provisions of this Schedule in any discussions and/or negotiations with any party imposing or seeking to impose any Environmental Liabilities.

11 DISPUTE RESOLUTION

Upon either party giving a notice in accordance with paragraph 7, in the event that the Seller and the Purchaser are unable to agree promptly upon any factual matter relevant to a claim under this Indemnity or Counter Indemnity (as appropriate) or in the event of any other matter being referred to the Experts in accordance with this Schedule then the following provisions of this paragraph 11 shall apply:

- 11.1 a reputable independent firm of experts (the "EXPERTS") (who shall act as experts and not arbitrators) in relation to the Environment relevant to the claim or potential claim (having at least ten years relevant experience) shall be appointed by mutual agreement of the parties hereto (and the parties shall each be obliged to use their respective best endeavours to reach agreement as soon as practicable) to resolve any factual matter in dispute between the parties but not including any interpretation of laws or regulations as they apply to such factual matters or any conclusions regarding responsibility or liability for or in relation to any factual matters. The Experts shall be offered the appointment within 15 Business Days of the parties reaching such mutual agreement and shall be notified in writing of the provisions of sub-paragraph 11.7 below. Failing such mutual agreement on the appointment of Experts, the parties shall promptly refer the issue, at their joint cost, to the President for the time being of the Royal Institute of Chartered Surveyors in the United Kingdom with instructions to appoint suitable Experts within 14 days of receipt of such instructions;
- 11.2 the said Experts shall only be dismissed by the mutual agreement of the parties hereto;
- 11.3 both parties shall promptly and simultaneously exchange with each other and submit to the Experts, and in any event in accordance with the Experts' written directions, their arguments and submissions in connection with any matter of fact referred to them in accordance with this paragraph 11;
- 11.4 following receipt by the Experts of the written arguments and other submissions of the parties pursuant to paragraph 11.3, the parties shall instruct the Experts to issue, as soon as reasonably practicable, a formal written opinion pertaining to the matter of fact referred to them. In any event, the Experts shall be instructed to present the said opinion within two months after receiving the written arguments and other submissions of the parties pursuant to sub-paragraph 11.3;
- 11.5 the formal written opinion of the Experts issued pursuant to sub-paragraph 11.4 shall be conclusive in any proceedings between the parties hereto as to the question of fact so determined;
- 11.6 the fees and expenses of the Experts shall be borne equally by the Seller and the Purchaser (unless otherwise directed by the Experts); and
- 11.7 the Experts, and any company, firm, partnership or other organisation with which the Experts are connected, shall not be eligible to be considered to undertake any clean-up work in respect of the claim for which they have so acted on or around the Site(s) save where the parties hereto mutually agree to waive this provision. For the avoidance of doubt, either party may withhold such consent in any event.

12 ACCEPTANCE OF LIABILITY

In the event that the Seller admits that it has any liability to the Purchaser under the Indemnity (or where the Seller agrees to accept the Purchaser's claim as falling within the Indemnity notwithstanding the fact that no Environmental Liability may at that point in time have arisen):

- 12.1 Subject to consulting with and paying reasonable regard to the views of the Purchaser, the Seller shall have the right independently to determine whatever measures are appropriate in order to remediate pursuant to applicable Environmental Laws the subject matter of the claim under the Indemnity and furthermore the Seller shall have the right independently to carry out such remediation itself (or through

suitable third party agents or contractors) provided that in so doing the Seller (or its said agents or contractors) shall be obliged to use reasonable endeavours to avoid causing undue interruption to the conduct of the business of the Company and/or its Affiliates;

12.2 The Seller and/or its agents and contractors shall, in addition to the rights of access provided for in paragraph 9 above, be free to have access to the Site(s) if currently owned, leased or, where within the power of the Company and its Affiliates, during normal business hours after reasonable prior notice, and if so required, in the presence of authorised representatives of the Purchaser, to carry out the remediation referred to in sub-paragraph 12.1 above provided that the Seller (or its agents or contractors) shall be obliged to use reasonable endeavours to avoid causing undue interruption to the conduct of the business of the Company and/or its Affiliates.

12.3 The Seller shall exercise reasonable care in the exercise of its powers and rights pursuant to this paragraph 12 and shall exercise reasonable skill, care and diligence in carrying out any works and shall not use any materials which are not in accordance with the recommendations of relevant authorities and codes of practice. The Seller shall procure that the contractors and consultants engaged to carry out and advise on the works are bound by obligations in the same terms of reasonable skill, care and diligence as herein before mentioned and otherwise engaged on market terms at the time and shall procure suitable warranties in accordance with normal market practice at the time from the contractors and consultants on favour of the Purchaser. The Seller shall not carry out the works itself but shall always engage external contractors and consultants approved by the Purchaser such approval not to be unreasonably withheld or delayed.

13 STATEMENTS

In the event of any circumstances arising which do or may give rise to Environmental Liabilities which may fall within the terms of the Indemnity or the Counter Indemnity (as appropriate) neither the Company, the Purchaser nor the Seller (nor any of their respective Affiliates) to the extent practicable shall make any public statements which is not required by law or the rules of any regulatory authority to make regarding such circumstances without first discussing with the other party and reaching written agreement (such agreement not to be unreasonably withheld or delayed) on the text of any such public statement before it is made.

14 GENERAL

14.1 Any information, records, or other material of one party shall be treated as strictly confidential by the other party except when (a) it is required to be used in order to comply with an order of the court or regulatory authority or (b) it is used by the other party to enforce its rights under this Schedule or so as to make an insurance claim provided that, in the case of either (a) or (b), disclosure is made in accordance with this sub-paragraph 14.1. If either party becomes legally compelled (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the information, records, or other material referred to in this sub-paragraph 14.1, the party so compelled shall provide the other with prompt prior written notice of such requirement so that the other may seek a protective order or other appropriate remedy. To the extent lawfully able to do so, each party agrees to cooperate in each other's efforts to obtain a protective order or other reasonable assurance that confidential treatment shall be accorded any such information. If such protective order or other remedy is not obtained, the party so compelled agrees to disclose only that portion of the information, records, or other material which it is advised by opinion of outside counsel is legally required to be disclosed and to take all reasonable steps to preserve the confidentiality of the information, records, or other material referred to in this sub-paragraph 14.1. Any other disclosure by one party of information, records or materials of the other party shall require the prior written consent of such other party, which shall not be unreasonably withheld or delayed.

- 14.2 The Purchaser's and its Affiliates' and the Seller's and its Affiliates' exclusive remedies in respect of any claims which fall within the scope of the Indemnity or Counter Indemnity, as appropriate, shall be in accordance with the provisions of this Schedule, and the Purchaser on behalf of itself and its Affiliates and the Seller, on behalf of itself and its Affiliates, hereby waives all other remedies whether in contract, tort (including, for the avoidance of doubt, negligence) or howsoever otherwise arising which it may have against the Seller or any of its Affiliates or the Purchaser or any of its Affiliates as appropriate at law or in equity in respect of the matters which fall within the scope of the Indemnity or Counter Indemnities and, for the avoidance of doubt, if such a claim under this Schedule could also give rise to a Warranty Claim or a claim under any other provision of this agreement in respect of the same subject matter, the Purchaser or the Seller as appropriate may only bring a claim under this Schedule.
- 14.3 The Seller undertakes to co-operate with the Purchaser and assist the Purchaser in achieving a transfer to the Purchaser (or as it directs) of all Environmental Authorisations, Permits and licences held by the Seller at Completion.

15 CO-OPERATION

The Purchaser undertakes that wherever co-operation is required by the Company to ensure compliance with the Purchaser's obligations hereunder, the Purchaser will use its reasonable endeavours to ensure that the Company provides the requisite co-operation.

SCHEDULE 6 CONSIDERATION ADJUSTMENT TEXT

(Clause 3.3)

1 Consideration and Adjustment

SECTION 1

(1) In this Schedule 3:

"A FORM" means, in relation to the Company, the quarterly financial reports in the format set forth in Annex 3 which are prepared in accordance with the accounting policies, practices and other requirements set out or referred to in ICI's Controller's Manuals as applied by the Company (with the exception of pensions liabilities which are accounted for in accordance with FAS 87) and prepared at the Completion Date on a basis consistent with that adopted by the Company in the A Form at 31 December 1997 (with the exception that pensions liabilities shall be reported in Provisions); and if the Completion Date does not fall on the due date for the preparation of an A Form, a financial report prepared on the same basis for the financial period from the latest date at which an A Form was prepared to the Completion Date;

"ACTUAL NET DEBT" means Net Debt as agreed or determined in accordance with paragraphs (4) to (6) below;

"ACTUAL NET WORKING CAPITAL" means Net Working Capital as at the Completion Date as determined under paragraphs (4) to (6) below;

"ESTIMATED CONSIDERATION" has the meaning given in sub-Clause 3.1;

"ENTERPRISE VALUE" means US\$23,635,000;

"FINAL CONSIDERATION" has the meaning given in paragraph (3) (a) below;

"FINAL COMPLETION STATEMENT" has the meaning given in paragraph (3) (b) below;

"FINAL STOCKS" means the value of Stocks for the Company at Completion;

"ICI'S CONTROLLER'S MANUALS" means the control manuals in existence at

14 July 1997 and which are compiled in accordance with UK GAAP used for accounting purposes within the Seller's Group, copies of which have been received by the Purchaser or an Affiliate of the Purchaser (and which consists of an introduction to the Group Controller's Manual, Bulletin Board Accounting Language, Bulletin Board Reporting, Accounting Definitions and Conventions, Accounting Policies and Procedures, Controls, Reporting);

"INITIAL STOCKS" means the value of Stocks for the Company as at 28 February 1998;

"INTEREST RATE" means LIBOR plus 25 basis points;

"NET DEBT" means the amount reported as "NET DEBT" on line 70090 of the A Form for the Company as described in ICI's Controller's Manuals which, for the avoidance of doubt, can be either a negative or a non-negative number;

"NET WORKING CAPITAL" means the aggregate of:

(a) Operating Debtors; plus

(b) Stocks (for the purposes of this definition meaning Initial Stocks when used for Net Working Capital as at 28 February 1998 and meaning Final Stocks when used for Actual Net Working Capital); less

(b) Operating Creditors less than 1 year;

For the purposes of (b) the Stocks shall be valued in accordance with the document headed "STOCKTAKING AND VALUATION PRINCIPLES" in the Agreed Form marked "NWC-S";

"NET WORKING CAPITAL AS AT 28 FEBRUARY 1998" or "NWC28" means, the value shown in the column headed NWC 28 in Section 2 of this Schedule 3 which is the amount which the parties have agreed to represent the value of Net Working Capital at 28 February 1998 of the Company;

"OPERATING CREDITORS LESS THAN 1 YEAR" means the absolute value of the amount reported as creditors of the Company which are external to the Company (including without limitation creditors which are members of, or other business units within, the ICI Group as at the date of the relevant A Form) as defined by reference to "OPERATING CREDITORS LESS THAN 1 YEAR" on line 70020 of the A Form for the Company as described in ICI's Controller's Manuals;

"OPERATING DEBTORS" means debtors of the Company which are external to the Company (including without limitation debtors which are members of, or other business units within, the ICI Group as at the date of the relevant A Form) as defined by reference to "OPERATING DEBTORS" on line 70010 of the A Form for the Company as described in ICI's Controller's Manuals;

"STOCKS" means the stock of fuels, raw materials, ingredients, packaging, office and laboratory supplies, revenue engineering spares, consumable stores, work in progress and finished goods owned by the Company as determined on line 70000 of the A Form for the Company or Business as described in ICI's Controller's Manuals;

(2)

(a) All payments and values under this Schedule shall be in US Dollars and where an amount is not itself calculated in US Dollars it shall be converted into US Dollars at the mid market closing exchange rate in London for the currency in which that amount is expressed in US Dollars as published in the London Edition of the Financial Times first published thereafter or, where the exchange rate is not published in the London Edition of the Financial Times, at the exchange rate quoted by Citibank N.A. as at the close of business in London for the currency in

which that amount is expressed on the Completion Date in relation to amounts in the Final Completion Statement.

(b) References to the absolute value of a number X shall be construed as follows:

(i) if X is greater than or equal to zero, the absolute value of X shall be equal to X; and

(ii) if X is less than zero, the absolute value of X shall be X multiplied by -1,

so that, for the purposes of illustration, the absolute value of 1 is equal to 1 and the absolute value of -1 is equal to 1.

CALCULATION OF THE FINAL CONSIDERATION

(3) In relation to this agreement:

(a) the Final Consideration for the Company shall be determined by the following formula:

Final Consideration = EV minus AND minus NWC 28 plus ANWC (excluding in relation to any of the foregoing any item or matter attributable to the LPC Interests)_plus in the case only of TAI LV

Where (in relation to the Company):

EV = Enterprise Value

AND = Actual Net Debt

NWC28 = Net Working Capital as at 28 February 1998

ANWC = Actual Net Working Capital

LV = US\$176,222,000 (value of LPC Interests)

(b) After the Completion Date, the Seller shall prepare a completion statement as at the Completion Date which shall contain a statement of the Final Consideration in accordance with paragraph 3(a) above based on the Seller's calculations (the "FINAL COMPLETION STATEMENT"). The Final Completion Statement shall be prepared using the Seller's normal accounting policies and practices as set out or referred to in ICI's Controller's Manuals as applied by the Company on a consistent basis and shall be submitted by the Seller to the Seller's Auditors for review. Taxation paid or payable by the Company (including any sum paid or payable to a member of the Seller's Group in respect of Taxation) as a result of the transfer of the Sale Shares to the Purchaser (including Taxation paid or payable by the Seller under Clause 5 of the Tax Deed of Covenant) shall not be taken into account in the calculation of the Final Consideration.

(4) Within 45 days of the Completion Date, the Seller shall issue the Final Completion Statement (distinguishing between the LPC Business and the other business of the Company) for the Company to the Purchaser together with a copy of a report by the Seller's Auditors addressed to the Seller and substantially in the form set out in Annex 3 to the effect that the Final Completion Statement has been prepared in accordance with this agreement. Although it is the Seller's responsibility to prepare the Final Completion Statement, the Seller will require the assistance of the employees of the relevant Purchaser Affiliates to fulfil this responsibility and the Purchaser shall ensure such assistance is provided promptly and at no charge. Immediately after delivery of the Final Completion Statement, the Purchaser's Auditors shall have the right, subject to the Purchaser delivering to the Sellers' Auditors a signed letter in the form set out in Annex 5, to review the Final Completion Statement and the Seller's Auditors working papers relating to the Final Completion Statement. Within 45 days of delivery to the Purchaser of the Final Completion Statement and the Seller's Auditors

report (each of which shall be in English) to the Purchaser's designated location, the Purchaser shall give notice to the Seller in writing of any item or items in the Final Completion Statement which they wish to dispute and the basis on which they dispute that item or those items and the changes to the Final Completion Statement which the Purchaser believes should be made and the parties shall use their reasonable endeavors to resolve that dispute. Any items in respect of which the Purchaser does not give such notice will be deemed to have been accepted by the Purchaser. Any written resolution reached by the parties on any disputed item shall be final, conclusive and binding on the parties.

(5) If the parties agree the Final Completion Statement then any adjusting payments referred to in paragraph (7) below shall be made by the paying party within 7 days of being agreed by the parties.

(6) If the parties fail to agree on any element of the Final Completion Statement within 14 days after the Purchaser has given notice in writing to the Seller of any item(s) in the Final Completion Statement which the Purchaser wishes to dispute (in accordance with paragraph (4) above) then any agreed amounts shall be paid in accordance with the preceding paragraph and any dispute may be referred by either party for final determination in accordance with sub-Clause 11.1 of this agreement and any amounts thereby found to be due shall be paid by the relevant Affiliate not later than 7 days after such final determination.

(7) When the Final Consideration is agreed or otherwise determined in accordance with the three preceding paragraphs the following adjusting payments shall be made:

(a) an amount equal to the difference between (i) the Estimated Consideration and (ii) the Final Consideration; and

(b) interest (compounded monthly) at the Interest Rate on the amount in paragraph (a) above from the Completion Date to the date of payment, calculated on a day to day basis;

which shall be paid by the Seller Affiliate to the Purchaser (or vice versa, as appropriate).

(8) In this Schedule, references to lines of A Forms have been chosen by the Seller and are believed in good faith to correspond to the matters to which they refer. If, however, that reference when compared to the matter it describes or refers to is incorrect then there shall be substituted for that line reference to another line reference (if any) which corresponds to the matter described or referred to.

SECTION 2

	NWC28 US\$	UPLIFT OF STOCKS TO FAIR MARKET VALUE FOR THE PURPOSE OF ALLOCATION OF CONSIDERATION TO CLASSES OF ASSETS US\$
Americas Business	6,857,000	Nil
LPC Business	15,081,000	1,697,000

(Clause 1.1)

PRINCIPLES FOR DISTINGUISHING
LPC BUSINESS AND AMERICAS BUSINESS
TAI A FORM

	LPC BUSINESS	AMERICAS (SULPHATE) BUSINESS	COMMENTS
FIXED ASSETS		All	- Office equipment etc.
INVESTMENTS	All		- Partnership share
STOCKS	Stocks manufactured by LPC	All other stocks	- Based on actual quantities of stocks from each source
OPERATING DEBTORS Trade Debtors} Intra Group Debtors}	Sales of material manufactured by LPC	All other trade debtors	- Based on detailed analysis of all open accounts concerned
Other operating debtors	Items exclusive to LPC partnership or trade in product manufactured by LPC	All other operating debtors	
OPERATING CREDITORS LESS THAN 1 YEAR Trade Creditors} Intra Group Creditors}	Purchases of material manufactured by LPC	All other operating creditors less than 1 year	- Based on detailed analysis of all open accounts concerned
Other operating creditors	Purchases and services exclusively related to LPC partnership and to material manufactured by LPC	All other operating creditors	- Based on detailed analysis of all open accounts concerned
NON OPERATING DEBTORS/CREDITORS	Items exclusively related to LPC and materials manufactured by LPC	All other non-operating debtors/ creditors	-Mainly tax split based on analysis of results based on detailed analysis of all open accounts concerned
NET DEBT	All Net Debt to LPC Business		
PROVISIONS	Items specifically related to LPC	All other provisions	
DEFERRED INCOME	Items specifically related to LPC	All other deferred income	

NOTES:

- 1 Pension Liability (Approx. US\$250,000) is accounted for according to US rules (FAS87 etc.) in A Form. Therefore no reconciling difference between US and UK GAAP.
- 2 ICI A Forms do not report deferred tax for ICI's US subsidiaries. However any deferred tax in the US GAAP accounts is readily analysable into its LPC and Sulphate and is estimated to derive to the extent of some 99 per cent. from LPC's tax depreciation.

SCHEDULE 8
US FINANCIAL INFORMATION

(Clause 1.1)

SPLIT A FORMS AS AT 28 FEBRUARY 1998
TAI BALANCE SHEET
AT 28 FEBRUARY

	AMERICAS BUSINESS	LPC BUSINESS	USD THOUSANDS TOTAL
Fixed Assets	50	-	50
Investments	-	155,744	155,744
Stocks	8,891	9,851	18,742
Operating Debtors	17,736	12,447	30,183
TCI Debtor	-	1,405	1,405
Operating Creditors less than 1 year	(18,002)	(8,622)	(26,624)
TCI Creditor	(1,768)	-	(1,768)
Non Operating Debtors	-	288	288
Non Operating Creditors less than 1 year	-	(728)	(728)
	6,907	170,385	177,292
Net Debt	-	39,943	39,943
Provisions	268	-	268
Deferred Income	-	-	-
	268	39,943	40,211
Shareholders' Equity			137,081

ANNEX 1
AGREED FORM DEED OF INDEMNITY

DATED

1998

TIOXIDE GROUP LIMITED

and

ICI OMICRON BV

and

NL INDUSTRIES, INC.

SHARE SALE AND PURCHASE AGREEMENT

OF

TIOXIDE CANADA INC.

LINKLATERS & PAINES
One Silk Street
London EC2Y 8HQ

TEL: (+44) 171 456 2000

Ref: AXT/TDAP

THIS AGREEMENT (this "AGREEMENT") is made on 1998 BETWEEN:

- (1) TIOXIDE GROUP LIMITED (registered number 249759), a company incorporated under the laws of England, whose registered office is at 137/143 Hammersmith Road, London W14 0QL, England ("TG");
- (2) ICI OMICRON BV (registered number 171649) a company incorporated under the laws of The Netherlands whose registered office is at Merseyweg 10, 3197 KB Rotterdam-Botlek, Haven 5210, the Netherlands and whose statutory domicile is Rotterdam, the Netherlands ("Omicron" and collectively with TG, the "SELLER"); and

(3) NL INDUSTRIES, INC., a corporation incorporated under the laws of the State of New Jersey, whose principal place of business is at 16825 Northchase Drive, Suite 1200, Houston 77060, Texas, USA (the "PURCHASER").

WHEREAS:

(A) Tioxide Canada Inc. is a company incorporated in Quebec, Canada, short particulars of which are set out in Schedule 1 (the "Company").

(B) The Seller holds all of the issued shares in the capital of the Company (the "SALE SHARES") particulars of which are contained in Schedule 1.

(C) The Seller has agreed to sell and the Purchaser has agreed to purchase the Sale Shares on the terms and subject to the conditions set out in this agreement and the Framework Agreement.

