

Schedule 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 57)\*

NL INDUSTRIES, INC.  
(Name of Issuer)

Common Stock, \$0.125 par value  
(Title of Class of Securities)

629156407  
(CUSIP Number)

STEVEN L. WATSON  
THREE LINCOLN CENTRE  
SUITE 1700  
5430 LBJ FREEWAY  
DALLAS, TEXAS 75240-2694  
(972) 233-1700

(Name, Address and Telephone Number of Person  
Authorized to Receive Notices and Communications)

February 26, 1998  
(Date of Event which requires Filing  
of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box. [ ]

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on following pages)

CUSIP No. 629156407

- 1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON  
  
Tremont Corporation
- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)  
  
(a) [ ]  
  
(b) [ ]
- 3 SEC USE ONLY
- 4 SOURCE OF FUNDS (SEE INSTRUCTIONS)  
  
WC
- 5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]
- 6 CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Delaware
- 7 SOLE VOTING POWER

SHARES 8 SHARED VOTING POWER  
BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 9,064,780

9 SOLE DISPOSITIVE POWER  
-0-

10 SHARED DISPOSITIVE POWER  
9,064,780

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

9,064,780

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

17.7%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Valhi, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC and BK

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 8 SHARED VOTING POWER  
38,908,990

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES

CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Valhi Group, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH

8 SHARED VOTING POWER

38,908,990

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

National City Lines, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE

INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION  
Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

38,908,990

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

NOA, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE  
INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES 8 SHARED VOTING POWER

BENEFICIALLY OWNED BY  
EACH 38,908,990

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON WITH -0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Dixie Holding Company

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE  
INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES 8 SHARED VOTING POWER

BENEFICIALLY OWNED BY  
EACH 38,908,990

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON WITH -0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Dixie Rice Agricultural Corporation, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Louisiana

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

38,908,990

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Southwest Louisiana Land Company, Inc.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Louisiana

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES 8 SHARED VOTING POWER

BENEFICIALLY  
OWNED BY 38,908,990

EACH  
REPORTING 9 SOLE DISPOSITIVE POWER

PERSON  
WITH -0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

Contran Corporation

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH  
REPORTING  
PERSON  
WITH

8 SHARED VOTING POWER

38,908,990

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING  
PERSON

38,908,990

12 CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES  
CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

CUSIP No. 629156407

1 NAME OF REPORTING PERSON  
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

The Combined Master Retirement Trust

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP(SEE  
INSTRUCTIONS)

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED  
PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

7 SOLE VOTING POWER

-0-

NUMBER OF  
SHARES  
BENEFICIALLY  
OWNED BY  
EACH

8 SHARED VOTING POWER

38,908,990



REPORTING PERSON WITH 9 SOLE DISPOSITIVE POWER -0-

10 SHARED DISPOSITIVE POWER 38,908,990

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 38,908,990

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 76.1%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) EP

CUSIP No. 629156407

1 NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON Harold C. Simmons

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP(SEE INSTRUCTIONS) (a) [ ] (b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS) Not applicable

5 CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e) [ ]

6 CITIZENSHIP OR PLACE OF ORGANIZATION USA

7 SOLE VOTING POWER -0-

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH 8 SHARED VOTING POWER 38,978,465

9 SOLE DISPOSITIVE POWER -0-

10 SHARED DISPOSITIVE POWER 38,978,465

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON -0-

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) [ X ]

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

## 14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

AMENDMENT NO. 57  
TO SCHEDULE 13D

This amended statement on Schedule 13D (this "Statement") relates to the common stock, \$0.125 par value per share (the "Shares"), of NL Industries, Inc., a New Jersey corporation (the "Company"). This Statement is amended to reflect (i) the execution on February 26, 1998 of a stipulation of settlement relating to Seinfeld v. Simmons, et al., and (ii) the execution on March 5, 1998 of a stipulation of settlement relating to Kahn v. Tremont Corporation, et al. In both stipulations of settlement, the Company has agreed to transfer, at its option, Shares or cash in the respective settlements. See Item 5 below.