IT IS AGREED as follows:

1 INTERPRETATION

1.1 In this agreement:

"ACCOUNTING DATE" means the date of the audited accounts of the Company for the year ended 31 December 1997 (the "ACCOUNTS");

"ADVERSE CONSEQUENCES" means all actions, suits, proceedings, hearings, investigations, charges, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities, obligations, liens (other than those arising by operation of law or by statute) losses, expenses and fees, including court costs and reasonable attorneys' fees and expenses;

"ACCOUNTING STANDARDS" means generally accepted accounting principles as in effect from time to time in Canada and applied as a basis consistent with those of previous years;

"AFFILIATES" means with respect to a specified entity, an entity that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control, with the entity specified, provided that, without limiting the generality of the foregoing, in relation to ICI and its subsidiary companies, the term "AFFILIATES" shall not include any entity in which a party has a 50 per cent or less ownership interest. For the purposes hereof, "CONTROL" means possession, directly or indirectly, of the power to direct or cause the direction of the management and operating policies of the entity in respect of which the determination is being made, through the ownership of voting securities, contract, voting trust or otherwise but any

reference in this agreement to an Affiliate of the Seller or the Purchaser shall exclude the Company, and references to the Seller's Group or the Purchaser's Group shall be construed accordingly;

"AGREED FORM" means, in relation to any document, the form of that document which has been initialled for the purpose of identification by or on behalf of the parties to this agreement;

"AMERICAS LIABILITY AGREEMENT" means the liability agreement between ICI and the Purchaser dated [];

"ASSETS" means all of the assets and rights of the Company relating to the Business;

"BUSINESS" means:

(a) the import, export, sale and distribution of titanium dioxide

pigments and co-products and related products; and

(b) the manufacture of finished products from the processes by which reactor discharge from the chloride process and calciner discharge from the sulphate process are treated to produce titanium dioxide pigments

and all other business and operations as carried on by the Company as at the date hereof but for the avoidance of doubt shall not include:

(i) the manufacture, sale or disposal by way of trade of any organometallic compounds save the manufacture, sale or disposal of a pigment which incorporates as an essential feature of its composition an organometallic compound shall not be considered to be the manufacture, sale or disposal of an organometallic compound as such; and

(ii) the manufacture, sale or disposal by way of trade of any form of titanium dioxide of ultraviolet-attenuating grade having a ratio of absorbance response at 308 nm (A308) to absorbance response at 524 nm (A524) of not less than 5 as defined in US Pharmacopeia, amendment published in Pharmacopeia Forum, Volume 22, Number 4, Page 2636 and attached hereto as Annex 2; and

(iii) any matter relating to the LPC Business.

"BUSINESS DATA" means the Company's historical and current documents relating to the Business, including customer lists, product, distributor and supplier lists, catalogues, literature, employee records, documents of title to the Assets (but excluding those relating to the Properties), sales targets, sales statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional materials, production data, safety data and accounting (including management account records) and other financial data (other than the Canadian Financial Information), whether in hard copy or in computer held form (including, for the avoidance of doubt, such media as microfilm and microfiche);

"BUSINESS DAY" means a day (other than a Saturday or Sunday) on which banks are generally open for normal business in each of London, Montreal and New York;

"CANADIAN FINANCIAL INFORMATION" means the financial information attached as Schedule 7;

"CANADIAN SCHEMES" means the Company's pension plans described in the Disclosure Letter;

"CANADIAN TECHNOLOGY AGREEMENTS" means the agreements and licence in the Agreed Form;

"COMPLETION" means completion of the sale and purchase of the Sale Shares in accordance with Clause 7 which shall occur immediately following signature and exchange of this agreement;

"COMPLETION DATE" means [] on the date of this agreement;

"COMPUTER SYSTEMS" means all computer hardware, software, microprocessors and firmware which in each case are used in the Business;

"CONTRACTS" means all contracts and arrangements relating to the Business entered into before Completion by or on behalf of the Company in connection with the Business which remain (in whole or in part) to be performed at Completion and, in addition, means any contracts or arrangements between the Company and the Seller (or any of its Affiliates);

"DEFAULT INTEREST" means LIBOR plus 200 basis points compounded monthly;

"DISCLOSURE LETTER" means the letter of the same date as this agreement from the Seller to the Purchaser;

"DUPONT" means E.I. du Pont de Nemours and Company;

"EMPLOYEES" means all those individuals employed by the Company at Completion;

"ENVIRONMENT" has the meaning in Schedule 5;

"ENVIRONMENTAL AUTHORISATIONS" means all or any permits, certificates, consents, licences, approvals, registrations and other authorisations required under Environmental Laws and all terms and conditions thereof required under any Environmental Law for the operation of the Business;

"ENVIRONMENTAL LAWS" has the meaning given in Schedule 5;

"ESTIMATED CONSIDERATION" has the meaning given in Clause 3;

"FIELD OF ACTIVITY" means:

- (a) the import, export, sale and distribution of titanium dioxide pigments and co-products and related products; and
- (b) the manufacture of finished products from the processes by which reactor discharge from the chloride process and calciner discharge from the sulphate process are treated to produce titanium dioxide pigments

and all other business and operations as carried on by the Company as at the date hereof but for the avoidance of doubt shall not include:

- (i) the manufacture, sale or disposal by way of trade of any organometallic compounds save the manufacture, sale or disposal of a pigment which incorporates as an essential feature of its composition an organometallic compound shall not be considered to be the manufacture, sale or disposal of an organometallic compound as such; and
- (ii) the manufacture, sale or disposal by way of trade of any form of titanium dioxide of ultraviolet-attenuating grade having a ratio of absorbance response at 308 nm (A308) to absorbance response at 524 nm (A524) of not less than 5 as defined in US Pharmacopeia, amendment published in Pharmacopeia Forum, Volume 22, Number 4, Page 2636 and attached hereto as Annex 2.

"FINAL CONSIDERATION" has the meaning given in Schedule 6;

"FRAMEWORK AGREEMENT" means the agreement dated 0 between ICI, DuPont and the Purchaser;

"GUARANTEES" means all guarantees and indemnities given by the Seller or Affiliates of the Seller in respect of obligations of the Company in relation to the Business, short particulars of which are contained in the Disclosure Letter;

"HAZARDOUS MATERIAL" has the meaning given in Schedule 5;

"ICI" means Imperial Chemical Industries PLC;

"ICI GROUP" means ICI and its Affiliates as at the Completion Date;

"IMPLEMENTATION AGREEMENTS" means the documents in Schedule 4;

"INDEPENDENT ACCOUNTANT" has the meaning given in Clause 11;

"INTELLECTUAL PROPERTY" shall mean all patents, trademarks, service marks, trade names and all goodwill associated with the foregoing, registered designs, copyrights, copyrightable works (including, without

limitation, data, documentation and databases) registered internet domain names, and rights to inventions and applications for and rights to apply for protection or registrations of any of the same; including any continuation, continuation-in-part, provisional, reissue, divisional and re-examination patent applications and all rights in Technical Information;

"INTRA-GROUP LOANS" means all Net Debt due from the Company to the Seller or any Affiliate of the Seller or due to the Company from the Seller or any Affiliate of the Seller as determined in accordance with Schedule 6, and in both circumstances relating only to those Affiliates of the Seller following Completion;

"LIBOR" means the rate for deposits in US Dollars for a period of one month which appears on the Reuters Screen ISDA Page (or such other page as the parties may agree) at approximately 11.00 a.m., London time, on the first day of the period to which any interest period relates (the "RELEVANT DATE"). If such rate does not appear on the Reuters Screen ISDA Page on the Relevant Date, the rate for that Relevant Date will be determined as if the parties had specified that the rate for the Relevant Date will be determined on the basis of the rates at which deposits in US Dollars are offered by Midland Bank plc at approximately 11.00 a.m., London time, on the Relevant Date to prime banks in the London interbank market for a period of one month commencing on that Relevant Date for amounts of US\$10,000,000;

"LPC" means the Louisiana Pigment Company Limited Partnership;

"LPC BUSINESS" means any sales sourced from LPC, any Stocks, Operating Debtors, Operating Creditors less than one year (the definitions of such terms in Schedule 6 being applied to LPC) and other assets or liabilities relating to LPC as determined and distinguished from the Business in accordance with Schedule 9;

"MATERIAL CONTRACTS" means all Contracts (i) which at Completion have in excess of 12 months to run and which in that time can reasonably be expected to involve income or expenditure in respect of the Business in excess of US\$200,000 per annum; or (ii) which at Completion have less than 12 months to run and which in that time can reasonably be expected to involve income or expenditure in respect of the Business in excess of US\$500,000; or (iii) which relate to the treatment and/or disposal of waste; or (iv) which relate to contract manufacturing or processing of products by third parties; or (v) which relate to third party distribution or agency in respect of products; or (vi) the absence of which would have a material negative impact on the conduct of the Business;

"NET DEBT" has the meaning in Schedule 6;

"ORDINARY COURSE OF BUSINESS" means the ordinary course of business consistent with past custom and practice including, without limitation, quantity and frequency, taking into account the relevance and reasonableness of the same and with allowance made for the inherently cyclical nature of the titanium dioxide industry;

"PARENT UNDERTAKING" shall have the meaning given in section 258 of the United Kingdom Companies Act 1985;

"PERMITS" means all licences, permits, authorisations, registrations and approvals required by law or regulation or issued or granted by statutory or other authorities to the Company for the operation of the Business (but excluding, for the avoidance of doubt, planning permissions issued by relevant planning authorities (save for Environmental Authorisations) and any licence, permit, authorisation or approval which falls within the definition of Regulatory Conditions);

"PLANT AND EQUIPMENT" means the plant, machinery, spare parts, tools, equipment, chattels, motor vehicles, furniture, fixtures and fittings (to the extent they are not included in the Properties) and all other tangible personal property located at the Property (including without limitation office equipment) which in each case is owned and/or used by the Company in relation to the Business as at Completion;

"PROPERTY" means those properties shown in Schedule 2 Part I;

"PURCHASER'S AUDITORS" means PriceWaterhouseCoopers;

"PURCHASER'S GROUP" means the Purchaser's ultimate parent undertaking and that parent undertaking's Affiliates;

"REGULATORY CONDITIONS" means the anti-trust or regulatory approvals (other than Environmental Authorisations) necessary to complete the sale of the Company on the terms set out in this agreement;

"SELLER'S AUDITORS" means KPMG;

"SELLER'S GROUP" means TG and Omicron's ultimate parent undertakings and those parent undertakings' Affiliates as at the Completion Date;

"STOCK" means the stocks of fuels, raw materials, ingredients, packaging, office and laboratory supplies, engineering spares, consumable stores, work-in-progress and finished goods at Completion held by the Company for the purposes of the Business;

"TAX" has the meaning given in the Tax Deed of Covenant;

"TAXATION" has the meaning given in the Tax Deed of Covenant;

"TAX AUTHORITY" has the meaning given in the Tax Deed of Covenant;

"TAX DEED OF COVENANT" means the tax deed of covenant in the Agreed Form;

"TAX LIABILITY" has the meaning given in the Tax Deed of Covenant;

"TECHNICAL INFORMATION" shall mean all technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including, for the avoidance of doubt, in such media as microfilm and microfiche);

"TERRITORIES" means the United States of America, Canada, Mexico, Central and South America;

"TRACY SITE" means 1690 and 1694 Marie-Victorin Boulevard, Tracy, Quebec, J3R IM7, Canada;

"UK GAAP" means generally accepted accounting principles in the United Kingdom;

"US DOLLARS", or "US\$" means the lawful currency of the United States of America;

"WARRANTIES" has the meaning given in Clause 5.1; and

"WARRANTY CLAIM" has the meaning given in sub-Clause 5.4.

1.2 Unless otherwise stated, any express reference to an enactment includes references to:

- (a) that enactment as amended, extended or applied by or under any other enactment before or after this agreement;
- (b) any enactment which that enactment re-enacts (with or without modification); and
- (c) any subordinate legislation made (before or after this agreement) under any enactment, including one within (a) or (b) above,

except to the extent that any of the matters referred to in (a) to (c) occurring after the date of this agreement would increase or alter the liability of any party under this agreement.

- 1.3 The singular shall include the plural and vice versa and words denoting persons shall include bodies corporate and unincorporated associations of persons and, unless otherwise stated, shall include permitted successors or assigns of such persons.
- 1.4 Sub-Clauses 1.1 to 1.3 apply unless the contrary intention appears.
- 1.5 The headings in this agreement do not affect its interpretation.
- 1.6 Any Schedule or Annex to this agreement shall take effect as if set out in this agreement and references to this agreement shall include its Schedules and Annexes.
- 1.7 Where any statement in this agreement (or in the attached Schedules or Annexes) (other than in Schedule 3 paragraphs H(2) and H(4)) is qualified by the expression "SO FAR AS THE SELLER IS AWARE," "TO THE SELLER'S KNOWLEDGE, INFORMATION AND BELIEF," "KNOWN TO THE SELLER" or any similar statement, that statement shall be deemed to mean the knowledge, after reasonable investigation, of the officers and operational and functional managers of ICI and its Affiliates who have direct responsibility for the subject matter concerned, being those listed in Schedule 9.

2 SALE AND PURCHASE OF THE SALE SHARES

- 2.1 The Seller shall with full title guarantee sell and the Purchaser shall purchase the Sale Shares together with all rights attaching to them.
- 2.2 The Sale Shares shall be sold free from all liens, charges, equities and encumbrances and other rights exercisable by third parties or Affiliates of the Seller.

3 CONSIDERATION AND ADJUSTMENTS

- 3.1 Subject to sub-Clause 3.3 below, the consideration for the sale of the Sale Shares shall be US\$[o] payable in cash by the Purchaser on Completion (the "ESTIMATED CONSIDERATION").
- 3.2 The payment under sub-Clause 3.1 shall be paid to the correspondent bank named below for credit to the US Dollar account of o (the "ICI ACCOUNT") referred to below:

Correspondent bank:
Bank account:
Account name:
Account no:
Sort code:

- 3.3 Any payments to the Purchaser under this agreement shall be paid to the correspondent bank named below for credit to the US Dollar account of o (the "PURCHASER ACCOUNT") referred to below:

Correspondent bank:
Bank account:
Account name:
Account no:
Sort code:

- 3.4 The Final Consideration shall be determined and any difference between the Estimated Consideration and the Final Consideration shall be paid in accordance with the provisions of Schedule 6.

4 PURCHASER'S WARRANTIES

The Purchaser represents and warrants to the Seller that:

- (a) it (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) has the requisite

power and authority to enter into and to perform this agreement and such Implementation Agreements;

- (b) it (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) has obtained or satisfied all corporate, regulatory and other approvals, or any other significant conditions, necessary to execute and perform this agreement and such Implementation Agreements;
- (c) this agreement and the Implementation Agreements constitute valid and binding obligations of the Purchaser (and each of its Affiliates, in respect of the Implementation Agreements to which such Affiliate is a party) enforceable in accordance with their respective terms; and
- (d) compliance with the terms of this agreement by the Purchaser and the Implementation Agreements by the Purchaser or its Affiliates (as appropriate) will:
 - (i) not constitute a breach of any agreement or contract to which the Purchaser or such Affiliate of the Purchaser is a party or by which it is bound; and
 - (ii) be in compliance with the Purchaser's or such Affiliate of the Purchaser's memorandum and articles of association or other constitutional documents; and
 - (iii) not contravene:
 - (a) any order, judgment or decree; or
 - (b) any statute, rule or regulation; or
 - (c) any other restriction of any kind by which the Purchaser or such Affiliate of the Purchaser is bound.

5 SELLER'S WARRANTIES

5.1 The Seller represents and warrants to the Purchaser in the terms set out in Part A.1 of Schedule 3.1 and that, save as otherwise stated in this agreement and subject to all matters and circumstances fairly disclosed in the Disclosure Letter, each of the statements set out in Schedule 3 Part A.2 to N (inclusive) to this agreement (the "Warranties") is true and accurate as at the date of this agreement and the Seller acknowledges that the Purchaser has entered into this agreement in reliance upon the Warranties.

The Purchaser agrees that no warranty, representation, undertaking or indemnity, or any other contractual obligation or otherwise is made or given by the Seller to either the Purchaser or its Affiliates in relation to LPC.

5.2 Each of the Warranties shall be separate and independent and no Warranty shall limit the scope or construction of any other Warranty or any other provision of this agreement.

5.3 The Purchaser acknowledges and agrees that:

- (i) save as may be set out in this agreement or in the Implementation Agreements, except for the Warranties and in relation to an allegation of fraud, no statement, promise or forecast made by or on behalf of the Seller or any member of the Seller's Group may form the basis of, or be pleaded in connection with, any claim by the Purchaser under or in connection with this agreement or the Implementation Agreements; and
- (ii) any claim by the Purchaser or any person deriving title from it in connection with the Warranties shall be subject to the following provisions of this Clause.

- 5.4 The liability of the Seller in respect of any breach of the Warranties (a "WARRANTY CLAIM") or the indemnities contained in this agreement shall be governed by the terms of the Americas Liability Agreement except as expressly provided therein.
- 5.5 The liability of the Seller under or in respect of a Warranty Claim shall also be limited in respect of any liability which is contingent, unless and until such liability becomes an actual liability and is due and payable provided that the Purchaser shall not be prohibited from bringing a Warranty Claim pending such liability becoming due and payable.
- 5.6 The Purchaser acknowledges and agrees that:
- (i) no liability shall attach to the Seller by reason of any breach of any of the Warranties or any indemnities contained in this agreement to the extent that the loss including all relevant costs and expenses has been recovered by the Purchaser under Schedule 5 or any other term of this agreement or any other document referred to herein and accordingly the Purchaser may only recover once in respect of the same loss; and
 - (ii) in calculating the liability of the Seller for any breach of the Warranties there shall be taken into account the amount by which any Taxation for which the Purchaser is now or in the future accountable or liable to be assessed is reduced or extinguished as a result of the matter giving rise to such liability.
- 5.7 The Purchaser shall not be entitled to make any Warranty Claim:
- (i) to the extent that the claim arises as a result only of any change after Completion in the accounting bases upon which the Company values its assets or computes its profits or arises as a result of the taxation or accounting policies, bases or practices of the Purchaser being different to those adopted or used in preparing the Accounts; or
 - (ii) to the extent that the matter which constitutes the claim was specifically consented to in writing by the Purchaser in the knowledge that such matter would give rise to such Warranty Claim.
- 5.8 The Purchaser shall not be entitled to rescind or terminate this agreement after Completion in any circumstances provided that nothing in this sub-Clause shall exclude or limit any right to rescind or terminate for fraud.
- 5.9 Save as otherwise provided in this agreement, the Seller shall not be liable in respect of any Warranty Claim to the extent that the liability of the Seller in respect thereof is incurred or increased as a result of any legislation not brought into force at the date of this agreement or as a result of any change in or repeal of legislation hereafter or as a result of the introduction or cessation of or change in the published practice of any taxation authority after the date of this agreement.
- 5.10 The Purchaser shall not be entitled to make any claim in respect of any breach or alleged breach of the Warranties to the extent that:
- (i) the facts, matters or circumstances giving rise thereto (in respect of which any such claim or alleged claim arises) have been fairly disclosed in the Disclosure Letter; or
 - (ii) such claim arises or is incurred as a result of any voluntary act or omission of the Purchaser or any Affiliate of the Purchaser after the date of this agreement other than

any such act or omission which is in the ordinary course of business or is required by law or is pursuant to a legally binding commitment of the Company or any member of the Seller's Group created or entered into before Completion.

5.11 The provisions of this Clause 5 shall have effect notwithstanding any other provisions of this agreement.

6 SELLER'S INDEMNITY

6.1 The Seller undertakes to indemnify and keep indemnified the Purchaser, its Affiliates and the Company (the "INDEMNIFIED PARTIES") against all claims by third parties (other than any subsequent purchaser or purchasers of either the Sale Shares or the business or assets of the Company and their successors in title or assigns) giving rise to Adverse Consequences which may be paid, suffered or incurred by any of the Indemnified Parties or to which any of the Indemnified Parties may become subject, and which arise as a result of the operation of the Business by the Company prior to Completion (unless and to the extent that the circumstances giving rise to the Adverse Consequences were fairly disclosed in the Disclosure Letter) and including without limitation those Adverse Consequences arising:

- (a) as a result of the failure by the Company to comply with relevant and legally enforceable corporate or other laws, rules, ordinances or regulations with respect to the operations of the Business prior to Completion;
- (b) as a result of the failure by the Company to obtain required relevant governmental permits, licences, consents or other authorisations with respect to the operation of the Business prior to Completion;
- (c) from or with respect to any breach of contract, tort or product liability or otherwise arising from, or with respect to, the operation of the Business prior to Completion and asserted by any third party; and
- (d) from or with respect to any suit, action, arbitration, charge, governmental investigation, claim, litigation or proceedings affecting the Business or the Company.

Provided that the indemnity contained in this Clause 6 shall not apply to:

- (i) liabilities expressly assumed by the Purchaser pursuant to this agreement or the Implementation Agreements; or
- (ii) to the extent that such liabilities have been taken into account in establishing the Final Consideration; or
- (iii) any Environmental Liabilities, any failure or omission to obtain or comply with Environmental Authorisations, any failure or omission to comply with any Environmental Laws or any claim by any person in respect of any matter concerning the Environment (indemnity for which is provided in sub-Clause 9.2 and Schedule 5); or
- (iv) Taxation (indemnity for which is provided in the Tax Deed of Covenant); or
- (v) LPC.

6.2 The Purchaser agrees to give the Seller notice of any and all claims asserted against the Purchaser for which indemnification under this Clause 6 is or may be sought. Such notice shall be given as soon as reasonably practicable after the Purchaser becomes aware that it has or may have a claim against the Seller. Under this Clause 6, failure to give such notice shall not abrogate or diminish the Seller's obligation

under this Clause if the Seller has or receives knowledge of the existence of any such claim by any other means or if such failure does not prejudice the Seller's ability to defend such a claim.

7 COMPLETION

7.1 Completion shall take place at the offices of the [] immediately after the signature of this agreement when:

- (a) each party shall provide to the others evidence in a form reasonably satisfactory to the others that it (and each of its relevant Affiliates entering into an Implementation Agreement) has all necessary corporate approvals and consents and its signatories have necessary authority to enter into this agreement and the other agreements referred to herein;
- (b) each party shall (or shall procure that its relevant Affiliates will) duly execute and, to the extent applicable, complete the Implementation Agreements and the Tax Deed of Covenant;
- (c) the Seller shall deliver to the possession and control of the Purchaser:
 - (i) a duly executed transfer or transfers in favour of the Purchaser (or such Affiliate of the Purchaser as the Purchaser may nominate) of all the Sale Shares;
 - (ii) share certificate(s) or other documents of title relating to the Sale Shares (or an express indemnity in a form reasonably satisfactory to the Purchaser in the case of any missing certificates or documents of title);
 - (iii) the company books relating to the Company, including certificates of incorporation, common seals, minute books, statutory registers, shareholders' agreements and share certificate books (duly written up to date);
 - (iv) resignations of all the directors and secretary of the Company;
 - (v) the written resignation of the auditors of the Company to take effect on Completion, with acknowledgments signed by them to the effect that they have no claim against the Company and to the effect that there are no circumstances connected with their resignation which they consider should be brought to the notice of the shareholders or creditors of the Company;
 - (vi) bank statements in respect of every account which the Company has, dated two days prior to the Completion Date and the relevant reconciliation statements prepared on the previous Business Day;
 - (vii) the Business Data;
 - (viii) the documentation and title deeds to the Property in accordance with the provisions of Part II of Schedule 2;
 - (ix) the Implementation Agreements duly executed by the Seller and/or Affiliates of the Seller as applicable; and
 - (x) the Disclosure Letter;
- (d) the Purchaser shall pay to the Seller the Estimated Consideration;
- (e) the Purchaser or another member of the Purchaser's Group shall procure that all Intra-group Loans due from the Company to the Seller or any Affiliate of the Seller are repaid by the Company

and the Seller or another member of the Seller's Group shall procure that all Intra-group Loans due to the Company from the Seller or any Affiliate of the Seller are repaid by the Seller or its relevant Affiliates;

- (f) the Seller shall take or shall procure the taking of, such steps as may be necessary to:
 - (i) approve the transfers referred to in Clause 7.1(c)(i) (subject only to the Purchaser arranging and paying any taxes or duties arising in relation to the transfer); and
 - (ii) appoint such directors and secretary as the Purchaser may specify as directors and the secretary of the Company; and
 - (iii) release the securities, guarantees, claims and indemnities existing immediately prior to Completion other than those arising in the Ordinary Course of Business, owed or due to or claimed by the Seller or any Affiliate (being an Affiliate after Completion) from the Company, true and complete particulars of which are set out in Schedule 10;
- (g) each party and the Purchaser shall deliver a copy of the Tax Deed of Covenant duly executed to the other parties.

8 EMPLOYEES

8.1 The Purchaser agrees to procure that the Company for a period of four years from the Completion Date, will procure that:

- (a) the Employees will receive and enjoy contractual remuneration and benefits (including separation and other benefits described in the Disclosure Letter) which, judged objectively, are no less favourable overall than their contractual remuneration and benefits at the Completion Date; and
- (b) it will not make any unilateral material change to the contractual terms and conditions of employment with the Employees without prior consultation and concurrence as required by any local laws or agreements, with recognised trade unions, appropriate employee representatives, or the Employees.

8.2 The Seller will procure that, on or before Completion, the Company will discharge its liability to Mr. Guy Gauthier in respect of Supplemental Employment Terms.

8.3 For the purposes of this clause, "SUPPLEMENTAL EMPLOYMENT TERMS" shall mean:

- 8.3.1 the period of additional notice (if any) due from the Company at the date such liability crystallises under the arrangement in force as at Completion which is in excess of that which he would have received under the terms of his service agreement dated 25 October 1990;
- 8.3.2 the supplemental retirement benefits that are in addition to the benefits to which Mr. Gauthier is entitled under the TCI Staff Employees' Pension Plan; and
- 8.3.3 any other enhancements to his terms and conditions of employment granted between 25 October 1990 and Completion and which are in force as at Completion other than those granted in the Ordinary Course of Business.

8.4 The Seller will indemnify the Purchaser (for itself and as agent and trustee for the Company) on a continuing basis against any and all losses or liabilities, costs (including without limitation legal costs), charges, expenses, actions, proceedings, claims and demands which the Purchaser or the Company may incur and which relate to or arise out of

the continuation after Completion of the Supplemental Employment Terms.

- 8.5 The Purchaser acknowledges and agrees that all of the funds set aside (or due at Completion to be set aside) by the Company (in trust and including related refundable tax amounts with Revenue Canada) for the purpose of meeting the liability of the Seller and the Company to provide supplemental retirement benefits for Mr. Gauthier will be used for this purpose. The funds held in trust are held at Royal Trust Company 1 Place Ville Marie Montreal in account nos. 554114673-001 and 554 831932. If these funds have not been used for this purpose before Completion, the Purchaser will procure that the Company complies with any directions given by the Seller as to the use of these funds after Completion for the purpose of providing such benefits for Mr. Gauthier.
- 8.6 The Seller will indemnify the Purchaser (for itself and as agent and trustee for the Company) on a continuing basis against any and all losses or liabilities, costs (including without limitation legal costs) charges, expenses, actions, proceedings, claims and demands which the Purchaser or the Company may incur as a result of the severance payments, pension entitlements, accelerated pension entitlements and any other benefits actually paid to any employee whose employment is terminated after Completion if and to the extent such payments, entitlements and/or benefits are in excess of those which would have applied at any time in the period prior to 10 September 1997 Provided always that the dismissal which results in the excess costs being incurred takes effect within four years of Completion and the regular salary figure used in the calculations is one which has been prevailing in respect of the relevant employee for at least six months prior to termination. This indemnity shall not extend to any losses or liabilities, costs (including without limitation legal costs) charges, expenses, actions, proceedings, claims and demands which the Purchaser or the Company may incur as a result of its or their negligence or default. Any claims under this indemnity must be made within 4 years and 3 months of Completion following which this indemnity shall have no effect.
- 8.7 The Seller shall not be required to make any payment under the indemnity set out in sub clause 8.6 unless a draft certificate shall have been delivered to it by the Purchaser within 30 days after the date requiring the Seller to indemnify the Purchaser pursuant to sub-clause 8.6 and certifying the amount payable thereunder. In order to enable the Seller to review the certificate, the Purchaser shall (to the extent it is permitted by law to do so) make available and supply to the Seller and, at the Seller's request and expense, the Seller's auditors, copies of all relevant records and other working papers) relating to the subject matter of the indemnity, during normal office hours.
- 8.8 If the Seller does not within 30 days after presentation to it of the draft certificate give notice to the Purchaser that it disagrees with the certificate or any item thereof, such notice stating the reasons for the disagreement in reasonable detail, the draft certificate shall become final and binding on the parties for all purposes.
- 8.9 If the Seller gives a valid notice within such 30 days, the parties shall attempt in good faith to reach agreement in respect thereof and, if they are unable to do so within 21 days of such notification, either party may by notice to the other refer the certificate to the Independent Accountants in accordance with the provisions of clause 11 of this agreement which shall apply mutatis mutandis, references to the "COMPLAINANT" being deemed to be references to the "SELLER" and references to the "OTHERS" being to the "PURCHASER".
- 8.10 The Seller shall pay interest at the rate of LIBOR plus 200 basis point compounded monthly on all payments pursuant to this clause from the date of delivery of the draft certificate.

9 PROPERTY AND ENVIRONMENTAL

- 9.1 The Seller and the Purchaser shall observe and perform the provisions of Schedule 2 expressed to be observed and performed by each of them respectively.

9.2 The Seller and the Purchaser shall observe the provisions of Schedule 5 expressed to be observed and performed by each of them respectively.

10 PENSIONS

The Purchaser agrees to procure that the Company will, commencing with the Completion Date, respect and perform the provisions of the Canadian Schemes.

11 INDEPENDENT ACCOUNTANT

- 11.1 If either party wishes to refer any matter in dispute in accordance with the provisions of Clause 3 or Schedule 6 for determination under this Clause it shall give notice to the other requiring the appointment of an independent accounting firm of international reputation (the "INDEPENDENT ACCOUNTANT") excluding accounting firms who have acted as auditors of either party or of any of their Affiliates in the last five years. If the parties are unable to agree upon the Independent Accountant within 14 days of such notice, then the Independent Accountant shall be appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales on the application of either party.
- 11.2 If the Independent Accountant delays or becomes unwilling or incapable of acting or if for any other reason the President for the time being of the Institute of Chartered Accountants in England and Wales thinks fit he may discharge the Independent Accountant and, in the absence of agreement between the parties, appoint another in its place.
- 11.3 The Independent Accountant shall act as an expert and not as an arbitrator and his decision shall (in the absence of manifest error) be final and binding on the parties. The Independent Accountant shall afford the parties the opportunity of making written representations to them and shall make its determination within 40 days of its appointment.
- 11.4 The fees and expenses of the Independent Accountant shall be borne by the parties in equal shares unless the Independent Accountant determines otherwise.

12 PROTECTIVE COVENANTS

The Seller covenants with the Purchaser that no member of the Seller's Group will:

- (a) for a period of five years from Completion within any part of the Territories carry on or be engaged or involved in the Field of Activity (save as provided in sub-Clause 12.4 below and as the owner for investment purposes only of securities traded on a recognised stock exchange and not exceeding one per cent. of the securities of that class); or
- (b) without prior approval from the Purchaser, for a period of two years from Completion, directly or indirectly solicit, or endeavour to entice away from the Purchaser or its Affiliates any of the Employees.

- 12.1 Each of the restrictions in sub-Clause 12.1 above shall be enforceable independently and its validity shall not be affected if the other is invalid.
- 12.2 The Seller acknowledges that the provisions of this Clause 12 are no more extensive than is reasonable to protect the Company.
- 12.3 Nothing in this Clause 12 or in this agreement shall prevent:
- (a) the Seller or its Affiliates from purchasing shares in any company or any business which has an interest in the Field of Activity (the ownership of which would otherwise contravene sub-Clause 12.1) unless the turnover of such company or business in its last accounting year generated by its interest

in the Field of Activity was the greater of 10 per cent of the aggregate turnover of such company or business and US\$100 million. In the event that the Seller or any of its Affiliates within five years from Completion purchases any corporation or business which does have interests in the Field of Activity, the Seller or the relevant Affiliate are contractually obliged to offer for sale such interests to DuPont.

If DuPont does not purchase such interests from the Seller (or its relevant Affiliate), the Seller (or the relevant Affiliate) shall, if DuPont shall fail to or does not accept the offer referred to above within such period to which it is entitled for such purpose, within 30 days of receipt, from DuPont of notice that DuPont does not intend to purchase such interests offer for sale such interests to the Purchaser on terms which are no less favourable by written notice ("OFFER NOTICE").

If the Purchaser does not unconditionally purchase such interests from the Seller (or its relevant Affiliates) within a period of 18 months after the date of the Offer Notice, then the Seller (or the relevant Affiliate) shall be free to retain such interests with the consent of the Purchaser (such consent not to be unreasonably withheld or delayed). If such consent is reasonably withheld, then the Seller (or the relevant Affiliate) shall use its best endeavours to divest such interests within 12 months of such consent having been withheld; or

- (b) the Seller or its Affiliates from carrying on or being engaged or involved in:
 - (i) any business it currently carries on (other than the Business);
 - (ii) any business which only supplies other members of the Seller's Group; or
 - (iii) any business after such time as the Purchaser or its Affiliates have ceased to carry on or be engaged or involved in such business other than by way of trade sale; or

13 ANNOUNCEMENTS

The parties agree that no party shall make or permit any member of the Seller's Group or the Purchaser's Group, as the case may be, to make any announcement concerning this agreement or any ancillary matter except as required by law or any competent regulatory body or with the prior written approval of the other party which will not be unreasonably withheld or delayed.

14 DEFAULT INTEREST

Subject as otherwise provided to the contrary in this agreement, if any sum due for payment under this agreement or in accordance with this agreement is not paid on the due date, the party in default shall pay Default Interest on that sum from the due date until the date of actual payment calculated on a day-to-day basis.

15 NOTICES

- 15.1 Any notice or other document to be served under this agreement shall be in writing and may be delivered by hand or by courier, sent by fax or by post to the party to be served at its address appearing in this agreement (and marked for the attention of the person whose name is referred to in sub-Clause 15.3 below) or at such other address (or marked for the attention of such other person) as it may have notified to the other party in accordance with this Clause 15. Any notice or other document sent by post shall be sent by registered post (if both posted and for delivery within the same jurisdiction) or by registered airmail (if posted for delivery outside the jurisdiction in which it is

posted), in either case return receipt requested (or any substantially equivalent service).

15.2 Any notice or document delivered or sent in accordance with sub-Clause 15.1 shall be deemed to have been served:

15.2.1 if delivered by hand or by courier, at the time of delivery; or

15.2.2 if sent by fax, at the time of delivery if sent between 12.01 a.m. and 6.00 p.m. (local time at the destination) or on the Business Day after transmission, if sent at any other time;

15.2.3 if posted, at 10.00 a.m. on the second Business Day after it was put into the post if posted for delivery within the same jurisdiction, or at 10.00 a.m. (local time at the destination) on the fifth Business Day after it was put in the post if sent by registered airmail.

15.3 The person to whom notices or documents should be addressed for the purposes of sub-Clause 15.1 is:

(a) if to be served on TG or on Affiliates of TG:

[]

Fax:

copy to the Company Secretary of Imperial Chemical Industries PLC of Imperial Chemical House, 9 Millbank, London, SW1P 3JF;

Fax: (44) 171 798 5170

(b) if to be served on Omicron or on Affiliates of Omicron:

[]

copy to the Company Secretary of Imperial Chemical Industries PLC of Imperial Chemical House, 9 Millbank, London SW1P 3JF;

Fax: (44) 171 798 5170

(c) if to be served on the Purchaser:

General Counsel
NL Industries, Inc.
16825 North Chase Drive
Suite 1200
Houston, Texas USA TX 77060

Fax: (1) 281 423 3333

15.4 In proving service of a notice or document it shall be sufficient to prove that delivery was made by hand, courier or fax or that the envelope containing the notice or document was properly addressed and posted (either by registered post or by registered airmail, as the case may be, in accordance with the requirements of this Clause 15).

16 GENERAL

16.1 Each of the obligations, Warranties and undertakings set out in this agreement which is not fully performed at Completion will continue in force after Completion.

16.2 Unless otherwise expressly stated all claims made and payments to be made under this agreement shall be made in US Dollars. Payments to the Seller shall be made in immediately available funds to the account of the Seller at such account as the Seller may notify to the Purchaser and to the Purchaser in immediately available funds to such account as the Purchaser may notify to the Seller. All payments and values under this agreement shall be in US Dollars and where an amount is not itself calculated in US Dollars, it shall be converted into US Dollars at the

mid-market closing exchange rate for that currency in US Dollars as published in the London Edition of The Financial Times published two Business Days prior to the date on which the relevant payment is due or where no such rate is published, at the rate quoted by Citibank, N.A. at the close of business in London on that date.
This sub-Clause shall not apply to Schedule 6.

- 16.3 Save as otherwise provided to the contrary in this agreement, each payment to be made under this agreement shall be made in the currency in which the relevant amount is payable, free and clear of all deductions or withholdings of any kind, except for those required by law, and if any deduction or withholding must be made by law, an additional amount will be paid which is necessary to ensure that the recipient receives a net amount equal to the full amount which it would have received if the payment had been made without the deduction or withholding.
- 16.4 None of the rights or obligations under this agreement may be assigned or transferred without the written consent of the other parties (the "NON-ASSIGNING PARTIES") other than an assignment of the rights (but not the obligations) to an Affiliate of the assigning party provided that:
- (a) such assignment shall only be permitted if the assignment has no adverse effect on the Non-assigning Parties;
 - (b) if the Affiliate to which the rights have been assigned ceases to be an Affiliate of the assigning party, the rights which have been transferred shall be re-transferred to the party which originally assigned those rights or to another Affiliate of that original assigning party; and
 - (c) it shall be a condition of any such assignment that reasonable notice is given in writing to the Non-assigning Parties of the proposal to assign (identifying the rights proposed to be assigned, the identity of the proposed assignee and such other details relating thereto as the Non-assigning Parties may reasonably require).
- 16.5 Save as otherwise provided in this agreement, each party shall pay the costs and expenses incurred by it and its Affiliates in connection with the entering into and completion of this agreement.
- 16.6 This agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same agreement and any party may enter into this agreement by executing a counterpart.
- 16.7 No amendment, variation or waiver of this agreement or any provision of this agreement shall be effective unless it is in writing specifically referring to this agreement and duly executed by or on behalf of each party.
- 16.8 Each party shall at their own expense at all times from the date of this agreement do all things as may be required to give effect to this agreement including, without limitation, the execution of all deeds and documents, procuring the convening of all meetings, the giving of all waivers and consents and the passing of all resolutions and otherwise exercising all powers and rights available to them.

17 WHOLE AGREEMENT

- 17.1 Subject to sub-Clause 17.2, below this agreement, the Framework Agreement and the Implementation Agreements (if and when executed) contain the whole agreement between the parties and their respective Affiliates relating to the transactions contemplated by this agreement and the Implementation Agreements and supersede all previous agreements between the parties and their respective Affiliates relating to such transactions.

17.2 A provision in another agreement between the parties to this agreement or between the respective parent undertakings of the parties (and whether made before or after the date of this agreement) which refers to this agreement and which extends or supplements any provision in this agreement will be deemed for the purposes of sub-Clause 17.1 above to form part of the whole agreement between the parties as referred to in that sub-Clause.

17.3 Each of the parties to this agreement acknowledges on its own behalf and on behalf of each of its Affiliates that, in agreeing to enter into this agreement and the Implementation Agreements, it has not relied on any representation, warranty, collateral contract or other assurance (except those set out in this agreement) and waives all rights and remedies which, but for this sub-Clause, might otherwise be available to it in respect of any such representation, warranty, collateral contract or other assurance, provided that nothing in this Clause shall limit or exclude any liability for fraud.

18 GOVERNING LAW

This agreement is governed by and shall be construed in accordance with English law.

19 JURISDICTION

19.1 The parties agree subject to sub-Clause 19.2 to submit to the exclusive jurisdiction of the courts of the State of Delaware for all purposes relating to this agreement.

19.2 If the courts of the State of Delaware decline jurisdiction, the English courts shall have exclusive jurisdiction for all purposes relating to this agreement.

19.3 In both sub-Clause 19.1 and 19.2, neither party shall take any action to avoid, dispute or suggest to such court that such jurisdiction is improper.

19.4 The Seller appoints ICI American Holdings Inc of 3411 Silverside Road, Wilmington, Delaware 19850, USA as its authorised agent upon whom process may be served in any legal suit, action or proceeding arising out of or based upon this Agreement which may be instituted in the courts of the State of Delaware.

19.5 If the English courts have jurisdiction, the Seller irrevocably appoints Imperial Chemical Industries PLC of Imperial Chemical House 9, Millbank, London SW1P 3JF as its agent for process in England and the Purchaser irrevocably appoints Herbert Smith (Ref 554) of Exchange House, Primrose Street, London, EC2A 2HS as its agent for process in England.

AS WITNESS the hands of the duly authorised representatives of the parties on the date which first appears on page 1.

SCHEDULE 1 PARTICULARS OF THE COMPANY

Date and Place of Incorporation: 27 July 1959; Quebec, Canada

Registered Office: 1690 Route Marie-Victorin,
Tracy, Quebec, J3R 1M7
Canada

Authorised Share Capital: an unlimited number of Common Shares and an

unlimited number of Class A Special Shares both without nominal or par value which may be issued for an unlimited consideration

Shareholders and Issued Share Capital: Tioxide Group Limited - 135,000 Common Shares
ICI Omicron BV - 37,000 Class A Special Shares

Directors: Rene Lachance
Guy Gauthier
John A. Collingwood

Secretary: Rene Lachance

SCHEDULE 2
PROPERTIES
(CLAUSE 1)
PART I

NO.	ADDRESS	ESTATE OR INTEREST	USE
1	Factory at 1690 and 1694 Marie-Victorin Boulevard, Tracy, Quebec.	Freehold	Titanium dioxide finishing plant
2	Land at Lot 708-102 of the Official Cadastre of the Parish of Notre-Dame-de-la-Nativite-de-Becancour and Lot 879-10 of the Official Cadastre of the Parish of Saint-Edouard-de-Gentilly.	Freehold	Site for titanium dioxide plant
3	9999 Cavendish Boulevard, Ville St. Laurent.	Leasehold	Former offices now sub-let
4	350 Burnhamthorpe Road West, Suite 210, Mississauga.	Leasehold	Offices

PART II

On Completion, the Seller shall deliver up to the Purchaser all title documentation (and other documentation disclosed to the Purchaser) in connection with the Properties.

SCHEDULE 3
WARRANTIES

A. GENERAL

A.1 CAPACITY AND CONDUCT OF BUSINESS

- (1) The Seller (and each of its Affiliates in respect of the Implementation Agreements to which they are parties) has the requisite power and authority to enter into and to (otherwise as provided in this agreement) perform this agreement and such Implementation Agreements.
- (2) The Seller (and each of its Affiliates, in respect of the Implementation Agreements to which they are parties) has obtained and satisfied all corporate, regulatory and other approvals, or any other conditions, necessary to execute and (otherwise as provided in this agreement) perform this agreement and the Implementation Agreements.
- (3) This agreement and the Implementation Agreements constitute (or when executed will constitute) valid and binding obligations of the Seller (and each of its Affiliates in respect of the Implementation Agreements to which they are parties) enforceable in accordance with their terms.
- (4) The execution and compliance with the terms of this agreement by the Seller and the Implementation Agreements by the Seller or its Affiliates (as appropriate) will:
 - (a) not constitute a breach of any material contract to which the Seller (or any of its Affiliates) is a party or by which it or they are bound or entitle any person to terminate or avoid any such agreement or contract;
 - (b) be in compliance with the Seller's and the Company's memorandum and articles of association or other constitutional documents (or those of any of its Affiliates);
 - (c) not contravene:
 - (i) any order, judgment or decree; or
 - (ii) any statute, rule or regulation; or
 - (iii) any other restriction of any kind by which the Seller or any of its Affiliates or the Company is bound; or
 - (d) not result in the loss or impairment of or any default under any licence, authorisation or consent required by the Company for the purposes of its business.
- (5) All factual information contained in this agreement relating to the Company is true and accurate in all material respects.
- (6) There are no outstanding powers of attorney executed on behalf of the Company.