Items 2, 3, 4, 5 and 7 of this Statement are hereby amended as set forth below.

## Item 2. Identity and Background.

No change except for the addition of the following:

(a) This Statement is filed by (i) Tremont Corporation ("Tremont") and Valhi, Inc. ("Valhi") as the direct holders of Shares, (ii) by virtue of the direct and indirect ownership of securities of Tremont and Valhi (as described below in this Statement), Valhi Group, Inc. ("VGI"), National City Lines, Inc. ("National"), NOA, Inc. ("NOA"), Dixie Holding Company ("Dixie Holding"), Dixie Rice Agricultural Corporation, Inc. ("Dixie Rice"), Southwest Louisiana Land Company, Inc. ("Southwest"), Contran Corporation ("Contran") and the Combined Master Retirement Trust (the "CMRT") and (iii) by virtue of his positions with Contran and certain of the other entities (as described in this Statement), Harold C. Simmons (collectively, the "Reporting Persons"). By signing this Statement, each Reporting Person agrees that this Statement is filed on its or his behalf.

Valhi and Tremont are the direct holders of approximately 58.3% and 17.7%, respectively, of the 51,149,614 Shares outstanding as of October 31, 1997 according to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 (the "Outstanding Shares"). Valhi and Tremont together may be deemed to control the Company. VGI, National, the Harold Simmons Foundation, Inc. (the "Foundation"), the Contran Deferred Compensation Trust No. 2 (the "CDCT No. 2"), Valhi, the Company and Valmont Insurance Company ("Valmont") are the direct holders of approximately 35.1%, 5.2%, 3.7%, 3.5%, 1.5%, 0.5% and 0.5%, respectively, of the outstanding common stock of Tremont. Together, VGI and National may be deemed to control Tremont. Valhi is the direct holder of 100% of the outstanding stock of Valmont and may be deemed to control Valmont. VGI, National and Contran are the direct holders of approximately 74.8%, 10.0% and 7.6%, respectively, of the outstanding common stock of Valhi. Together, VGI, National and Contran may be deemed to control Valhi. National, NOA and Dixie Holding are the direct holders of approximately 73.3%, 11.4% and 15.3%, respectively, of the outstanding common stock of VGI. Together, National, NOA and Dixie Holding may be deemed to control VGI. Contran and NOA are the direct holders of approximately 85.7% and 14.3%, respectively, of the outstanding common stock of National and together may be deemed to control National. Contran and Southwest are the direct holders of approximately 49.9% and 50.1%, respectively, of the outstanding common stock of NOA and together may be deemed to control NOA. Dixie Rice is the direct holder of 100% of the outstanding common stock of Dixie Holding and may be deemed to control Dixie Holding. Contran is the direct holder of approximately 88.8% and 54.3% of the outstanding common stock of Southwest and Dixie Rice, respectively, and may be deemed to control Southwest and Dixie Rice.

Mr. Harold C. Simmons is chairman of the board, president and chief executive officer of Valhi, VGI, National, NOA, Dixie Holding and Contran. Mr. Simmons is also chairman of the board and chief executive officer of Dixie Rice and Southwest. Additionally, Mr. Simmons is chairman of the board of the Company and a director of Tremont.

Substantially all of Contran's outstanding voting stock is held by trusts (collectively, the "Trusts") established for the benefit of certain of Mr. Harold C. Simmons' children and grandchildren, of which Mr. Simmons is the sole trustee. As the sole trustee of each of the Trusts, Mr. Simmons has the power to vote and direct the disposition of the shares of Contran stock held directly by each of the Trusts. Mr. Simmons, however, disclaims beneficial ownership of such shares.

The CMRT directly holds approximately 0.1% of the outstanding shares of Valhi and Tremont common stock, respectively. The CMRT is a trust formed by Valhi to permit the collective investment by trusts that maintain the assets of certain employee benefit plans adopted by Valhi and related companies. Mr. Simmons is the sole trustee of the CMRT and the sole member of the trust investment committee for the CMRT. Mr. Simmons is a participant in one or more of the employee benefit plans that invest through the CMRT.