A.2 THE COMPANY

- (1) The information relating to the Company contained in Schedule 1 is true and accurate.
- (2) Compliance has been made with all legal requirements in connection with the formation of the Company and all issues and grants of shares, debentures or other securities of the Company.

A.3 OWNERSHIP OF THE SALE SHARES

- (1) The Seller is the sole legal and beneficial owner of the Sale Shares. The Sale Shares constitute the entire issued share capital of the Company.
- (2) The Seller is entitled to sell and procure the transfer of the full legal and beneficial ownership in the Sale Shares free from any

encumbrance, equity or third party right of any kind or nature whatsoever, from any agreement or contract to grant the same and from any claim to any of the same.

- (3) The Sale Shares are fully paid up or credited as fully paid up and constitute the whole of the issued and allotted share capital owned by the Seller in the Company.
- (4) No agreement or contract has been entered into which requires or may require the Company to allot or issue any share or loan capital and the Company has not allotted or issued any securities which are convertible into share or loan capital and there are no voting trusts, proxies or other agreements or understandings with respect to the voting of the Sale Shares.

A.4 SUBSIDIARIES

- (1) The Company is not the holder or beneficial owner of (nor has agreed to acquire) any class of any shares or loan capital or other securities of any other corporation (whether incorporated in Canada or elsewhere).
- (2) The Company is not and has not agreed to become a member of any partnership or other unincorporated association, joint venture or consortium (other than recognised trade associations).
- (3) The Company does not have any place of business or permanent establishment (as that expression is defined in double taxation conventions) outside Canada.

A.5 OWNERSHIP OF ASSETS

- (1) Except for those Assets that are leased (as described in the Disclosure Letter), the Company has full legal and beneficial title to all Assets (whether tangible or intangible) reflected in the Accounts (save for current assets and fixed assets worth less than US\$100,000, both as defined for the purposes of the Accounts, disposed of by the Company in the Ordinary Course of its Business since the Accounting Date) and to all assets acquired by the Company since 28 February 1998.
- (2) None of the Assets is subject to any encumbrance (including, without limitation, any debenture, mortgage, charge, lien (other than any such lien arising by operation of law or by statute), deposit by way of security, bill of sale, option or right of pre-emption) except those that arise in the Ordinary Course of Business and do not have a material adverse effect on the Business. All significant items of Plant and Equipment have been regularly and adequately maintained where such maintenance is normally required and are in reasonable working order having regard to their age and use and taken as a whole are capable of operating the Business fully and effectively as conducted by the Company prior to Completion.
- (3) Save for fluctuations and variations in Stock due to normal business factors including, without limitation, production schedules and market demand (including seasonal factors affecting the same) the Stocks in aggregate comprise broadly the same mix of products as has been required and has been maintained at levels sufficient to meet the level of sales of the Business for the last four quarters. The Stock is owned by the Company free and clear of all liens, claims, charges and encumbrances other than any such liens arising by operation of law or by statute. The Stock is located at the Tracy Site and as disclosed in the Disclosure Letter.
- (4) The Company owns or has the right to use all the property rights and assets necessary for the Company to carry on fully and effectively the Business in the manner in and to the extent to which it is presently conducted.
- (5) The Business Data taking into account the time, purpose, nature and

context in which it was prepared is in all material respects a bona fide and accurate record and in the Seller's opinion is collectively sufficient for the purposes of conducting the Company's business in the Ordinary Course of Business. The Business Data and the Company's information, and the means of access to them, are exclusively owned by it and under its direct control or are under its authority.

- (6) The Disclosure Letter contains details of the current insurance arrangements applicable to the Company. Those arrangements are in full force and effect, all premiums have been duly paid and, so far as the Seller is aware, nothing has been done or omitted to be done which would make any policy of insurance of the Company void or voidable. There is no claim outstanding under any such arrangement.

A.6 COMPLIANCE WITH STATUTES

The Company has complied with all applicable laws (including rules, regulations both having the force of law, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of national, local, and foreign governments (and all agencies thereof), and no action, suit, proceeding, hearing, investigation, charge, claim, demand, or notice has been filed or commenced against the Company alleging any failure so to comply.

A.7 LICENCES AND CONSENTS

The Company has all Permits necessary to own and operate its Assets and to carry on the Business in the manner in which such business is now carried on. All such Permits are valid and subsisting and have been complied with in all material respects. The Company has paid all fees due under the same. A list of material Permits has been disclosed and identified in the Disclosure Letter and the list identifies those material Permits which allow for revocation on a change in controlling shareholder.

A.8 LITIGATION

- (1) The Company is not engaged in any litigation or arbitration proceedings except as plaintiff for collection of debts in the Ordinary Course of Business which is likely to involve the Company claiming or paying sums in excess of US\$100,000 or which otherwise will have a material effect on the operation of the Company and the Business and there are no such proceedings pending and no letter before action has been received by the Company and so far as the Seller is aware there are no facts likely to give rise to any such proceedings. The Seller has disclosed in the Disclosure Letter a list (which is complete and accurate in all material respects) which includes a description of each pending law suit, claim (including customer complaints), administrative proceedings, arbitration, labour dispute or governmental investigation or inspection to which the Company is a party or involves the operation of the Business or involves the Sale Shares and in each case which is likely to involve the Company claiming or paying sums in excess of US\$100,000. The Seller has disclosed all material (individually or in the aggregate) product liability claims received by the Company or by the Seller during the last three years. There are no orders, decrees, judgments or agreements with any court or governmental authority to which the Company or the Seller (on behalf of the Company) is a party or by which the Company or the Seller or the Sale Shares are bound and which will have a material effect on the operation of the Company and its business.
- (2) No administrator, receiver or administrative receiver or any other equivalent officer has been appointed in respect of the Company or in respect of any parts of the assets or undertakings of the Company.
- (3) No petition has been presented, no order has been made, no resolution has been passed and no meeting has been convened for the winding-up of the Company or for an administration order to be made in relation to the Company nor has any such order been made.
- (4) No voluntary arrangement has been approved and no compromise or

arrangement has been sanctioned in respect of the Company pursuant to any applicable bankruptcy or insolvency legislation.

- (5) The Company has not become unable to pay its debts.
- (6) No distress, distraint, charging order, garnishee order, execution or other process has been levied or applied for in respect of the whole or any part of any of the Property, Assets and/or undertaking of the Company.

A.9 ENVIRONMENTAL MATTERS

(1) Environmental Authorisations

- (a) The Company has lawfully obtained all Environmental Authorisations and each such authorisation is in full force and effect and the Company has complied at all times with and can continue to comply in the future with all conditions of such authorisations.
- (b) No works or costs are or will be necessary to obtain or secure compliance with or maintain any existing Environmental Authorisations or their conditions or otherwise to comply with Environmental Laws.
- (c) The Company has received no communication in any form in respect of any Environmental Authorisation varying, modifying in any material respect, revoking, suspending or cancelling the same or indicating an intention or threatening so to do and there are no facts or circumstances which the Seller knows or ought reasonably to know which will result in any Environmental Authorisation being so varied, modified, revoked, suspended or which may prejudice their renewal.
- (d) The Seller or the Company has taken all necessary action in connection with the renewal or extension of all Environmental Authorisations.
- (e) The Company is not engaged in and, so far as the Seller is aware, there are no facts which make it likely or desirable that it should be engaged in any appeal in respect of any Environmental Authorisation or any conditions contained therein or any refusal of any Environmental Authorisation.
- (f) So far as the Seller is aware or ought to be aware, there is no reason (other than reasons relating to the Purchaser or its Affiliates) to believe that those Environmental Authorisations which have been applied for but which have not yet been granted or are pending will not be granted within a reasonable period of time and on terms which are acceptable in order for the Company to continue its current business operations.
- (g) So far as the Seller is aware or ought to be aware, the execution and/or performance of this agreement and all other documents which are to be executed at Completion will not result in any Environmental Authorisations being varied, modified, revoked, suspended, cancelled or not renewed, other than for reasons relating to the Purchaser or its Affiliates.

(2) Compliance with Environmental Laws

- (a) The Company is in compliance with Environmental Laws and the state and use of the Property have been at all times in conformity with Environmental Laws.
- (b) The Company has not received any communication in any form from any competent authority requiring the taking of remedial or other steps in relation to the pollution or protection of the Environment or the state or use of the Property. So far as the Seller is aware there are no circumstances which might give rise to such communications being received and the

Seller is not aware of any intention on the part of any such authority to give such notice.

- (c) No proceedings or other action, claim or investigation are or have been in existence or are so far as the Seller is aware pending or threatened against the Company arising from or in relation to any Environmental Authorisations or otherwise concerning Environmental Laws.

(3) Liability

- (a) The Company or the Seller, in relation to the Business, has not received any notice or intimation of any complaint or claim from any person in respect of any matter concerning the Environment.
- (b) The Company or the Seller, in relation to the Business, are not and have not been engaged in any action, litigation, arbitration or dispute resolution proceedings relating to or concerning any actual or potential liability under Environmental Laws and the Seller is not aware of any such matters pending or being threatened or of any circumstances or facts likely to give rise to any such matters.
- (c) The Company or the Seller, in relation to the Business, are not and have not been subject to any injunction or similar remedy or order by a court of competent jurisdiction, or to any undertakings given to such court in respect of any matters relating to or concerning the Environment.

- (4) As far as the Seller is aware, there has not been in relation to the Business in the last three years any adverse report, complaint or investigation under an Act Respecting Industrial Accidents and Occupational Diseases (Quebec) or an Act Respecting Labour Standards (Quebec) or any prosecution, formal caution or warning for any violation of any applicable laws or regulations.

A.10 DATA ROOM DOCUMENTS

- (1) Save as disclosed in Schedule 7 of the Disclosure Letter, so far as the Seller is aware, each licence, permit, contract, list and report set out in Annex 6 and disclosed in the Data Room, and identified on Annex 6 by reference to the reference number set out in the Data Room Index annexed to the Disclosure Letter:
 - (a) other than where redacted, is a true copy of the original;
 - (b) is the latest version thereof;
 - (c) is complete; and
 - (d) has not been altered, amended or varied since the date thereon.
- (2) To the extent that any note, summary or response to questions of or in respect of the documents set out in Annex 6 referred to in sub-Paragraph A.10(1) contains any expression of opinion of the ICI Group (not including the opinion of third parties), such opinion reflects the current reasonably held opinion of its author given in good faith taking into account the respective author's knowledge and understanding.

B. ACCOUNTS

(1) Accounts

- (a) The Accounts (true and complete copies of which are enclosed

with the Disclosure Letter):

- (i) have been prepared in accordance with the historical cost convention and with the Accounting Standards;
 - (ii) have been prepared on bases and principles which are consistent with those used in the preparation of the audited statutory accounts of the Company for the three financial years immediately preceding that which ended on the Accounting Date; and
 - (iii) show a true and fair view of the state of affairs of the Company as at the Accounting Date and of the results of the Company for the financial year ended on that date;
- (b) Without prejudice to the generality of paragraph (a) above, the Accounts make:
- (i) adequate provisions or reserve (or note in accordance with good accountancy practice) for all actual liabilities and capital commitments of the Company;
 - (ii) proper provision or reserve (or note in accordance with good accountancy practice) for all known contingent liabilities including unquantified or disputed liabilities;
 - (iii) provision or reserve reasonably regarded as adequate for bad and doubtful debts; and
 - (iv) provision or reserve for taxation liable to be assessed on the Company or for which it may be accountable in respect of the period ended at the Accounting Date.
- (c) True and complete copies of the Accounts and of the audited accounts for each financial year of the Company preceding that which ended on the Accounting Date have been laid before the Company in general meeting and the auditors' reports thereon were unqualified.
- (d) The Accounts are not affected by any extraordinary, exceptional or non-recurring items.
- (e) The profits or losses of the Company for the three consecutive financial years ended on the Accounting Date as shown by the Accounts (and by the audited accounts of the Company for previous periods delivered to the Purchaser) and the trend of profits or losses thereby shown have not (except as therein disclosed) been affected by inconsistencies of accounting treatment, by the inclusion of non-recurring items of income or expenditure, by transactions entered into otherwise than on normal commercial terms or by any other factors rendering such profits or losses for all or any of such periods exceptionally high or low.
- (f) Since the Accounting Date:
- (i) there have been no material change in any accounting or stock valuation method used by the Company;
 - (ii) there have been no write downs or similar reductions to the book value of any of the Assets of the Company; and
 - (iii) there have been no upward revaluations of existing Stocks.

(2) Canadian Financial Information

- (a) The Canadian Financial Information has been derived from the books of the Company, which books have been regularly and consistently kept and maintained using ICI's normal accounting policies and practices as set out or referred to

in the ICI's Controller's Manuals (and the policies contained in these Manuals are in accordance with UK GAAP) as applied by the relevant business on a consistent basis in accordance with UK GAAP and, on such basis, represents the Assets and liabilities of the Business as at 28 February 1998.

(b) The Canadian Financial Information fairly represents the matters presented therein.

(c) Since 28 February 1998 there has been:

(i) no material change in accounting or inventory valuation methods used by the Company in connection with the Assets;

(ii) no upward re-valuations of existing Stocks; and

(iii) no material adverse change in the Business or financial condition of the Company which for this purpose shall not include the inherently cyclical nature of the titanium dioxide industry or economic conditions generally.

(3) Since [date of Framework Agreement] 1998:

(i) the Company has not sold, leased, transferred, or assigned any of its assets, tangible or intangible, other than for a fair consideration in the Ordinary Course of Business;

(ii) the Company has not entered into any agreement, contract, lease, or licence (or series of related agreements, contracts, leases and licences) either involving more than US\$1,000,000 within a 12 month period or outside the Ordinary Course of Business;

(iii) no party (including any of the Company's Affiliates) has accelerated, terminated, modified, or cancelled any agreement, contract, lease, or licence (or series of related agreements, contracts, leases, and licences) involving more than US\$250,000 within a 12 month period to which the Company is a party or is bound;

(iv) the Company has not imposed or permitted another to impose any encumbrance upon any of its assets, tangible or intangible other than those arising by operation of law or statutes;

(v) the Company has not made any capital expenditure (or series of related capital expenditures) either involving more than US\$250,000 or outside the Ordinary Course of Business;

(vi) the Company has not made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other person (or series of related capital investments, loans and acquisitions) either involving more than US\$250,000 or outside the Ordinary Course of Business;

(vii) other than to Affiliates of the Seller, the Company has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any indebtedness for borrowed money or capitalised lease obligation either involving more than US\$250,000 singly or US\$2,500,000 in the aggregate;

(viii) the Company has not delayed or postponed the payment of accounts payable and other liabilities other than in the Ordinary Course of Business;

(ix) the Company has not cancelled, compromised, waived, or released any right or claim (or series of related rights and claims) either involving more than US\$250,000;

(x) the Company has not granted any licence or sublicense of any

rights under or with respect to any Intellectual Property;

- (xi) there has been no change made or authorised in the constitutional documents of the Company;
- (xii) the Company has not issued, sold, or otherwise disposed of any of its capital stock, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its capital stock;
- (xiii) the Company has not declared, set aside, or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased, or otherwise acquired any of its capital stock;
- (xiv) the Company has not experienced any damage, destruction, or loss (whether or not covered by insurance) to its property involving sums in excess of US\$250,000;
- (xv) the Company has not made or pledged to make any charitable contribution outside the Ordinary Course of Business;
- (xvi) the Company has not committed to any of the foregoing.

C. ANTI-COMPETITIVE ARRANGEMENTS

- (1) The carrying on of the Business by the Company does not require any agreement, arrangement, concerted practice or course of conduct which is material to the Business and which:
 - (a) is subject to registration under the Competition Act (Canada) but is not so registered;
 - (b) is an offence or a reviewable matter within the meaning of Parts VI and VIII, respectively, of the Competition Act (Canada).
- (2) The Company or the Seller, in relation to the Business, have not received in the last three years any process, notice or communication, formal or informal, from the Director of Investigation and Research appointed under the Competition Act (Canada) or any anti-trust regulatory authority, relating to any aspect of the Business, which alleges any illegal practices in relation to the Business and so far as the Seller is aware no such process, notice or communication is likely to be received.

D. MATERIAL CONTRACTS

- (1) Particulars of all Material Contracts are annexed to the Disclosure Letter.
- (2) The Company is not in breach of, or default under, any of the Material Contracts or any other Contracts the consequence of which would or may have a material adverse effect on the Company and, so far as the Seller is aware, no state of facts exists or event has occurred, is pending or is threatened which after the giving of notice or the lapse of time would or may constitute or result in a breach or a default by the Seller or by the Company or any other person, firm, corporation or entity of or in relation to any contract the consequences of which would have a material effect on the operation of the Business. All Material Contracts are legal, valid and binding obligations of the Company and are enforceable in accordance with their terms.

E. EMPLOYEES

- (1) Particulars of the material terms of employment of all Employees and

officers of the Company are annexed to the Disclosure Letter and such particulars are true, complete and accurate.

- (2) No Employee has given to the Company and the Company has not received from any Employee, nor has the Company given to any Employee, notice of termination of any such Employee's employment.
- (3) Standard form consultancy agreements, agency or self-employed or contracted labour agreements or contracts where sums in excess of US\$75,000 per annum are paid or are payable by the Company have been disclosed in the Disclosure Letter.
- (4) So far as the Seller is aware, there is no material industrial action by the Employees pending or threatened in relation to the Business nor has there been within the last 12 months.
- (5) Particulars of all loans made by the Company to Employees and which shall remain outstanding at Completion, together with sums owed by the Company to any Employee (other than remuneration and other contractual or customary benefits), are disclosed in the Disclosure Letter.
- (6) No Employee of Grade 37 or above previously employed by the Company has a right to return to work or any right to be reinstated or re-engaged by the Company, whether under statute or otherwise.
- (7) No Employees previously employed by the Company have a right to return to work or any right to be reinstated or re-engaged by the Company, whether under statute or otherwise.
- (8) In relation to the Employees, there are no existing nor, so far as the Seller is aware, threatened arbitration procedures arising out of or under any union recognition or works council agreement covering the Employees nor, so far as the Seller is aware, does any basis therefore exist nor has the Seller or the Company received any request for recognition or representation by any trade union not currently recognised on the Tracy Site.
- (9) The Company has complied in all material respects with all statutes, regulations, orders and codes of conduct relating to employment and relations with Employees and trade unions and has maintained records required by law regarding the service of each of its Employees.
- (10) The Disclosure Letter contains a list of Employees at the Tracy Site together with a list of Employees below Grade 37 and a list of Employees above Grade 37. The Disclosure Letter also contains a list of Employees of the Company who are employed at locations other than at the Tracy Site.
- (11) So far as the Seller is aware here are no material complaints, disputes or grievances pending or threatened against the Company of any nature in relation to its Employees or former Employees.
- (12) All of the Employees are employed by the Company.
- (13) The Company has discharged such obligations to Employees in respect of salaries, wages, commissions, bonuses, overtime pay and holidays as have accrued and become payable to Employees in accordance with the Company's normal policies, including the normal timing of such payments, as at the date hereof.

For the purposes of this Part E, "GRADE 37" refers to a particular grade of employee, as determined by the Company, using the Hay-MSL evaluation system.

F. PENSIONS

In this Part F, "SCHEME DOCUMENTS" means the documents relating to the Canadian Schemes identified in the Disclosure Letter.

- (1) Except pursuant to the Canadian Schemes, the Company has not paid, provided or contributed towards, and is not under any obligation (whether or not legally enforceable) to pay, provide or contribute

towards any relevant benefit payable on death or retirement for or in respect of any present or past officer or Employee (or any spouse, child or dependant of any of them) of the Company.

- (2) The Scheme Documents comprise all the documents governing the Canadian Schemes including financial statements for the preceding period of three years, all explanatory booklets and announcements to the Employees describing the terms of the Canadian Schemes (other than routine benefit statements) of current effect and full particulars of any enhancement of benefit and contributions payable to the Canadian Schemes and there is no obligation to provide or continue to provide benefits in respect of Employees or former Employees of the Company under the Canadian Schemes other than as revealed in the Scheme Documents.
- (3) The Canadian Schemes have been registered as required under applicable legislation.
- (4) The Canadian Schemes have at all times complied with the provisions of all relevant statutes, regulations and requirements and have been administered in accordance with the trusts, powers and provisions of the Canadian Schemes and with due regard to the general requirements of trust law and the advisers to the Canadian Schemes have not had and do not have any cause to report any matter.
- (5) The Company has complied in all material respects with its obligations under the Canadian Schemes and all amounts due to be paid to the Canadian Schemes by it and its Employees have been paid.
- (6) There are no claims or actions in progress, pending or threatened (other than routine claims for benefits) against the trustees of the Canadian Schemes or the Company about benefits payable under the Canadian Schemes in respect of Employees or former Employees of the Company.
- (7) All information of a factual nature made available to the Purchaser or its advisers in connection with the Canadian Schemes is true and accurate in all material respects and there is no omission therefrom.
- (8) No proposal has been announced to alter or discontinue the Canadian Schemes nor has any proposal which is legally enforceable been announced to establish any retirement, death or disability agreement or arrangement of the nature referred to in paragraph (1) above in respect of Employees which proposal remains outstanding and has not been implemented.
- (9) There is no amount which is due to the trustees of the Canadian Schemes.