The Foundation directly holds approximately 3.7% of the outstanding Tremont common stock. The Foundation is a tax-exempt foundation organized for charitable purposes. Harold C. Simmons is the chairman of the board and chief executive officer of the Foundation and may be deemed to control the Foundation.

The CDCT No. 2 directly holds approximately 3.5% and 0.2% of the outstanding shares of Tremont and Valhi common stock, respectively. Boston Safe Deposit and Trust Company serves as the trustee of the CDCT No. 2. Contran established the CDCT No. 2 as an irrevocable "rabbi trust" to assist Contran in meeting certain deferred compensation obligations that it owed to Harold C. Simmons. If the CDCT No. 2 assets are insufficient to satisfy such obligations, Contran is obligated to satisfy the balance of such obligations as they come due. Due to the terms of the CDCT No. 2, Contran (i) retains the power to vote the shares of Tremont and Valhi common stock held directly by the CDCT No. 2, (ii) retains dispositive power over such shares and (iii) may be deemed the indirect beneficial owner of such shares.

By virtue of the holding of the offices, the stock ownership and his service as trustee, all as described above, (a) Mr. Simmons may be deemed to control the entities described above and (b) Mr. Simmons and certain of such entities may be deemed to possess indirect beneficial ownership of Shares directly held by certain of such other entities. However, Mr. Simmons disclaims such beneficial ownership of the Shares beneficially owned, directly or indirectly, by any of such entities, except to the extent of his vested beneficial interest in the Shares held by the CMRT and except to the extent of his interest as a beneficiary of the CDCT No. 2.

Valmont and the Company directly own 1,000,000 shares and 1,186,200 shares, respectively, of Valhi common stock. The Reporting Persons understand that the shares of Valhi common stock owned by Valmont and the Company are treated as treasury stock by Valhi for voting purposes and for the purposes of this Statement are not deemed outstanding.

Harold C. Simmons' spouse is the direct owner of 69,475 Shares or approximately 0.1% of the Outstanding Shares. Mr. Simmons may be deemed to share indirect beneficial ownership of such Shares. Mr. Simmons disclaims all such beneficial ownership.

### Item 3. Source and Amount of Funds or Other Consideration.

No change except for the addition of the following:

The total amount of funds required by Valhi to acquire the Shares purchased by it as reported in Item 5(c) was \$8,433,142.50 (including commissions). Such funds were provided by Valhi's cash on hand.

### Item 4. Purpose of Transaction.

No change except for the addition of the following:

Valhi purchased the additional Shares reported in Item 5(c) of this Statement in order to increase its equity interest in the Company. Depending upon their evaluation of the Company's business and prospects, and upon future developments (including, but not limited to, performance of the Shares in the market, availability of funds, alternative uses of funds, and money, stock market and general economic conditions), any of the Reporting Persons or other entities that may be deemed to be affiliated with Contran may from time to time purchase Shares, and any of the Reporting Persons or other entities that may be deemed to be affiliated with Contran may from time to time dispose of all or a portion of the Shares held by such person, or cease buying or selling Shares. Any such additional purchases or sales of the Shares may be in open market or privately negotiated transactions or otherwise.

Pursuant to two stipulations of settlement among the parties to Kahn v. Tremont Corporation, et al. and Seinfeld v. Simmons, et al., respectively, the Company has agreed to transfer, at its option, Shares or cash in the respective settlements.

Seinfeld v. Simmons, et al. arose out of the 1991 Dutch auction tender offer by the Company for its Shares. Under the stipulation of settlement dated February 26, 1998 relating to Seinfeld, Valhi has agreed to transfer to the Company 750,000 (1.5% of the outstanding NL common stock) Shares, subject to

adjustment depending on the average sales price of the Shares during a fifteen trading day period ending five trading days prior to the closing, up to a maximum of 825,000 million Shares (1.6% of the outstanding NL common stock) and down to a minimum of 675,000 Shares (1.3% of the outstanding NL common stock). Valhi has the option, in lieu of transferring such Shares, to transfer cash or cash equivalents equal to the product of such average sales price and the number of Shares that would otherwise have been transferred to the Company. Valhi has not yet decided whether it will transfer Shares or cash pursuant to the terms of this stipulation of settlement.

Kahn v. Tremont Corporation, et al. arose out of the 1991 sale by Valhi of approximately 15% of the then outstanding Shares to Tremont. Under the stipulation of settlement dated March 5, 1998 relating to Kahn, Valhi has agreed to transfer to Tremont 1.2 million Shares (2.3% of the outstanding NL common stock), subject to adjustment depending on the average sales price of the Shares during a fifteen trading day period ending five trading days prior to the closing, up to a maximum of 1.4 million Shares (2.7% of the outstanding NL common stock) and down to a minimum of 1.0 million Shares (2.0% of the outstanding NL common stock). Valhi has the option, in lieu of transferring such Shares, to transfer cash or cash equivalents equal to the product of such average sales price and the number of Shares that would otherwise have been transferred to Tremont. Valhi has not yet decided whether it will transfer Shares or cash pursuant to the terms of this stipulation of settlement.

The stipulations of settlement are subject to the approval of the respective courts in which the cases are pending and the completion of court proceedings. If so approved, transfer of shares or cash is expected to occur in the second or third quarter of 1998.

The descriptions of the stipulations of settlement are qualified in their entirety by reference to Exhibits 4 and 5 to this Statement, which are incorporated herein by this reference.

Item 5. Interest in Securities of the Issuer.

No change except for the addition of the following:

(a) Valhi, Tremont and Harold C. Simmons' spouse are the direct beneficial owners of 29,844,210, 9,064,780 and 69,475 of the Shares, respectively.

By virtue of the relationships described under Item 2 of this Statement:

(1) In addition to the 29,844,210 Shares (approximately 58.3% of the Outstanding Shares) that Valhi holds directly, Valhi may be deemed to be the beneficial owner of the 9,064,780 Shares (approximately 17.7% of the Outstanding Shares) directly held by Tremont;

(2) VGI, National, Dixie Holding, NOA, Dixie Rice, Southwest, Contran and the CMRT may each be deemed to be the beneficial owner of the 38,908,990 Shares (approximately 76.1% of the Outstanding Shares) directly held by Valhi and Tremont; and

(3) Harold C. Simmons may be deemed to be the beneficial owner of the 38,978,465 Shares (approximately 76.2% of the Outstanding Shares) directly held by Valhi, Tremont and Mr. Simmons' spouse.

Except to the extent of his vested beneficial interest in Shares directly held by the CMRT and to the extent of his interest as a beneficiary of the CDCT No. 2, Mr. Simmons disclaims beneficial ownership of all Shares.

(c) The table below sets forth purchases of the Shares by the Reporting Persons during the last 60 days. All of such purchases were effected by Valhi on the New York Stock Exchange.

| Date     | Amount of Shares | Approximate Price<br>Per Share<br>(exclusive of<br>commissions) |
|----------|------------------|---|
| 12/30/97 | 5,000            | \$13.3750   |
| 12/31/97 | 20,000           | \$13.6250   |
| 12/31/97 | 10,000           | \$13.6875   |
| 01/02/98 | 2,200            | \$13.8750   |
| 01/02/98 | 2,800            | \$14.0000   |
| 01/02/98 | 10,000           | \$14.6250   |
| 01/05/98 | 4,900            | \$14.8750   |
| 01/05/98 | 55,000           | \$15.0000   |
| 01/06/98 | 227,200          | \$15.1250   |
| 01/06/98 | 200              | \$15.1250   |
| 01/06/98 | 10,000           | \$15.1875   |
| 01/08/98 | 163,300          | \$15.3750   |

|          |        |           |
|----------|--------|-----------|
| 01/08/98 | 14,000 | \$15.3750 |
| 01/09/98 | 7,900  | \$15.2500 |
| 01/09/98 | 18,100 | \$15.3750 |
| 01/12/98 | 6,500  | \$15.2500 |

Item 7. Material to be Filed as Exhibits.