G. PROPERTIES

- (1) The Property constitutes all of the freehold or leasehold or other immovable property currently owned by the Company or in which the Company has an ownership interest.
- (2) The particulars of the Property shown in Schedule 2 are true, complete and correct. The use of the Property for the purpose stated in Schedule 2 corresponds to the use to which it is in fact put or (where the Property is not presently in use) to the use to which it was last in fact put.
- (3) The Company has a good and marketable title to the Property for the estate or interest stated in Schedule 2, free from any defects, and has in its possession, or under its control, all duly stamped deeds and documents which are necessary to prove title to the Property, and such title has already been fully deduced to the Purchasers.
- (4) The Company does not require the use and is not in occupation of or entitled to any estate or interest in any land or premises other than the Property. The Company is in exclusive occupation of the whole of the Property and on Completion shall be in exclusive occupation of the whole of the Property.
- (5) The Property is not affected by any of the following matters:

- (a) any servitude, easement, reservation, covenant, restriction, agreement, licence, franchise, hypothec, mortgage, charge, encumbrance, or third party right;
 - (b) any notice, order, proposal, dispute or complaint relating to it or its present use under any legislation, agreement, covenant, condition, licence or consent; or
 - (c) outgoings (other than uniform business rates, water charges and other standard payments to the relevant water company including, without limitation, insurance premiums and other usual business expenses), whether of a periodically recurring nature or otherwise and whether payable by the owner or occupier of the relevant property.
- (6) All obligations, restrictions, conditions and covenants (including any imposed by or pursuant to any lease but excluding any referred to in paragraph A.9 above) affecting the Property have been observed and performed so far as the Seller is aware and there are no subsisting allegations of a breach of any thereof relating to the Property or its present use under any legislation, agreement, covenant, condition, licence or consent other than those referred to in paragraph A.9 above or so far as the Seller is aware any circumstance which might give rise to such a breach.
- (7) The Property is in a good and substantial state of repair and condition and fit for the purposes for which they are presently used and the Company has not used in the Property any substances not in conformity with relevant standards or codes of practice or which are generally known to be deleterious to health and safety and there are no uncompleted works of any description at the Property other than routine maintenance.
- (8) There are no subsisting allegations that the use of the Property for the purpose stated in Schedule 2 is not the permitted use under the provisions of all relevant legislation.
- (9) The Company has no liabilities or contingent liabilities (but excluding any matters referred to in paragraph A.9 above) in respect of any properties (other than the Property) (or any interest therein) whether by privity of contract or by way of guarantee or surety or otherwise.
- (10) The Property has the benefit of all rights, servitudes, easements and consents required for the occupation and operation of the Property for their present use and any plant, machinery and processes thereat and such rights, servitudes, easements and consents are enjoyed on terms which do not permit them to be determined by any third party or by effluxion of time.
- (11) There are no outstanding liabilities to make payments in respect of rates, water charges, or any other charges payable in respect of the Property to any governmental, state, municipal or other similar authority.

H. INTELLECTUAL PROPERTY

- (1) The rights licensed to the Company pursuant to the Canadian Technology Agreements in combination with all rights owned by the Company in Intellectual Property constitutes all the Intellectual Property necessary for the conduct of the Business by the Company as now conducted.
- (2) The Seller does not have actual notice of infringement by others or of attacks on the validity or enforceability of or on the Company's title to any Material Intellectual Property used in the Business. The Disclosure Letter identifies all patents, patent applications, registrations and applications for registration of Intellectual Property, all Material unregistered trademarks, service marks, trade names and copyrights owned by the Company. "MATERIAL" in this Warranty H(2) means Intellectual Property the absence of which would have a significant negative impact on either (a) the revenue attributable to or derived from the Intellectual Property or (b) otherwise on the conduct

of the Company's business. The Disclosure Letter also identifies the status of the relevant patents and, so far as the Seller is aware, whether or not such patents are currently being opposed.

- (3) The Disclosure Letter identifies all information technology used by the Company which is defined in the Disclosure Letter as being "MATERIAL INFORMATION TECHNOLOGY".
- (4) The Seller does not have actual knowledge and has not received written notification that the activities of the Business infringe the Intellectual Property of any third party (the Seller having no obligation to conduct investigations in relation to any such potential infringement).
- (5) So far as the Seller is aware or ought to be aware, all Material agreements relating to Intellectual Property and Technical Information to which the Seller is a party and which relate to the Business are listed in the Disclosure Letter. "MATERIAL" in this Warranty H(5) means agreements relating to Intellectual Property the absence of which would have a significant negative impact on either (a) the revenue attributable to or derived from the Intellectual Property or (b) otherwise on the conduct of the Company's business.
- (6) All Intellectual Property material to the conduct of the Business immediately prior to Completion will be owned or available for use by the Company immediately after Completion. For the purposes of this Warranty H(5), Material has the same meaning as in Warranty H(2).

I. BROKERS

Neither the Seller nor the Company has employed any investment banker, broker or finder or incurred any liability for any brokerage fees, commissions, finders fees or similar payments in connection with the transactions contemplated by this agreement for which the Purchaser, the Purchaser's Affiliates or the Company may be liable.

J. TAXATION

- (1) Tax Returns, disputes, records and claims etc.
 - (a) The Company has made all proper returns required to be made for any Taxation purpose and has supplied or caused to be supplied all information required by law to be supplied to any revenue authority.
 - (b) There is no dispute or disagreement (not including routine queries relating to the Taxation returns of the Company) outstanding at the date of this Agreement with any revenue authority regarding the proper method of computing the profits of the Company (or any part of it) for Taxation purposes or the proper treatment of sales and goods and services tax of any supplies of goods or services made (or treated as made) by the Company or in respect of any other Taxation matter and there are no circumstances of which the Seller is aware which make it likely that any such dispute or disagreement will commence. Without prejudice to the generality of the foregoing, there is no current investigation being undertaken by any Taxation authority and, so far as the Seller is aware, there are no existing circumstances which make it likely, in the event of such an investigation taking place, that a liability will arise.
 - (c) The amount of Taxation chargeable on the Company during any accounting period ending on or within six years before Completion has not to any material extent depended on any concession, agreement, dispensation or other formal arrangement with any revenue authority in circumstances where either:
 - (i) the availability of any such arrangement will be prejudiced as a result of the change of control of the Company resulting from this agreement; or

(ii) the Company has not acted in accordance with the terms of the arrangement in question.

(d) The Company has made all Taxation claims, disclaimers and elections and taken all other action the making or doing of which was assumed to have been made for the purpose of the Taxation provisions in the Accounts.

(2) Duties etc.

All customs duties and sales and goods and services taxes payable to any revenue authority upon the importation of any of the Company's assets and all excise duties payable to any revenue authority in respect of any of these assets have been paid in full, and none of these assets is liable to confiscation or forfeiture (whether by virtue of non-payment or underpayment of any Taxation or duty or by virtue of non-compliance with any legislation or regulation relating to any Taxation or duty or otherwise howsoever).

(3) Stamp Duty

All documents which are in the possession or control of the Company and which are subject to stamp duty or similar duty and which confer any right upon the Company have been duly stamped and all stamp duty or similar duty properly paid thereon. The Company has never incurred any liability to stamp duty reserve tax.

(4) Contracts

No contracts to which the Company is a party and no obligation to any present or former director, employee or officer involve any future liabilities of a revenue nature which when incurred will not be deductible in computing profits for corporation tax purposes otherwise than as a result of any future changes in the law or as a result of any voluntary act after Completion of the Purchaser or of the Company outside the Ordinary Course of Business of the Company.

(5) Distributions and payments

The Company has deducted and properly operated and accounted to the appropriate revenue authority for all amounts which it has been obliged to deduct in respect of Taxation.

(6) Employee benefits

(a) The Company has made all required deductions and withholdings from all payments made, or treated as made, to its directors, Employees or officers or former directors, Employees or officers or any person required to be treated as such, and accounting to the taxation authorities for all Taxation so deducted and for all Taxation chargeable on the Company on benefits provided for its directors, Employees or officers, or former directors, Employees or officers.

(b) The Disclosure Letter contains full details of all share incentive schemes, profit sharing schemes and profit related pay schemes established by the Company.

(7) Residence and offshore interests

(a) The Company is and has at all times been resident in Canada for the purposes of all Taxation Statutes and has not at any time been resident outside Canada for the purposes of any Taxation Statute or any double taxation arrangements.

(b) The Company has not at any time had a branch outside Canada or any permanent establishment (as that expression is defined in any applicable double taxation treaties) outside Canada and the Company has no existing entitlement to receive royalties, (or any sum treated as royalties for any Taxation purposes) which are paid subject to deduction of Tax in a jurisdiction outside Canada.

K. MILLENNIUM COMPLIANCE

- (1) For the purposes of this agreement "MILLENNIUM COMPLIANT" means that the Computer Systems are capable of the following functions before, during and/or after 1 January 2000:-
 - (a) handling date information involving all and any dates before, during and/or after 1 January 2000 including accepting date input, providing date output and performing date calculations in whole or part;
 - (b) operating accurately without interruption on and in respect of any and all dates before, during and/or after 1 January 2000 and without any change in performance;
 - (c) responding to and processing two digit year input without creating any ambiguity as to the century; and
 - (d) storing and providing date input information without creating any ambiguity as to the century.
- (2) The Disclosure Letter contains material details of the measures that have been implemented within the Business to determine the extent to which its Computer Systems are not Millennium Compliant, and material details of any programme undertaken by the Business with a view to its Computer Systems achieving Millennium Compliance (or so close to Millennium Compliance as is practicable).

L. INTRA-GROUP ARRANGEMENTS

- (1) There is no indebtedness or liability (actual or contingent) nor any security owed by the Company to any member of the Seller's Group or ICI's Group (as constituted following Completion) other than arising in the Ordinary Course of Business and as conducted on arm's length terms.
- (2) There is no agreement or contract to which the Company is a party and to which any member of the Seller's Group (as constituted following Completion) is a party or in which any such member is otherwise interested in any way whatsoever which shall continue beyond the Completion Date.

M. DEBTORS

- (1) The Company has not made, or entered into any contract or agreement to make any loan to, or other arrangement with, any person as a result of which it is or may be owed any money other than trade debts incurred in the Ordinary Course of Business and cash at bank.
- (2) The Company is not entitled to the benefit of any debt otherwise than as the original creditor and has not factored or discounted any debt or agreed to do so.
- (3) All of the debts which will be reflected in the Final Completion Statement as owing to the Company (apart from bad and doubtful debts to the extent to which they have been provided for in the Final Completion Statement (as defined in Schedule 6)) will realise their full value as included in the Final Completion Statement within the payment terms agreed with the respective creditors.

N. OTHER OPERATIONS AND ASSETS

- (1) During the 8 years prior to the date hereof, neither the Company, nor any of its downstream Affiliates nor any entity to which the Company has succeeded through merger or by operation of law, has engaged, directly or through downstream Affiliates or agents or in partnership, in a

business other than the manufacture, import, export, sale and distribution of titanium pigments, co-products and related products.

- (2) The Seller has disclosed to the Purchaser details of all real property owned, leased or occupied by the Company or any of its downstream Affiliates or any entity to which the Company has succeeded through merger or by operation of law at any time during the 8 years prior to the date hereof.
- (3) The Seller has disclosed to the Purchaser all off-site disposal locations of Hazardous Materials owned by the Company, its downstream Affiliates and any entity to which the Company has succeeded through merger or by operation of law during the 8 years prior to the date hereof.
- (4) Neither the Company, nor any of its downstream Affiliates nor any entity to which the Company has succeeded through merger or by operation of law has owned or controlled a business for whose liabilities any of them could be responsible the business records of which have not been made available in the Data Room.

SCHEDULE 4
IMPLEMENTATION AGREEMENTS

1 Deed of Indemnity.

SCHEDULE 5
ENVIRONMENT

1 INTERPRETATION

For the purposes of this Schedule, words and expressions defined in the Share Sale Agreement to which this Schedule is attached shall have the same respective meanings in this Schedule and, in addition, the following terms shall have the following respective meanings:

"COMMERCIALY REASONABLE EXPENSES" are those costs and expenses which a reasonable person acting in a commercially prudent manner, taking into account (but without imposing an absolute requirement) the need to minimise his expenditure, would expend, in the case of any obligation to carry out the remediation of Environmental Contamination pursuant to Environmental Laws, to meet that obligation. For the avoidance of doubt, Commercially Reasonable Expenses shall not include any costs or expenses to the extent that they are incurred as a result of the adoption or imposition of standards of clean-up materially more stringent than those which are provided for under Environmental Laws;

"CONTROLLED WATERS" means waters including any ground or surface waters;

"COUNTER INDEMNITY" means the indemnity defined in sub-paragraph 3.1 of this Schedule;

"ENVIRONMENT" means air, Controlled Waters, land (whether on, in or

below such land, excluding any buildings or other permanent structures on, in or below the land) but including the surface of any river bed, the surface of any sea bed or any other land covered by water, and flora and fauna and all other natural resources;

"ENVIRONMENTAL CONTAMINATION" means any discharge, transport, emission, release, leakage, spillage, escape or disposal of Hazardous Material at or from the Site(s) onto or into any part of the Environment;

"ENVIRONMENTAL LAWS" means any and all legislation (whether civil, criminal or administrative), statutes, treaty, statutory instrument, directive, bylaw or judgment, regulations, ordinances, notices, orders, government circulars, codes of practice, policy and guidance notes or decisions of any competent regulatory body or common law relating to pollution or protection of the Environment or harm to human health arising from Environmental Contamination, which as at Completion are in effect and legally capable of enforcement by legal process in the country in which the Site(s) are situated;

"ENVIRONMENTAL LIABILITIES" means all claims, costs, damages, expenses (including reasonable professional fees incurred), losses, liabilities (including without limitation liability to third parties), fines or penalties suffered or incurred by the Company, the Purchaser or its Affiliates (or the Seller or its Affiliates in the case of the Counter Indemnity) in relation to the Company (excluding in the case of the Indemnity but not the Counter Indemnity the LPC Interests and LPC) as a direct consequence of or in connection with any Environmental Proceeding;

BUT EXCLUDING any claims, costs, damages, expenses, losses, liabilities:

- (i) in respect of capital expenditure on plant and equipment other than capital to carry out remediation of Environmental Contamination pursuant to Environmental Laws;
- (ii) in respect of loss of anticipated profits, loss of revenue, or any other loss in respect of business interruption other than such reasonably foreseeable losses of third parties who have themselves directly suffered the relevant Environmental Contamination or whose use of the Environment has been adversely and directly affected by the relevant Environmental Contamination;
- (iii) where applicable to the extent that they are not Commercially Reasonable Expenses;

"ENVIRONMENTAL PROCEEDING" means in relation to the Company:

- (i) subject to (ii) and (iii) below, any one or more writs, interim or final judicial or administrative decrees, judgments, injunctions, orders, or notices:
 - (a) under which the Company, the Purchaser or its Affiliates (or the Seller or its Affiliates in the case of the Counter Indemnity) are obliged by Environmental Laws or legal process pursuant to Environmental Laws to undertake or pay the cost of remediation or with which the aforesaid parties are otherwise obliged to comply; or
 - (b) in respect of any violation or alleged violation of Environmental Laws; or
 - (c) in respect of:
 - (01) any personal injury to any third party; or
 - (02) damage to any property of any third party,both pursuant to Environmental Laws;

Provided that in the case of the Indemnity only:

* the reference to the Company shall exclude the LPC

Interests and LPC; and

* in paragraphs (i) (c) (01) and (02), the reference to a "THIRD PARTY" shall not include any employee, contractor or agent of the Company, the Purchaser or its Affiliates, except when:

- the personal injury other than asbestos-related personal injury (in the case of paragraph (i) (c) (01)); and/or

- the damage to property (in the case of (i) (c) (02)), occurs after Completion and the Purchaser did not know or reasonably ought not to have known of the circumstances which gave rise to that personal injury, or as the case may be, that damage; and

(ii) any agreement between the Seller and Purchaser (or in the event of disagreement any determination by the Experts) that it is Reasonably Necessary to undertake remediation of Environmental Contamination, which would (but for the fact that an environmental authority is unaware of it) be more likely than not to result in an environmental authority bringing an Environmental Proceeding under (i) (a) in the definition of Environmental Proceeding and which would result in Environmental Liabilities;

(iii) notwithstanding sub-paragraph 4.1 hereafter, any agreement by the Purchaser or its Affiliates with an environmental authority that the Purchaser or its Affiliates will undertake remediation of Environmental Contamination if such remediation is required by such environmental authority as a condition to the granting, surrender or variation of an Environmental Authorisation relating to the Site, provided that:

(a) the grant, surrender or variation of the Environmental Authorisation arises out of the conduct of the Business by the Purchaser or its Affiliates; and

(b) the subject matter of the agreement with the environmental authority shall relate to the Site Provided that if the subject matter of the agreement does not relate to the Site, the Purchaser shall have taken all such steps as may be reasonable to contest the relevant environmental authorities linkage of the subject matter of the agreement to the Site; and

(c) the remediation is not required because of any proposed change of use of the Site from the Business of the Company; and

(d) save in respect of sub-paragraph 4.1.2 relating to any Site or part thereof, the remediation is not required because of any proposed closure of all or part of the Site, other than in relation to:

(I) any material change of process within the existing plant and/or buildings on such Site; or

(II) any material change to or development of the business and/or operations carried on at the Site which does not result in such Site (or any part) ceasing to be used for general industrial/manufacturing of a type materially similar to the existing Site operation; and

(e) the Purchaser or its Affiliates has to the extent practicable consulted in good faith with the Seller on the agreement or arrangements with the environmental authority.

"HAZARDOUS MATERIAL" means hazardous, poisonous, dangerous, noxious or

toxic substances, pollutants or wastes including (to the extent they are hazardous, poisonous, dangerous, noxious or toxic) pesticides, contaminants, petroleum products, asbestos, polychlorinated biphenyls and radiation;

"INDEMNITY" means the indemnities contained in paragraph 2 below;

"REASONABLY NECESSARY" means reasonably necessary to avoid or avert or mitigate the development of substantial adverse and material pollution of the Environment or harm to human health which will arise within a period of six months; and

"SITES(S)" means the Properties.

2 INDEMNITY

2.1 Subject to the provisions of this agreement, the Seller undertakes to the Purchaser (for the benefit of the Company, the Purchaser and each of its Affiliates) that it will indemnify and hold harmless the Company, the Purchaser and each of the Purchaser's Affiliates against:

2.1.1 all Environmental Liabilities arising at or from the Site(s), to the extent that such Environmental Liabilities are a result of Environmental Contamination occurring on or before Completion; and

2.1.2 save in respect of the LPC Interests and LPC, all costs, damages, expenses, losses, fines or penalties suffered or incurred by the Company or the Purchaser or its Affiliates as a result of any prosecutions commenced or proceedings taken, or notices served or other formal enforcement action between [DATE OF SIGNATURE OF FRAMEWORK AGREEMENT] 1998 and Completion by any competent regulatory body in connection with the Environment or health and safety as a result of any breaches of any Environmental Laws related to the operation of those Sites which are owned, occupied or used by the Company at [DATE OF SIGNATURE OF FRAMEWORK AGREEMENT] 1998. "DAMAGES" in this paragraph 2.1.2 includes any capital expenditure reasonably required to remedy such breaches; and

2.2 notwithstanding sub-paragraphs 2.1 above and 4.1 below, neither the Seller nor any of its Affiliates shall be liable under the Indemnity or otherwise to the extent that such liability arises from or is attributable to the failure of the Purchaser to comply or procure the Company's compliance with the provisions of paragraphs 4.2, 6.1, 6.2, 7, 8, 9, 10, 12 and 14 of this Schedule.

3 THE COUNTER INDEMNITY

3.1 The Purchaser undertakes to the Seller (for the benefit of the Seller and each of its Affiliates) that, subject to the provisions of this agreement, it will indemnify and hold harmless (the "COUNTER Indemnity") the Seller and each of its Affiliates against all Environmental Liabilities arising at or from the Site(s) to the extent that such Environmental Liabilities are as a result of Environmental Contamination after Completion.

3.2 Notwithstanding sub-paragraph 3.1 above, the Purchaser and its Affiliates shall not be liable to the Seller under the Counter Indemnity or otherwise to the extent that such liability arises from or is attributable to the failure of the Seller to comply with the provisions of paragraphs 3.3, 4.2, 6.1, 6.2, 7, 8, 9, 10, 12 and 14 of this Schedule.

3.3 The Seller shall take all reasonable steps to avoid or mitigate any Environmental Liabilities and potential Environmental Liabilities which may give rise to a claim under or in connection with this Counter Indemnity, howsoever arising.

3.4 The provisions of sub-paragraphs 4.2 and 12.1 shall apply equally mutatis mutandis in respect of the Seller and the Purchaser's rights or

obligations in respect of the Counter Indemnity.

4 LIMITATIONS

4.1.1 Neither the Seller nor any of its Affiliates shall be liable under the Indemnity to the extent that Environmental Liabilities have arisen, been increased, exacerbated, enhanced or caused as a result of any act or omission (whether direct or indirect) of the Company, the Purchaser or any Affiliates, employees, agents or contractors thereof after Completion (including, without limitation, any change of use of the Site(s) including closure of all or any part of the Sites but not including any material change of process within the existing plant and/or buildings or any material change to or development of the business and operations carried on at any Site which does not result in any Site or any part of any Site ceasing to be used for general industrial/manufacturing of a type materially similar to the existing Site operation.

4.1.2 In connection with any Site or part thereof, the use of which had substantially ceased prior to Completion, nothing in the provisions of paragraph 4.1.1 shall apply to Environmental Liabilities resulting from the Purchaser's or its Affiliates' change of activities or demolition or closure thereon, save:

(i) where this was done other than in the conduct of the Business by the Purchaser or its Affiliates; and

(ii) so long as and to the extent that the Environmental Liabilities have not otherwise been so increased, exacerbated, enhanced or caused as a result of any such act or omission as aforesaid.

4.1.3 The word "OMISSION" as used in this paragraph 4.1 shall not mean any failure by the Company or Purchaser to carry out remediation or preventative action in circumstances where it is not within their power to do so or where the Purchaser is not aware or could not reasonably have been aware of the Environmental Liabilities in question or where (without prejudice to the obligations of the Purchaser under paragraph 5) the rights of the Purchaser to bring a claim under the Indemnity would be prejudiced as a result thereof.

4.2 No claim may be made for any Environmental Liabilities under the Indemnity or Counter Indemnity to the extent that any Environmental Liabilities arise:

4.2.1 as a result directly or indirectly of information voluntarily given, in the case of the Indemnity by the Purchaser or the Company (but only post Completion in the case of the Company) or, in the case of the Counter Indemnity, by the Seller after Completion to a regulatory authority in circumstances other than where there is a mandatory reporting requirement under Environmental Laws or where information is given as required in the context of applications for or variations to authorisations, licences and other forms of environmental consent required by the Business in the course of the Company's or the Purchaser's or Seller's normal business activities (as appropriate) or where the other party has previously proposed or approved this course of action in writing; and

4.2.2 save where compelled by law, from any admission of liability by a representative of the Purchaser or Seller holding a rank not less than that of Senior Vice President in respect of any clean-up which needs to be done, except where the other party has approved such admission in writing such approval not to be unreasonably withheld or delayed.

4.3 No claim under the terms of the Indemnity or Counter Indemnity for any Environmental Liabilities shall be valid unless notice has been served in accordance with the provisions of paragraph 7 and in the case of Indemnity, but not the Counter Indemnity, said notice has been served

within 10 years of Completion.

- 4.4 The Seller's liability under the Indemnity shall be limited in accordance with the provisions of the Americas Liability Agreement, except for sub-clauses 4.1.2 (save for the proviso to sub-clause 4.1) and 4.2 of the Americas Liability Agreement, the subject matter of which will be governed by the provisions of this Schedule.
- 4.5 In the event that the Indemnitor (as defined in paragraph 6.1) either incurs external charges, costs and expenses for environmental services or internal charges for its own environmental services, in either case including but not limited to testing and/or analytical services and/or contaminated soil disposal facilities, in connection with or in relation to any actual or potential Environmental Liabilities under the Indemnity or Counter Indemnity (as appropriate) then such external and internal charges, costs and expenses shall be deemed to be payments made under the Indemnity or Counter Indemnity (as appropriate). Any internal charges shall be made on the same basis as the Indemnitor charges to its own business or its Affiliates.
- 4.6 It is hereby expressly agreed that, save where the Seller has accepted liability or becomes otherwise liable under the terms of the Indemnity, all costs incurred by the Purchaser in carrying out environmental analyses and tests of the Site(s) (and its (or their) surrounds) shall be borne by the Purchaser, other than costs in the exercise of the rights and powers given to the Seller by sub-paragraphs 9.1 and 9.2 which shall be borne by the Seller unless the Purchaser becomes liable therefor under the terms of the Counter Indemnity or unless the parties otherwise agree.
- 4.7 The Seller shall be liable under the Indemnity for any asbestos-related personal injury unless and to the extent that any works carried out by the Purchaser or its Affiliates or the Company after Completion, were not carried out by a reputable contractor or contractors, who were duly and properly authorised or approved to undertake such works to at least the standards of the relevant federal, provincial or other regulatory authorities published by or in operation (in accordance with good industry practice) at all times during the carrying out of such works.

5 MITIGATION

The Seller and the Purchaser shall take all reasonable steps after Completion to avoid or mitigate any Environmental Liabilities and/or potential Environmental Liabilities to the extent it is reasonably within their respective powers to do so, which may give rise to a claim under or in connection with this Indemnity or Counter Indemnity, as appropriate, howsoever arising. Such steps will include but shall not be limited to:

- 5.1 in the case of the Purchaser, carrying out (where reasonably practicable) appropriate soil tests before taking any action which is likely to cause a material disturbance to soil;
- 5.2 in the case of the Purchaser, where reasonably practicable carrying on its activities on the Site(s) so as to minimise disturbance to known areas of existing or probable soil contamination (other than deliberate removal of such contaminated soil) without incurring abnormal unusual or excessive cost in so doing;
- 5.3 where relevant, (with the approval of the other party not to be unreasonably withheld or delayed) settling a claim of any party (not being an Affiliate of the Purchaser in the case of the Indemnity or of the Seller in the case of the Counter Indemnity) which will or may fall within the terms of the Indemnity or Counter Indemnity, as appropriate, the costs and expenses associated with such settlement (so approved by the other party) being deemed to be Environmental Liabilities for the purposes of this agreement, provided always that nothing in this sub-paragraph 5.3 shall oblige the Purchaser or the Seller to enter into any settlement which it does not, in its sole discretion, consider to be in the best interests of its operations;
- 5.4 making reasonable and timely efforts to pursue claims against any third

parties (including insurers) who may have some liability in respect of the matter in question under the Indemnity or Counter Indemnity as appropriate provided always that this shall not limit or restrict or operate in any way as a pre-condition to the rights to make a claim under this Indemnity or Counter Indemnity, as appropriate; and

5.5 in the case of the Purchaser, using reasonable endeavours to avoid acts or omissions of the nature described in sub-paragraph 4.1 of this Schedule.

6 NOTIFICATION

6.1 As soon as reasonably practicable after either party becomes aware of any actual or potential Environmental Liabilities which may give rise to a claim by it under the Indemnity or Counter Indemnity (the "CLAIMANT") (whether or not the Claimant is of the opinion that it has a valid claim against the other party under the Indemnity or Counter Indemnity (the "INDEMNITOR")), the Claimant shall give written notice thereof to the Indemnitor (and thereafter will use all reasonable efforts to keep the Indemnitor reasonably informed of all material developments relating thereto). Such written notice shall include reasonable details of all relevant matters relating to any actual or potential Environmental Liabilities. Thereafter, the Claimant will promptly advise the Indemnitor orally of the Claimant's reasonable estimate of the extent of and, where reasonably practicable, the cost of remediation of the Environmental Liabilities, as a result thereof), provided that the Indemnitor shall have given the Claimant written notice of the name of its representative to whom such oral communication shall be imparted.

6.2 Neither party shall admit, settle or discharge any claim or liability which might constitute a claim against the other under the Indemnity or Counter Indemnity (as appropriate) without having first served a notice under this paragraph 6 and given the other a reasonable opportunity to consider the circumstances referred to in the said notice.

7 CLAIMS

In the event that the Claimant wishes to make a claim against the Indemnitor under the Indemnity or Counter Indemnity (as appropriate) then it shall do so by giving notice in writing of the same to the Indemnitor giving such details as are then in its possession of the relevant subject matter of such claim.

8 CONDUCT

If any notice is received by either party under paragraphs 6 or 7, the Claimant shall, if so requested by the Indemnitor, take all steps which are necessary and reasonable to avoid, resist, appeal, compromise or defend any claim and any adjudication in respect thereof (subject to the Claimant being indemnified against all cost and expenses which may reasonably and necessarily be incurred in connection therewith), and the Indemnitor shall (subject to the provisions of this paragraph), at its request, be allowed to conduct any negotiations, proceedings or appeals incidental thereto PROVIDED ALWAYS that if the claim relates to or arises from a Site which at the time is owned, occupied or used by the Company and which is operational at the date of the notice under paragraph 7 then the Purchaser shall have conduct of all negotiations, proceedings or appeals incidental thereto but shall nonetheless keep the Seller fully informed of all material developments relating to the subject matter of the claims.

9 SITE ACCESS

If any notice is received by the Seller under paragraphs 6 or 7:

9.1 the Seller and/or its agents and contractors shall be free to have access to any Site(s) to the extent it is within the power of the Company, the Purchaser or its Affiliates, during normal business hours, and after reasonable prior notice, and, if so required by the Purchaser, in the presence of authorised representatives of the Purchaser to assess

(including but not limited to assessment by soil sampling and testing) the extent of the Environmental Liabilities and/or potential Environmental Liabilities and to determine the action required in order to remediate such liabilities (such actions to be subject to the prior agreement of the Purchaser (including as to the action to be taken) such agreement not to be unreasonably withheld); and

- 9.2 the Purchaser shall (during normal business hours) allow the Seller or its agents access to inspect and take copies of such books and records of the business of the Company and/or the Purchaser relating to the Site(s) as may be necessary in connection with any Environmental Liabilities and/or potential Environmental Liabilities.
- 9.3 The Seller shall exercise proper care in the exercise of its powers and rights pursuant to this paragraph 9 and shall indemnify the Purchaser for all reasonably incurred losses or liabilities arising from the Seller's failure to do so.

10 DISCUSSIONS

Upon either party having given a notice under paragraphs 6 or 7, either the Seller or the Purchaser may request a meeting as soon as practicable to discuss the matter (and if either does so the other party shall comply promptly with such request) and, irrespective of whether there has been any agreement on liability, each party shall be fully involved but (save as otherwise agreed between the parties) not as to make any admission or liability not permitted by the other provisions of this Schedule in any discussions and/or negotiations with any party imposing or seeking to impose any Environmental Liabilities.

11 DISPUTE RESOLUTION

Upon either party giving a notice in accordance with paragraph 7, in the event that the Seller and the Purchaser are unable to agree promptly upon any factual matter relevant to a claim under this Indemnity or Counter Indemnity (as appropriate) or in the event of any other matter being referred to the Experts in accordance with this Schedule then the following provisions of this paragraph 11 shall apply:

- 11.1 a reputable independent firm of experts (the "EXPERTS") (who shall act as experts and not arbitrators) in relation to the Environment relevant to the claim or potential claim (having at least ten years relevant experience) shall be appointed by mutual agreement of the parties hereto (and the parties shall each be obliged to use their respective best endeavours to reach agreement as soon as practicable) to resolve any factual matter in dispute between the parties but not including any interpretation of laws or regulations as they apply to such factual matters or any conclusions regarding responsibility or liability for or in relation to any factual matters. The Experts shall be offered the appointment within 15 Business Days of the parties reaching such mutual agreement and shall be notified in writing of the provisions of sub-paragraph 11.7 below. Failing such mutual agreement on the appointment of Experts, the parties shall promptly refer the issue, at their joint cost, to the President for the time being of the Royal Institute of Chartered Surveyors in the United Kingdom with instructions to appoint suitable Experts within 14 days of receipt of such instructions;
- 11.2 the said Experts shall only be dismissed by the mutual agreement of the parties hereto;
- 11.3 both parties shall promptly and simultaneously exchange with each other and submit to the Experts, and in any event in accordance with the Experts' written directions, their arguments and submissions in connection with any matter of fact referred to them in accordance with this paragraph 11;
- 11.4 following receipt by the Experts of the written arguments and other submissions of the parties pursuant to paragraph 11.3, the parties shall instruct the Experts to issue, as soon as reasonably practicable, a formal written opinion pertaining to the matter of fact referred to them. In any event, the Experts shall be instructed to present the said

opinion within two months after receiving the written arguments and other submissions of the parties pursuant to sub-paragraph 11.3;

- 11.5 the formal written opinion of the Experts issued pursuant to sub-paragraph 11.4 shall be conclusive in any proceedings between the parties hereto as to the question of fact so determined;
- 11.6 the fees and expenses of the Experts shall be borne equally by the Seller and the Purchaser (unless otherwise directed by the Experts); and
- 11.7 the Experts, and any company, firm, partnership or other organisation with which the Experts are connected, shall not be eligible to be considered to undertake any clean-up work in respect of the claim for which they have so acted on or around the Site(s) save where the parties hereto mutually agree to waive this provision. For the avoidance of doubt, either party may withhold such consent in any event.

12 ACCEPTANCE OF LIABILITY

In the event that the Seller admits that it has any liability to the Purchaser under the Indemnity (or where the Seller agrees to accept the Purchaser's claim as falling within the Indemnity notwithstanding the fact that no Environmental Liability may at that point in time have arisen):

- 12.1 Subject to consulting with and paying reasonable regard to the views of the Purchaser, the Seller shall have the right independently to determine whatever measures are appropriate in order to remediate pursuant to applicable Environmental Laws the subject matter of the claim under the Indemnity and furthermore the Seller shall have the right independently to carry out such remediation itself (or through suitable third party agents or contractors) provided that in so doing the Seller (or its said agents or contractors) shall be obliged to use reasonable endeavours to avoid causing undue interruption to the conduct of the business of the Company and/or its Affiliates;
- 12.2 The Seller and/or its agents and contractors shall, in addition to the rights of access provided for in paragraph 9 above, be free to have access to the Site(s) if currently owned, leased or, where within the power of the Company and its Affiliates, during normal business hours after reasonable prior notice, and if so required, in the presence of authorised representatives of the Purchaser, to carry out the remediation referred to in sub-paragraph 12.1 above provided that the Seller (or its agents or contractors) shall be obliged to use reasonable endeavours to avoid causing undue interruption to the conduct of the business of the Company and/or its Affiliates.
- 12.3 The Seller shall exercise reasonable care in the exercise of its powers and rights pursuant to this paragraph 12 and shall exercise reasonable skill, care and diligence in carrying out any works and shall not use any materials which are not in accordance with the recommendations of relevant authorities and codes of practice. The Seller shall procure that the contractors and consultants engaged to carry out and advise on the works are bound by obligations in the same terms of reasonable skill, care and diligence as herein before mentioned and otherwise engaged on market terms at the time and shall procure suitable warranties in accordance with normal market practice at the time from the contractors and consultants in favour of the Purchaser. The Seller shall not carry out the works itself but shall always engage external contractors and consultants approved by the Purchaser such approval not to be unreasonably withheld or delayed.

13 STATEMENTS

In the event of any circumstances arising which do or may give rise to Environmental Liabilities which may fall within the terms of the Indemnity or the Counter Indemnity (as appropriate) neither the Company, the Purchaser nor the Seller (nor any of their respective Affiliates) to the extent practicable shall make any public statements which are not required by law or the rules of any regulatory authority to make regarding such circumstances without first discussing with the other

party and reaching written agreement (such agreement not to be unreasonably withheld or delayed) on the text of any such public statement before it is made.

14 GENERAL

14.1 Any information, records, or other material of one party shall be treated as strictly confidential by the other party except when (a) it is required to be used in order to comply with an order of the court or regulatory authority or (b) it is used by the other party to enforce its rights under this Schedule or so as to make an insurance claim provided that, in the case of either (a) or (b), disclosure is made in accordance with this sub-paragraph 14.1. If either party becomes legally compelled (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the information, records, or other material referred to in this sub-paragraph 14.1, the party so compelled shall provide the other with prompt prior written notice of such requirement so that the other may seek a protective order or other appropriate remedy. To the extent lawfully able to do so, each party agrees to cooperate in each other's efforts to obtain a protective order or other reasonable assurance that confidential treatment shall be accorded any such information. If such protective order or other remedy is not obtained, the party so compelled agrees to disclose only that portion of the information, records, or other material which it is advised by opinion of outside counsel is legally required to be disclosed and to take all reasonable steps to preserve the confidentiality of the information, records, or other material referred to in this sub-paragraph 14.1. Any other disclosure by one party of information, records or materials of the other party shall require the prior written consent of such other party, which shall not be unreasonably withheld or delayed.

14.2 The Purchaser's and its Affiliates' and the Seller's and its Affiliates' exclusive remedies in respect of any claims which fall within the scope of the Indemnity or Counter Indemnity, as appropriate, shall be in accordance with the provisions of this Schedule, and the Purchaser on behalf of itself and its Affiliates and the Seller, on behalf of itself and its Affiliates, hereby waives all other remedies whether in contract, tort (including, for the avoidance of doubt, negligence) or howsoever otherwise arising which it may have against the Seller or any of its Affiliates or the Purchaser or any of its Affiliates as appropriate at law or in equity in respect of the matters which fall within the scope of the Indemnity or Counter Indemnities and, for the avoidance of doubt, if such a claim under this Schedule could also give rise to a Warranty Claim or a claim under any other provision of this agreement in respect of the same subject matter, the Purchaser or the Seller as appropriate may only bring a claim under this Schedule.

14.3 The Seller undertakes to co-operate with the Purchaser and assist the Purchaser in achieving a transfer to the Purchaser (or as it directs) of all Environmental Authorisations held by the Seller at Completion.

15 CO-OPERATION

The Purchaser undertakes that wherever co-operation is required by the Company to ensure compliance with the Purchaser's obligations hereunder, the Purchaser will use its reasonable endeavours to ensure that the Company provides the requisite co-operation.

1 Consideration and Adjustment

SECTION 1

(1) In this Schedule 3:

"A FORM" means, in relation to the Company, the quarterly financial reports in the format set forth in Annex 3 which are prepared in accordance with the accounting policies, practices and other requirements set out or referred to in ICI's Controller's Manuals as applied by the Company (with the exception of pensions liabilities which are accounted for in accordance with FAS 87) and prepared at the Completion Date on a basis consistent with that adopted by the Company in the A Form at 31 December 1997 (with the exception that pensions liabilities shall be reported in Provisions; and if the Completion Date does not fall on the due date for the preparation of an A Form, a financial report prepared on the same basis for the financial period from the latest date at which an A Form was prepared to the Completion Date;

"ACTUAL NET DEBT" means Net Debt as agreed or determined in accordance with paragraphs (4) to (6) below;

"ACTUAL NET WORKING CAPITAL" means Net Working Capital as at the Completion Date as determined under paragraphs (4) to (6) below;

"ESTIMATED CONSIDERATION" has the meaning given in sub-Clause 3.1;

"ENTERPRISE VALUE" means US\$16,733,000;

"FINAL CONSIDERATION" has the meaning given in paragraph (3) (a) below;

"FINAL COMPLETION STATEMENT" has the meaning given in paragraph (3) (b) below;

"FINAL STOCKS" means the value of Stocks for the Company at Completion;

"ICI'S CONTROLLER'S MANUALS" means the control manuals in existence at 14 July 1997 and which are compiled in accordance with UK GAAP used for accounting purposes within the Seller's Group, copies of which have been received by the Purchaser or an Affiliate of the Purchaser (and which consists of an introduction to the Group Controller's Manual, Bulletin Board Accounting Language, Bulletin Board Reporting, Accounting Definitions and Conventions, Accounting Policies and Procedures, Controls, Reporting);

"INITIAL STOCKS" means the value of Stocks for the Company as at 28 February 1998;

"INTEREST RATE" means LIBOR plus 25 basis points;

"NET DEBT" means the amount reported as "NET DEBT" on line 70090 of the A Form for the Company as described in ICI's Controller's Manuals which, for the avoidance of doubt, can be either a negative or a non-negative number;

"NET WORKING CAPITAL" means the aggregate of:

(a) Operating Debtors; plus

(b) Stocks (for the purposes of this definition meaning Initial Stocks when used for Net Working Capital as at 28 February 1998 and meaning Final Stocks when used for Actual Net Working Capital); less

(b) Operating Creditors less than 1 year;

For the purposes of (b) the Stocks shall be valued in accordance with the document headed "STOCKTAKING AND VALUATION PRINCIPLES" in the Agreed Form marked "NWC-S";

"NET WORKING CAPITAL AS AT 28 FEBRUARY 1998" or "NWC28" means, the value shown in the column headed NWC 28 in Section 2 of this Schedule 3 which is the amount which the parties have agreed to represent the value of Net Working Capital at 28 February 1998 of the Company;

"OPERATING CREDITORS LESS THAN 1 YEAR" means the absolute value of the amount reported as creditors of the Company which are external to the Company (including without limitation creditors which are members of, or other business units within, the ICI Group as at the date of the relevant A Form) as defined by reference to "OPERATING CREDITORS LESS THAN 1 YEAR" on line 70020 of the A Form for the Company as described in ICI's Controller's Manuals;

"OPERATING DEBTORS" means debtors of the Company which are external to the Company (including without limitation debtors which are members of, or other business units within, the ICI Group as at the date of the relevant A Form) as defined by reference to "OPERATING DEBTORS" on line 70010 of the A Form for the Company as described in ICI's Controller's Manuals;

"STOCKS" means the stock of fuels, raw materials, ingredients, packaging, office and laboratory supplies, revenue engineering spares, consumable stores, work in progress and finished goods owned by the Company as determined on line 70000 of the A Form for the Company or Business as described in ICI's Controller's Manuals;

(2)

(a) All payments and values under this Schedule shall be in US Dollars and where an amount is not itself calculated in US Dollars it shall be converted into US Dollars at the mid market closing exchange rate in London for the currency in which that amount is expressed in US Dollars as published in the London Edition of the Financial Times first published thereafter or, where the exchange rate is not published in the London Edition of the Financial Times, at the exchange rate quoted by Citibank N.A. as at the close of business in London for the currency in which that amount is expressed on the Completion Date in relation to amounts in the Final Completion Statement.

(b) References to the absolute value of a number X shall be construed as follows:

(i) if X is greater than or equal to zero, the absolute value of X shall be equal to X; and

(ii) if X is less than zero, the absolute value of X shall be X multiplied by -1,

so that, for the purposes of illustration, the absolute value of 1 is equal to 1 and the absolute value of -1 is equal to 1.

CALCULATION OF THE FINAL CONSIDERATION

(3) In relation to this agreement:

(a) the Final Consideration for the Company shall be determined by the following formula:

Final Consideration = EV minus AND minus NWC 28 plus ANWC

Where (in relation to the Company):

EV = Enterprise Value

AND = Actual Net Debt

NWC28 = Net Working Capital as at 28 February 1998

ANWC = Actual Net Working Capital

(b) After the Completion Date, the Seller shall prepare a completion statement as at the Completion Date which shall contain a statement of the Final Consideration in accordance with paragraph 3(a) above based on the Seller's calculations (the "FINAL COMPLETION STATEMENT"). The Final Completion Statement shall be prepared using the Seller's normal accounting policies and practices as set out or referred to in ICI's Controller's Manuals as applied by the Company on a consistent basis and shall be submitted by the Seller to the Seller's Auditors for review.

(4) Within 45 days of the Completion Date, the Seller shall issue the Final Completion Statement for the Company to the Purchaser together with a copy of a report by the Seller's Auditors addressed to the Seller and substantially in the form set out in Annex 3 to the effect that the Final Completion Statement has been prepared in accordance with this agreement. Although it is the Seller's responsibility to prepare the Final Completion Statement, the Seller will require the assistance of the employees of the relevant Purchaser Affiliates to fulfil this responsibility and the Purchaser shall ensure such assistance is provided promptly and at no charge. Immediately after delivery of the Final Completion Statement, the Purchaser's Auditors shall have the right, subject to the Purchaser delivering to the Sellers' Auditors a signed letter in the form set out in Annex 5, to review the Final Completion Statement and the Seller's Auditors working papers relating to the Final Completion Statement. Within 45 days of delivery to the Purchaser of the Final Completion Statement and the Seller's Auditors report (each of which shall be in English) to the Purchaser's designated location, the Purchaser shall give notice to the Seller in writing of any item or items in the Final Completion Statement which they wish to dispute and the basis on which they dispute that item or those items and the changes to the Final Completion Statement which the Purchaser believes should be made and the parties shall use their reasonable endeavors to resolve that dispute. Any items in respect of which the Purchaser does not give such notice will be deemed to have been accepted by the Purchaser. Any written resolution reached by the parties on any disputed item shall be final, conclusive and binding on the parties.

(5) If the parties agree the Final Completion Statement then any adjusting payments referred to in paragraph (7) below shall be made by the paying party within 7 days of being agreed by the parties.

(6) If the parties fail to agree on any element of the Final Completion Statement within 14 days after the Purchaser has given notice in writing to the Seller of any item(s) in the Final Completion Statement which the Purchaser wishes to dispute (in accordance with paragraph (4) above) then any agreed amounts shall be paid in accordance with the preceding paragraph and any dispute may be referred by either party for final determination in accordance with sub-Clause 11.1 of this agreement and any amounts thereby found to be due shall be paid by the relevant Affiliate not later than 7 days after such final determination.

(7) When the Final Consideration is agreed or otherwise determined in accordance with the three preceding paragraphs the following adjusting payments shall be made:

(a) an amount equal to the difference between (i) the Estimated Consideration and (ii) the Final Consideration; and

(b) interest (compounded monthly) at the Interest Rate on the amount in paragraph (a) above from the Completion Date to the date of payment, calculated on a day to day basis;

which shall be paid by the Seller Affiliate to the Purchaser (or vice versa, as appropriate).

(8) In this Schedule, references to lines of A Forms have been chosen by the Seller and are believed in good faith to correspond to the matters to which they refer. If, however, that reference when compared to the

matter it describes or refers to is incorrect then there shall be substituted for that line reference to another line reference (if any) which corresponds to the matter described or referred to.

SECTION 2

VALUES FOR THE PURPOSE OF
ALLOCATION TO CLASSES OF
ASSET

	NWC28 CANADIAN \$	NET WORKING CAPITAL US\$	ADDITIONAL UPLIFT OF STOCKS TO FAIR MARKET VALUE US\$
Americas Business	7,444,000	5,200,000	62,000
LPC Business	2,575,000	2,000,000	Nil

SCHEDULE 7
CANADIAN FINANCIAL INFORMATION

(Clause 1.1)

TCI BALANCE SHEET
AT 28 FEBRUARY
1998

	CANADIAN DOLLARS THOUSANDS		
	AMERICAS BUSINESS	LPC BUSINESS	TOTAL
Fixed Assets	12,167	-	12,167
Investments	-	-	-
Stocks	20,342	4,258	24,600
Operating Debtors	7,216	1,425	8,641
TAI Debtor	2,515	-	2,515
Operating Creditors less than 1 year	(22,629)	(1,109)	(23,738)
TAI Creditor	-	(1,999)	(1,999)
Non Operating Debtors	-	-	-
Non Operating Creditors less than 1 year	(1,043)	-	(1,043)
	18,568	2,575	21,143
	-----	-----	-----
Net Debt	(20,824)	-	(20,824)
Provisions	-	-	-
	-		
Deferred Income	-----	-----	-----
	(20,824)	0	(20,824)
Shareholders' Equity			41,967

Notes:

1. Operating Debtors at 28 Feb 1998 have been split pro rata to sales in January and February 1998.
2. TAI Debtors/TAI Creditors and TCI Debtors/TCI Creditors net out

SCHEDULE 8

(Clause 1.7)

John Collingwood

Rene Lachance

John Gush

Michel Blais

Guy Gauthier

Michael Maughan

SCHEDULE 9

LPC Business

	LPC BUSINESS	AMERICAS (SULPHATE) BUSINESS	COMMENTS
FIXED ASSETS		All	
INVESTMENTS	N/A	N/A	
STOCKS	Stocks manufactured by LPC and Kronos at Varennes	All other stocks	- Based on actual quantities of stocks from each source
OPERATING DEBTORS Trade Debtors} Intra Group Debtors}	Sales of material manufactured by LPC and Kronos at Varennes	All other trade debtors	- Based on detailed analysis of all open accounts concerned
Other operating debtors		All	
OPERATING CREDITORS LESS THAN 1 YEAR Trade Creditors} Intra Group Creditors}	Purchases of material manufactured by LPC and Kronos at Varennes	All other operating creditors less than 1 year	- Based on detailed analysis of all open accounts concerned
Other operating			

creditors	All	
NON OPERATING DEBTORS/CREDITORS	All	
NET DEBT	All	
PROVISIONS	All	
DEFERRED INCOME	All	
NET ASSETS		- Calculated by difference

NOTES:

1 Stocks/materials/product manufactured by LPC includes items made available to LPC under product swap arrangements with Kronos's plant at Varennes

SCHEDULE 10
(CLAUSE 7.1(F)(III))

SIGNATURES

SIGNED by
for and on behalf of
TIOXIDE GROUP LIMITED }

SIGNED by
for and on behalf of
ICI OMICRON BV }

SIGNED by
for and on behalf of
[PURCHASER] }

Dated 1998

IMPERIAL CHEMICAL INDUSTRIES PLC

and

N L INDUSTRIES, INC.

AMERICAS LIABILITY AGREEMENT

LINKLATERS & PAINES
One Silk Street
London EC2Y 8HQ

Ref: AXT

THIS AGREEMENT (this "AGREEMENT") is made on 1998
BETWEEN:

- (1) IMPERIAL CHEMICAL INDUSTRIES PLC, a company incorporated under the laws of England, whose registered office is at Imperial Chemical House, 9 Millbank, London, SW1P 3JF ("ICI"); and
- (2) N L INDUSTRIES, INC., a corporation incorporated under the laws of the State of New Jersey, USA, whose principal place of business is at 16825 Northchase Drive, Suite 1200, Houston, Texas 77060 USA (the "PURCHASER").

WHEREAS:

- (A) ICI and the Purchaser and their respective Affiliates have entered into or will enter into certain agreements relating to the purchase of the Companies (as defined below) namely:

- * the Share Sale Agreements;
- * the Tax Deeds of Covenant; and
- * the Guarantees

in each case as defined below (hereinafter collectively or individually called the "AGREEMENTS" or individually an "Agreement").

(B) The parties have agreed on certain liability and claim provisions that shall apply in respect of the Agreements upon the terms and subject to the conditions of this agreement.

IT IS AGREED as follows:

1 INTERPRETATION

Except where the context requires otherwise, the definitions and provisions as to interpretation set forth below shall apply to this agreement:

"AFFILIATES" means, with respect to a specified entity, an entity that directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with the entity specified, provided that, in relation to ICI and its subsidiary companies, without limiting the generality of the foregoing, the term "AFFILIATES" shall not include any entity in which a party has a 50 per cent. or less ownership interest. For purposes hereof, "Control" means possession, directly or indirectly, of the power to direct or cause the direction of the management and operating policies of the entity in respect of which the determination is being made, through the ownership of voting securities, contract, voting trust or otherwise;

"ACQUISITION SEPARATION PROGRAMME CLAIM" means any claim (other than a claim for fraud) by the Purchaser Companies wider Clause [] of the TAI Share Sale Agreement and/or under Clause [] of the TCI Share Sale Agreement;

"BENEFIT CLAIM" means any claim (other than a claim for fraud) by the Purchaser Companies arising under Clause 8.4 of the TAI Share Sale Agreement and/or under Clause 8.4 of the TCI Share Sale Agreement;

"CAP" has the meaning set forth in sub-Clause 3.2;

"CLAIM" means any claim (other than a claim for fraud) by the Purchaser Companies for breach of the warranties, under the indemnities or under any other provision contained in the Agreements or the Implementation Agreements (as defined in the Agreements) for which the ICI Companies accept liability, are liable or shall be adjudicated as being liable, excluding all Tax Claims;

"COMPANIES" means Tioxide Canada Inc. and Tioxide Americas Inc.;

"COMPLETION DATE" means for each Company the Completion Date as defined in the Share Sale Agreements;

"GUARANTEES" means the guarantees to be entered into by ICI and the Purchaser in respect of the obligations of their respective Affiliates under the Agreements;

"ICI COMPANIES" means all or any of ICI and those of its Affiliates who are parties to the Agreements and shall be deemed to include their legal successors and permitted assigns;

"PURCHASER COMPANIES" shall mean all or any of the Purchaser and those of its Affiliates who are parties to the Agreements (or any of the Companies the shares of which are acquired pursuant to the Agreements which thereby become Affiliates of the Purchaser and which may (or are required to) bring Claims pursuant to the terms of the relevant Agreements) and shall be deemed to include their legal successors and permitted assigns;

"QUALIFYING AMOUNT" has the meaning set forth in sub-Clause 3.1.1;

"SHARE SALE AGREEMENTS" means the agreements between ICI and/or its relevant Affiliate(s) and the relevant Purchaser Affiliate(s) for the sale and purchase of the Companies;

"TAI SHARE SALE AGREEMENT" means the share sale agreement of even date between ICI American Holdings Inc and NL Industries, Inc. relating to the sale of Tioxide Americas Inc;

"TAX CLAIM" means any claim by the Purchaser Companies under the Deeds of Indemnity or for breach of the warranties in respect of taxation matters contained in the Agreements for which the ICI Companies accept liability, are liable or shall be adjudicated as being liable;

"TAX DEEDS OF COVENANT" means the deeds of indemnity in respect of taxation to be entered into pursuant to the relevant Share Sale Agreements;

"TCI SHARE SALE AGREEMENT" means the share sale agreement of even date between Tioxide Group Ltd, ICI Omicron BV and NL Industries Inc. relating to the sale of Tioxide Canadas Inc; and

"THRESHOLD AMOUNT" has the meaning set forth in sub-Clause 3.1.2.

2 ADHERENCE OF THE PURCHASER COMPANIES AND THE ICI COMPANIES

2.1 The parties hereto have entered into this agreement for the benefit, and to accept restrictions on behalf, of themselves and their respective Affiliates. In this respect, the Purchaser has agreed on behalf of the Purchaser Companies that the liability of the ICI Companies arising in connection with the Agreements shall be limited as set forth in this agreement. Accordingly, the Purchaser hereby agrees to procure that each of the Purchaser Companies and any third party claiming or acting with the consent of or at the behest of, through, in the name or on behalf of the Purchaser Companies (whether by right of subrogation or otherwise) shall strictly adhere to and comply with the provisions of this agreement as if they were each a party hereto.

2.2 If and to the extent that any of the Purchaser Companies or such third parties fail, omit or decline to so adhere and comply (for whatever reason) the Purchaser hereby covenants with ICI (for the benefit of itself and each of the ICI Companies) that it will indemnify, defend and hold harmless the ICI Companies from all claims, costs, damages, expenses (including reasonable professional fees), losses, liabilities and penalties suffered or incurred by the ICI Companies as a result of and in connection with such non-adherence or non-compliance.

3 Limitation of ICI Companies' Liability

3.1 It is hereby agreed that the ICI Companies shall have no liability for any Claim (other than Benefit Claims and Acquisition Separation Programme Claims):

3.1.1 unless the amount of such Claim or alleged Claim exceeds US \$100,000 (the "Qualifying Amount"); and

3.1.2 until and to the extent only that the aggregate liability for all Claims exceeding the Qualifying Amount (notified previously or at the same time) exceeds US \$1.4 million (the "Threshold Amount").

For the avoidance of doubt, notwithstanding that the aggregate liability of the ICI Companies for Claims exceeding the relevant Qualifying Amount has exceeded the Threshold Amount, the ICI Companies shall be liable solely for that excess.

3.2 Subject to Clause 4.1.1, it is hereby agreed that the maximum aggregate liability of the ICI Companies in respect of all Claims (other than Benefit Claims) shall under no circumstances exceed an amount to be determined as follows (the "Cap"):

3.2.1 in respect of Claims notified to the ICI Companies pursuant to the Agreements and/or this agreement in the period commencing on the Completion Date up to but not including the third anniversary thereof, the Cap shall be US \$25,000,000;

3.2.2 on the third anniversary of the Completion Date the Cap shall reduce to US \$17,500,000;

3.2.3 on the fourth and each subsequent anniversary of the Completion

Date the Cap shall reduce (but so that the applicable anniversary date for determining whether a Claim is subject to a Cap reduction as aforesaid shall be by reference to the date upon which the Claim is notified to the ICI Companies pursuant to the Agreements and/or this agreement and not the date upon which liability thereunder is accepted or adjudicated) by an amount of US \$2,500,000 such that on the tenth anniversary of the Completion Date it is completely extinguished;

- 3.2.4 the ICI Companies shall have no liability for any Claim notified by the Purchaser Companies on or after the tenth anniversary of the Completion Date.
- 3.3 In no circumstances whatsoever shall the maximum aggregate liability of the ICI Companies in respect of all Claims exceed US \$25,000,000.
- 3.4 Subject to the obligations as to notification in Clause 4.1.1, but not the time limits for notification, it is hereby agreed that:
- (i) the maximum aggregate liability of the ICI Companies in respect of all Benefit Claims shall under no circumstances exceed US\$10,000,000; and
 - (ii) the maximum aggregate liability of the ICI Companies in respect of all Acquisition Separation Claims shall under no circumstances exceed US\$2,500,000.
- 3.5 All monetary amounts expressed in US Dollars in this agreement shall be calculated after converting all relevant monetary amounts under the Agreements which are not in US Dollars to US Dollars at the mid-market closing exchange rate in London for amounts of that size as published in the London Edition of the Financial Times published two Business Days prior to the date any Claim is formally notified by the Purchaser Companies in accordance with the terms of the relevant Agreements (and/or this agreement), or where no such rate is published, at the rate quoted by Citibank, N.A. at the close of business in London on that date.

4 MITIGATION OF CLAIMS

- 4.1 The Purchaser Companies shall take all reasonable steps to mitigate any loss which may give rise to a Claim against the ICI Companies including, without limiting the generality of the foregoing, the making of a claim which is available to the Purchaser Companies under any available insurance policy. It is agreed that:
- 4.1.1 no Claim by the Purchaser Companies in respect of a breach of the warranties under the Agreements shall be enforceable unless written notice thereof (including all material details thereof then reasonably available to the Purchaser Companies) has been given by the Purchaser Companies to the ICI Companies as soon as reasonably practicable after the Purchaser Companies have become aware of the facts and circumstances giving rise to such Claim and their implications for the purposes of the Agreement in question, unless such written notice has been duly served on the ICI Companies on or before [30 April 2001(1)/2002(2)] or by close of business on the date six years after the end of the accounting period ending after the Completion Date in respect of a Tax Claim;
 - 4.1.2 no other Claims by the Purchaser Companies shall be enforceable unless written notice thereof (including all material details thereof or relating thereto then reasonably available to the Purchaser Companies has been given by the Purchaser Companies to the ICI Companies (in accordance with the terms of the Agreement in question) as soon as reasonably practicable after the Purchaser Companies have become aware of the facts and circumstances giving rise to the Claim and their implications for the purposes of the Agreement in question;

Provided however that the Purchaser Companies shall be able to bring any Claim against the ICI Companies without complying with the terms of sub-Clauses 4.1.1 and 4.1.2 hereof to the extent that the ICI Companies

have not suffered prejudice as a result of any such non-compliance by the Purchaser Companies.

4.2 If any claim is made against the Purchaser Companies the subject matter of which might reasonably be expected to constitute a breach of one or more of the Agreements by the ICI Companies save for indemnities contained in the Tax Deeds of Covenant or environmental indemnities contained in the relevant Agreements in relation to which the specific provisions set out in the relevant Agreement or Deed shall apply:

4.2.1 the Purchaser Companies shall if so requested in writing by the ICI Companies take all steps which are necessary and reasonable to avoid, resist, appeal, compromise or defend any such claim and any adjudication in respect thereof (but subject in any such case to the Purchaser Companies being indemnified by the ICI Companies against all costs and expenses which may be incurred in connection therewith) and the ICI Companies shall, at their request, be allowed to conduct any negotiations, proceedings or appeals incidental thereto with counsel reasonably satisfactory to the Relevant Purchaser;

4.2.2 the ICI Companies shall raise no objection to the Purchaser Companies attending (and, where the rights of the Purchaser Companies are, or may be, detrimentally affected) being separately legally represented (at their own expense) and, where appropriate, heard at any negotiations, proceedings or appeals of which the ICI Companies have taken conduct and the Purchaser Companies shall be consulted by the ICI Companies prior to any compromise, settlement or admission of liability being made by the ICI Companies at such negotiation, proceedings or appeals; and

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(1). If completion takes place in 1999

(2). If completion takes place in 2000

4.2.3 the Purchaser Companies shall at all reasonable times and upon reasonable prior notice allow the ICI Companies and their agents reasonable access to all relevant properties of the Relevant Purchaser, and access to, with the right to inspect and take copies of, all relevant books and records of the Relevant Purchaser (as then carried on) subject always to keeping the same confidential other than in respect of necessary disclosures in connection with such Claim which disclosures shall only be made, and then only in compliance with sub-Clause 4.2.4, if required by law or the procedures of any court or tribunal or otherwise with the prior written consent of the relevant Purchaser Companies (such consent not to be unreasonably withheld or delayed).

4.2.4 If any of the ICI Companies or their agents become legally compelled (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the information, records, or other material referred to in this Clause 4.2.3, the party so compelled shall provide the Relevant Purchaser with prompt prior written notice of such requirement so that the Relevant Purchaser may seek a protective order or other appropriate remedy. So far as it is legally able so to do, the ICI Companies agree to cooperate in the Relevant Purchaser's efforts to obtain a protective order or other reasonable assurance that confidential treatment shall be accorded any such information. If such protective order or other remedy is not obtained, the party so compelled agrees to disclose only that portion of the information, records, or other material

which it is advised by opinion of outside counsel is legally required to be disclosed and to take all reasonable steps to preserve the confidentiality of the information, records, or other material referred to in this sub-Clause 4.2.4.

4.2.5 Notwithstanding the foregoing provisions, should the subject matter of any litigation, proceeding, negotiation, or arbitration include a claim against the Relevant Purchaser seeking injunctive relief, the Relevant Purchaser shall have the right to take exclusive control of the defence of such proceeding with counsel of its choice, the reasonable fees and expenses of which shall be for the account of the ICI Companies.

4.2.6 The party or parties conducting the defence of any investigation, litigation, proceedings, negotiations or arbitration shall keep the other parties apprised of all significant developments and shall not enter into any settlement, compromise or consent to judgment with respect to such investigation, litigation, proceedings, negotiations or arbitration unless the other party consents, such consent not to be unreasonably withheld or delayed.

4.3 If the ICI Companies pay to the Purchaser Companies any amount under any of the Agreements in respect of any Claim under such Agreement and the Purchaser Companies are thereafter able to recover any sum from any third party (including any insurer) in respect of that Claim, the Purchaser Companies shall use all reasonable endeavours to so recover any such sum and shall repay to the ICI Companies so much of the amount paid by the ICI Companies as is equal to any sum recovered, after allowing for the reasonable costs and expenses of the Purchaser Companies reasonably incurred in connection therewith.

Furthermore, if any liability on the part of the ICI Companies under any of the Agreements which results in a payment being made by the ICI Companies to the Purchaser Companies gives rise to any corresponding saving or rebate for the Purchaser Companies (including any tax saving or rebate) then the value of such corresponding saving or rebate to the Purchaser Companies shall be set against the liability of the ICI Companies in the particular instance.

5 CONSIDERATION REDUCED BY CLAIMS

Any payment by the ICI Companies paid to the Purchaser Companies (or for the Purchaser Companies' benefit) in respect of any Claim or Tax Claim shall be deemed to be a reduction in the consideration payable under the relevant Agreement in respect of the business, assets or shares thereby sold.

6 NO SET-OFF

None of the Purchaser Companies shall be entitled to set off any amounts due to it by the ICI Companies (whether under this agreement, the Agreements or otherwise) against the sums owing (or claimed by such other party to be owing) under the terms of this agreement.

7 NOTICES

7.1 Any notice or other document to be served under this agreement shall be in writing and may be delivered by hand or by courier or sent by fax or by post to the party to be served at its address appearing in this agreement (and marked for the attention of the person whose name is referred to in sub-Clause 7.3 below) or at such other address (or marked for the attention of such other person) as it may have notified to the other parties in accordance with this Clause. Any notice or other document sent by post shall be sent by registered post (if both posted and for delivery within the same jurisdiction) or by registered airmail (if posted for delivery outside the jurisdiction in which it is posted), return receipt requested (or any substantially equivalent service).

7.2 Any notice or document delivered or sent in accordance with sub-Clause 7.1 shall be deemed to have been served:

- 7.2.1 if delivered by hand or by courier, at the time of delivery; or
- 7.2.2 if sent by fax, at the time of delivery if sent between 12.01 a.m. and 6.00 p.m. (local time at the destination) or at 10.00 a.m. (local time at the destination) on the Business Day after its transmission (if sent at any other time); or
- 7.2.3 if posted, at 10.00 a.m. on the second Business Day after it was put into the post if posted for delivery within the same jurisdiction, or at 10.00 a.m. (local time at the destination) on the fifth Business Day after it was put in the post if sent by registered airmail.

7.3 The person to whom notices or documents should be addressed for the purposes of sub-Clause 7.1 is:

7.3.1 if to be served on ICI:

the Company Secretary
Imperial Chemical House
9 Millbank
London SW1P 3JF
Fax: (44) 171 798 5170

7.4 if to be served on the Purchaser:

General Counsel
NL Industries, Inc
16825 Northchase Drive
Suite 1200
Houston, Texas 77060, USA
Fax: (1) 281 423 3333

7.5 In proving service of a notice or document it shall be sufficient to prove that delivery was made by hand, courier or fax or that the envelope containing the notice or document was properly addressed and posted (either by registered post or by registered airmail, as the case may be, in accordance with the requirements of this Clause).

8 GOVERNING LAW

- 8.1 This agreement shall be governed and construed in accordance with the laws of England and the parties hereto agree to submit, subject to sub-Clause 8.2. to the exclusive jurisdiction of the courts of the state of Delaware as regards any claims or matters arising hereunder.
- 8.2 If the courts of the state of Delaware should decline jurisdiction, the English courts shall have exclusive jurisdiction for all purposes relating to this agreement.
- 8.3 In both sub-Clause 8.1 and 8.2, neither party shall take any action to avoid, dispute or suggest to such court that such jurisdiction is improper.
- 8.4 ICI irrevocably appoints ICI American Holdings Inc as its authorised agent ("ICI Authorised Agent") upon whom process may be served in any legal suit, action or proceeding arising out of or based upon this Agreement which may be instituted in the courts of the State of Delaware.
- 8.5 If the English courts have jurisdiction, the Purchaser irrevocably appoints Herbert Smith (Ref 534) of Exchange House, Primrose Street, London, EC2A 2HS as its agent for process in England.

In Witness whereof the parties have caused this agreement to be executed as a Deed and delivered the day and year first above written.

Executed as a Deed }
for and on behalf of
IMPERIAL CHEMICAL INDUSTRIES
PLC

Executed as a Deed }
for and on behalf of
NL INDUSTRIES, INC.

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "AGREEMENT"), effective as of January 1, 1998, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1997 by and between CONTRAN CORPORATION, a Delaware corporation ("CONTRAN"), and NL INDUSTRIES, INC., a New Jersey corporation. ("RECIPIENT"),

RECITALS

A. Harold C. Simmons, an employee of Contran and a director and the Chairman of the Board of Recipient, performs certain advisory functions for Recipient, which functions are unrelated to his function as a director and the Chairman of the Board of Recipient, without direct compensation from Recipient.

B. Recipient does not separately maintain the full internal capability to perform all necessary advisory functions that Recipient requires.

C. The cost of engaging the advisory services of someone possessing Mr. Simmons' expertise and the cost of maintaining the personnel necessary to perform the functions provided for by this Agreement would exceed the fee set forth in SECTION 3 of this Agreement and the terms of this Agreement are no less favorable to Recipient than could otherwise be obtained from a third party for comparable services.

D. Recipient desires to continue receiving the advisory services of Harold C. Simmons and Contran is willing to continue to provide such services under the terms of this Agreement.

AGREEMENT

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

SECTION 1. SERVICES TO BE PROVIDED. Contran agrees to make available to Recipient, upon request, the following services (the "SERVICES") to be rendered by Harold C. Simmons:

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

(b) Such other services as may be requested by Recipient from time to time.

This Agreement does not apply to and the Services provided for herein do not include any services that Harold C. Simmons may provide to Recipient in his role as a director on Recipient's Board of Directors, as Chairman of such Board of Directors or any other activity related to such Board of Directors.

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

SECTION 3. FEE FOR SERVICES. Recipient agrees to pay to Contran

\$245,000.00 quarterly, commencing as of January 1, 1998, pursuant to this Agreement.

SECTION 4. ORIGINAL TERM. Subject to the provisions of SECTION 5 hereof, the original term of this Agreement shall be from January 1, 1998 to December 31, 1998.

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

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

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

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

SECTION 9. NOTICES. All communications hereunder shall be in writing and shall be addressed, if intended for Contran, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention: President, or such other address as it shall have furnished to Recipient in writing, and if intended for Recipient, to Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, Attention: President or such other address as it shall have furnished to Contran in writing.

SECTION 10. AMENDMENT AND MODIFICATION. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

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

SECTION 12. GOVERNING LAW. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas.

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

CONTRAN CORPORATION

By:
STEVEN L. WATSON
VICE PRESIDENT

NL INDUSTRIES, INC.

By:

J. LANDIS MARTIN
PRESIDENT AND CHIEF EXECUTIVE
OFFICER

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "AGREEMENT"), effective as of January 1, 1998, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1997 by and between VALHI, INC., a Delaware corporation ("VALHI"), and NL INDUSTRIES, INC., a New Jersey corporation ("NL").

RECITALS

A. NL desires to have the services of certain Valhi personnel and Valhi is willing to provide such services under the terms of this Agreement.

B. Valhi desires to have the services of certain NL personnel and NL is willing to provide such services under the terms of this Agreement.

C. The costs of maintaining the additional personnel necessary to perform the functions provided for by this Agreement would exceed the amount charged to such party that is contained in the net fee set forth in SECTION 4 of this Agreement and that the terms of this Agreement are no less favorable to each party than could otherwise be obtained from a third party for comparable services.

D. Each party desires to continue receiving the services presently provided by the other party and its affiliates and each party is willing to continue to provide such services under the terms of this Agreement.

AGREEMENT

For and in consideration of the mutual premises, representations and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto mutually agree as follows:

SECTION 1. VALHI SERVICES TO BE PROVIDED. Valhi agrees to make available to NL, upon request, the following services (the "VALHI SERVICES") to be rendered by the internal staff of Valhi and affiliates of Valhi:

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

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

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

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

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

(f) Such other services as may be requested by NL from time to time.

SECTION 2. NL SERVICES TO BE PROVIDED. NL agrees to make available to Valhi, upon request, the following services (the "NL SERVICES," and collectively with the Valhi Services, the "SERVICES") to be rendered by the internal staff of NL:

(a) The services of Joseph S. Compofelice (through February 16, 1998) to act as Executive Vice President of Valhi, which Valhi and NL agree shall involve substantially such time as has been allocated in the

past and is currently being devoted;

(b) The services of NL's internal audit personnel in providing consultation and assistance in performing internal audit projects as requested from time to time; and

(c) certain administration and management services with respect to Valhi's insurance and risk management needs, including, without limitations, administration of Valhi's:

- (i) property and casualty insurance program,
- (ii) claims management program,
- (iii) property loss control program, and

(d) Such other services as may be requested by Valhi from time to time.

SECTION 3. MISCELLANEOUS SERVICES. It is the intent of the parties hereto that each party to this Agreement provide (a "PROVIDING PARTY") only such Services as are requested by the other party (a "RECEIVING PARTY") in connection with routine management, financial and administrative functions related to the ongoing operations of the Receiving Party and not with respect to special projects, including corporate investments, acquisitions and divestitures. The parties hereto contemplate that the Services rendered by a Providing Party in connection with the conduct of each Receiving Party's business will be on a scale compared to that existing on the effective date of this Agreement, adjusted for internal corporate growth or contraction, but not for major corporate acquisitions or divestitures, and that adjustments may be required to the terms of this Agreement in the event of such major corporate acquisitions, divestitures or special projects. Each Receiving Party will continue to bear all other costs required for outside services including, but not limited to, the outside services of attorneys, auditors, trustees, consultants, transfer agents and registrars, and it is expressly understood that each Providing Party assumes no liability for any expenses or services other than those stated in this Agreement to be provided by such party. In addition to the amounts charged to a Receiving Party for Services provided pursuant to this Agreement, such Receiving Party will pay the Providing Party the amount of out-of-pocket costs incurred by the Providing Party in rendering such Services.

SECTION 4. NET FEE FOR SERVICES. NL agrees to pay to Valhi a net annual fee of \$12,600 payable in quarterly installments of \$3,150 each, commencing as of January 1, 1998, pursuant to this Agreement. In addition to the net annual fee:

(a) Valhi shall pay to NL an additional amount equal to the sum of:

(i) the product of (x) \$600, (y) the number of days devoted by NL's internal auditors to providing NL Services described in SUBSECTION 2(B) and (z) the number of internal auditors providing such NL Services; and

(ii) all related out-of-pocket expenses;

(b) Valhi shall credit or pay to NL additional amounts plus all related out-of-pocket costs, all as agreed to by the parties, for all NL Services provided under SUBSECTION 2(D); and

(c) NL shall credit or pay to Valhi additional amounts plus all related out-of-pocket costs, all as agreed to by the parties, for all Valhi Services provided under SUBSECTION 1(F).

SECTION 5. ORIGINAL TERM. Subject to the provisions of SECTION 6 hereof, the original term of this Agreement shall be from January 1, 1998 to December 31, 1998.

SECTION 6. EXTENSIONS. This Agreement shall be extended on a quarter-to-quarter basis after the expiration of its original term unless written notification is given by Valhi or NL thirty (30) days in advance of the first day of each successive quarter or unless it is superseded by a subsequent written agreement of the parties hereto.

SECTION 7. LIMITATION OF LIABILITY. In providing Services hereunder, each Providing Party shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but no Providing Party nor any officer, director, employee or agent of such party nor or its affiliates shall be liable to a Receiving Party for any error of judgment or mistake of law or for any loss incurred by the Receiving Party in connection with the matter to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of the Providing Party.

SECTION 8. INDEMNIFICATION. Each Receiving Party shall indemnify and hold harmless the Providing Party, its affiliates and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including attorneys' fees and other expenses of litigation) to which such Providing Party may become subject arising out of the Services provided by such Providing Party to the Receiving Party hereunder, PROVIDED that such indemnity shall not protect any person against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on the part of such person.

SECTION 9. FURTHER ASSURANCES. Each of the parties will make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as the other party may reasonably request and as may reasonably be required in order to effectuate the purposes of this Agreement and to carry out the terms hereof.

SECTION 10. NOTICES. All communications hereunder shall be in writing and shall be addressed, if intended for Valhi, to Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, Attention: President, or such other address as it shall have furnished to NL in writing, and if intended for NL, to Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, Attention: President, or such other address as it shall have furnished to Valhi in writing.

SECTION 11. AMENDMENT AND MODIFICATION. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

SECTION 12. SUCCESSOR AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of Valhi and NL and their respective successors and assigns, except that neither party may assign its rights under this Agreement without the prior written consent of the other party.

SECTION 13. GOVERNING LAW. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Texas.

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

VALHI, INC.

By:
STEVEN L. WATSON
VICE PRESIDENT

NL INDUSTRIES, INC.

By:
J. LANDIS MARTIN
President and Chief Executive
Officer

INTERCORPORATE SERVICES AGREEMENT

INTERCORPORATE SERVICES AGREEMENT effective as of January 1, 1998, by and between Tremont Corporation ("Tremont"), a Delaware corporation, and NL Industries, Inc. ("NL"), a New Jersey corporation.

WHEREAS, Tremont desires that NL provide certain services to Tremont, and NL is willing to provide such services to Tremont pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the premises and promises set forth herein, the parties to this Agreement agree as follows:

1. SERVICES PROVIDED. NL will make available to Tremont the following services (the "Services"):

- (a) certain administration and management services with respect to Tremont's insurance and risk management needs, including:
 - (i) management of claims (including insured and self-insured workers compensation and liability claims);
 - (ii) budgeting and related activities;
 - (iii) administration of Tremont's captive insurance company;
 - (iv) coordination of property loss control program; and
 - (v) administration of Tremont's insurance program, excluding all employee benefit and welfare related programs.
- (b) certain administration and management services with respect to Tremont's real properties and interests.
- (c) consultation and assistance in performing internal audit projects, as requested.
- (d) consultation and assistance in tax management and administration, including, without limitation, preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning.
- (e) certain executive secretarial and administrative services.

2. FEES FOR SERVICES AND REIMBURSEMENT OF EXPENSES. During the Term (as defined below) of this Agreement, Tremont shall pay to NL an annual fee of \$87,200 (the "Annual Fee") for the Services described in paragraphs 1(a), 1(b), 1(d) and 1(e) above payable in quarterly installments of \$21,800, plus all out-of-pocket expenses incurred in connection with the performance of such Services. In addition, Tremont will, within thirty (30) days after receipt of an invoice (such invoices to occur no more frequently than once per month) pay to NL an amount equal to the product of \$600 multiplied by the number of days devoted by NL's internal auditors to providing Services described in paragraph 1(c) above times the number of internal auditors providing such Services plus all out-of-pocket expenses incurred in the performance of such Services. Notwithstanding the foregoing, in the event that Tremont determines, in its sole discretion, that it no longer desires certain of the Services or NL determines, in its sole discretion, that it no longer desires to provide certain of the Services, then Tremont or NL, as appropriate, shall provide the other party with a ninety (90) day prior written notice of cancellation describing the Services to be terminated or discontinued and Tremont and NL during such ninety-day period shall agree to a pro-rata reduction of the fees due hereunder for such terminated or discontinued Services.

3. LIMITATION OF LIABILITY. In providing Services hereunder, NL shall have

a duty to act, and to cause its agents to act, in a reasonably prudent manner, but neither NL nor any officer, director, employee or agent of NL shall be liable to Tremont or its subsidiaries for any error of judgment or mistake of law or for any loss incurred by Tremont or its subsidiaries in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of NL or from NL's reckless disregard of obligations and duties under this Agreement.

4. INDEMNIFICATION OF NL BY TREMONT. Tremont shall indemnify and hold harmless NL, its subsidiaries and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees and other expenses of litigation) to which such party may become subject arising out of the provision by NL to Tremont and its subsidiaries of any of the Services, provided that such indemnity shall not protect any such party against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations and duties hereunder.

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

6. NOTICES. All communications hereunder shall be in writing and shall be addressed to:

If to NL: NL Industries, Inc.
16825 Northchase Drive, Suite 1200
Houston, Texas 77060
Attention: General Counsel

If to Tremont: Tremont Corporation
1999 Broadway, Suite 4300
Denver, Colorado 80202
Attention: General Counsel

or such other address as the parties shall have specified in writing.

7. AMENDMENT AND MODIFICATION. Neither this Agreement nor any item hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

8. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto, provided that this Agreement may not be assigned by either of the parties hereto without the prior written consent of the other party.

9. MISCELLANEOUS. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement shall be governed in all respects, including validity, interpretation and affect, by the laws of the State of Texas.

10. TERM OF AGREEMENT. This Agreement shall be effective as of January 1, 1998, and shall remain in effect for a term of one year until December 31, 1998 (the "Term"); provided, however, the Agreement shall be extended on a quarter-to-quarter basis after the expiration of the Term unless written notification is given by either party thirty (30) days in advance of the first day of each successive quarter or unless it is terminated or superseded by a subsequent written agreement of the parties hereto. Upon such termination or upon the expiration of this Agreement, the parties' rights and obligations hereunder shall cease and terminate except with respect to rights and obligations arising on or prior to the date of expiration or termination and the rights and obligations arising under paragraph 4 above.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the ____ day of July, 1998, which Agreement will be deemed to be effective as of January 1, 1998.

NL INDUSTRIES, INC.

By: _____
Dennis G. Newkirk
Vice President

TREMONT CORPORATION

By: _____
J. Thomas Montgomery
Vice President

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement") is made effective as of January 1, 1998, by and between Titanium Metals Corporation ("TIMET"), a Delaware corporation, and NL Industries, Inc. ("NL"), a New Jersey corporation.

WHEREAS, TIMET desires that NL provide certain insurance, risk management, loss control, internal audit, tax, and executive secretarial and administrative services to TIMET, as set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and promises set forth herein and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement agree as follows:

1. SERVICES PROVIDED. NL will make available to TIMET and its subsidiaries the following services (the "Services"):
 - (a) certain administration and management services with respect to TIMET's insurance and risk management needs, including:
 - (i) management of claims (including insured and self-insured workers compensation and liability claims);
 - (ii) budgeting and related activities;
 - (iii) coordination of property loss control program; and
 - (iv) administration of TIMET's insurance program, excluding all employee benefit and welfare related programs.
 - (b) consultation and assistance in performing internal audit projects, as requested.
 - (c) consultation and assistance in tax management and administration, including, without limitation, preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning.
 - (d) certain executive secretarial and administrative services.

2. FEES FOR SERVICES AND REIMBURSEMENT OF EXPENSES. During the Term (as defined below) of the Agreement, TIMET shall pay to NL an annual fee of \$335,000 for the Services described in paragraphs 1(a), 1(c), and 1(d) above payable in quarterly installments of \$83,750 plus all out-of-pocket expenses incurred in connection with the performance of such Services. In addition, TIMET will pay to NL within thirty (30) days after receipt of an invoice (such invoices to occur no more frequently than once per month) an amount equal to the product of 600 multiplied by the number of days devoted by NL's internal auditors to providing Services described in paragraph 1(b) above times the number of internal auditors providing such Services plus all out-of-pocket expenses incurred in the performance of such Services. Notwithstanding the foregoing, in the event that TIMET determines, in its sole discretion, that it no longer desires certain of the Services or NL determines, in its sole discretion, that it no longer desires to provide certain of the Services, then TIMET or NL, as appropriate, shall provide the other party with a ninety (90) day prior written notice of cancellation describing the Services to be terminated or discontinued and TIMET and NL during such ninety-day period shall agree to a pro-rata reduction of the fees due hereunder for such terminated or discontinued Services.

3. LIMITATION OF LIABILITY. In providing Services hereunder, NL shall have a duty to act, and to cause its agents to act, in a reasonably prudent manner, but neither NL nor any officer, director, employee or agent of NL shall be liable to TIMET or its subsidiaries for any error of judgment or mistake of law or for any loss incurred by TIMET or its subsidiaries in connection with the matters to which this Agreement relates, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of NL or from NL's reckless disregard of obligations and duties under this Agreement.

4. INDEMNIFICATION OF NL BY TIMET. TIMET shall indemnify and hold harmless NL, its subsidiaries and their respective officers, directors and employees from and against any and all losses, liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees and other expenses of litigation) to which such party may become subject arising out of the provision by NL to TIMET and its subsidiaries of any of the Services, provided that such indemnity shall not protect any such party against any liability to which such person would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations and duties hereunder.

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

6. NOTICES. All communications hereunder shall be in writing and shall be addressed to:

If to NL: NL Industries, Inc.
16825 Northchase Drive, Suite 1200
Houston, Texas 77060
Attention: General Counsel

If to TIMET: Titanium Metals Corporation
1999 Broadway, Suite 4300
Denver, Colorado 80202
Attention: General Counsel

or such other address as the parties shall have specified in writing.

7. AMENDMENT AND MODIFICATION. Neither this Agreement nor any item hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

8. SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto, provided that this Agreement may not be assigned by either of the parties hereto without the prior written consent of the other party.

9. MISCELLANEOUS. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. This Agreement shall be governed in all respects, including validity, interpretation and affect, by the laws of the State of Texas.

10. TERM OF AGREEMENT. This Agreement shall be effective as of January 1, 1998, and shall remain in effect for a term of one year until December 31, 1998 (the "Term"); provided, however, the Agreement shall be extended on a quarter-to-quarter basis after the expiration of the Term unless written notification is given by either party thirty (30) days in advance of the first day of each successive quarter or unless it is terminated or superseded by a subsequent written agreement of the parties hereto. Upon such termination or upon the expiration of this Agreement, the parties' rights and obligations hereunder shall cease and terminate except with respect to rights and obligations arising on or prior to the date of expiration or termination and the rights and obligations arising under paragraph 4 above.

IN WITNESS WHEREOF, the parties have duly executed this Agreement effective as of the ____ day of July, 1998, which Agreement will be deemed to

be effective as of January 1, 1998.

NL INDUSTRIES, INC.

By: _____
Dennis G. Newkirk
Vice President

TITANIUM METALS CORPORATION

By: _____
J. Thomas Montgomery
Vice President

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "AGREEMENT"), effective as of January 1, 1998, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1997 between NL INDUSTRIES, INC., a New Jersey corporation ("NL"), and COMPX INTERNATIONAL INC., a Delaware corporation ("RECIPIENT").

RECITALS

A. NL provides Recipient certain occupancy and related office services (the "OCCUPANCY AND RELATED OFFICE SERVICES"), which services include, without limitation, office space that Recipient's personnel currently occupy at NL's corporate offices at Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas and mail, telecommunication, computer support, copying and other reasonable office services related to such occupancy.

B. The terms of this Agreement are no less favorable to Recipient than could otherwise be obtained from a third party for comparable services.

C. Recipient desires to continue receiving the Occupancy and Related Office Services presently provided by NL and affiliates of NL and NL is willing to continue to provide such services under the terms of this Agreement.

AGREEMENT

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

SECTION 1. SERVICES TO BE PROVIDED. NL agrees to make available to Recipient the following services (the "SERVICES") to be rendered by the internal staff of NL and affiliates of NL:

- (a) the Occupancy and Related Office Services; and
- (b) such other services as may be requested by Recipient or deemed necessary and proper from time to time.

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

SECTION 3. FEE FOR SERVICES.. Recipient agrees to pay to NL \$10,937.50 quarterly, commencing as of January 1, 1998, pursuant to this Agreement.

SECTION 4. ORIGINAL TERM. Subject to the provisions of SECTION 5 hereof, the original term of this Agreement shall be from January 1, 1998 to December 31, 1998.

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

subsequent written agreement of the parties hereto.

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

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

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

SECTION 9. NOTICES. All communications hereunder shall be in writing and shall be addressed, if intended for NL, to Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, Attention: President, or such other address as it shall have furnished to Recipient in writing, and if intended for Recipient, to Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas 77060, Attention: Chairman of the Board, or such other address as it shall have furnished to NL in writing.

SECTION 10. AMENDMENT AND MODIFICATION. Neither this Agreement nor any term hereof may be changed, waived, discharged or terminated other than by agreement in writing signed by the parties hereto.

SECTION 11. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of NL and Recipient and their respective successors and assigns, except that neither party may assign its rights under this Agreement without the prior written consent of the other party.

SECTION 12. GOVERNING LAW. This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the state of Texas.

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

NL INDUSTRIES, INC.

By:

J. LANDIS MARTIN
PRESIDENT AND CHIEF EXECUTIVE
OFFICER

COMPX INTERNATIONAL INC.

By:

JOSEPH S. COMPOFELICE
CHAIRMAN OF THE BOARD AND CHIEF
EXECUTIVE OFFICER

EXHIBIT 27.1

<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

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