Item 7 is amended and restated as follows:

- Exhibit 1 Credit Agreement dated as of December 20, 1995 between Valhi, Inc. and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 9 to Amendment No. 53 to this Statement).
- Exhibit 2 First Amendment Agreement dated as of December 4, 1996 between Valhi, Inc. and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 2 to Amendment No. 55 to this Statement).
- Exhibit 3 Second Amendment Agreement dated as of March 17, 1997 between Valhi, Inc. and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 3 to Amendment No. 55 to this Statement).
- Exhibit 4\* Stipulation of Settlement, dated February 26, 1998, among the parties to Seinfeld v. Simmons, et al. (No. C-336-96), pending in the Chancery Division of the New Jersey Superior Court.
- Exhibit 5\* Stipulation of Settlement, dated March 5, 1998, among the parties to Kahn v. Tremont Corporation, et al. (No. 12339), pending in the Delaware Chancery Court.

- - - - -

\* Filed herewith.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Date: March 6, 1998

/s/ Harold C. Simmons  
-----

Harold C. Simmons  
Signing in the capacities listed on Schedule "A" attached hereto and incorporated herein by reference.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Date: March 6, 1998

/s/ J. Landis Martin  
-----

J. Landis Martin  
Signing in the capacity listed on Schedule "A" attached hereto and incorporated herein by reference.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Date: March 6, 1998

/s/ Steven L. Watson

-----  
Steven L. Watson  
Signing in the capacities listed on Schedule  
"A" attached hereto and incorporated herein by  
reference.

SCHEDULE A

HAROLD C. SIMMONS, in his individual capacity and as trustee of THE COMBINED  
MASTER RETIREMENT TRUST

J. LANDIS MARTIN, as Chairman of the Board, Chief Executive Officer and  
President of TREMONT CORPORATION.

STEVEN L. WATSON, as Vice President of each of:

CONTRAN CORPORATION  
DIXIE RICE AGRICULTURAL CORPORATION, INC.  
DIXIE HOLDING COMPANY  
NATIONAL CITY LINES, INC.  
NOA, INC.  
VALHI, INC.  
VALHI GROUP, INC.  
SOUTHWEST LOUISIANA LAND COMPANY, INC.

EXHIBIT INDEX

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pending in the Delaware Chancery Court.

- - - - -

\*      Filed herewith.

NICOLETTE & PERKINS, P.A.  
3 University Plaza, 5th floor  
Hackensack, New Jersey 07601  
(201) 488-9080  
Attorneys for Plaintiff

SUPERIOR COURT OF NEW JERSEY  
BERGEN COUNTY  
CHANCERY DIVISION  
DOCKET NO. C-336-96

-----  
FRANK DAVID SEINFELD, :  
 :  
 :  
 Plaintiff, :  
 :  
 -against- :  
 :  
 HAROLD C. SIMMONS, J. LANDIS MARTIN, :  
 GLENN R. SIMMONS, MICHAEL A. SNETZER, :  
 KENNETH R. PEAK, JOHN R. SLOAN, :  
 ELMO R. ZUMWALT, JR., VALHI, INC., :  
 and NL INDUSTRIES, INC., :  
 :  
 Defendants. :  
 :  
-----

Civil Action

STIPULATION OF SETTLEMENT

The parties to the above-captioned action, by and through their respective attorneys, have entered into the following Stipulation of Settlement (the "Stipulation") subject to the approval of the Superior Court of the State of New Jersey, Bergen County, Chancery Division, (the "Court"):

WHEREAS,

1. On September 13, 1996, the plaintiff, Frank David Seinfeld ("Plaintiff"), filed the instant action (the "Action") derivatively on behalf of nominal defendant NL Industries, Inc. ("NL"), naming as defendants the directors of NL (the "Director Defendants") and NL's majority shareholder, Valhi, Inc. ("Valhi").
2. Plaintiff's complaint (the "Complaint") challenged a Dutch tender offer (the "Dutch Tender"), announced on August 6, 1991, and completed on September 11, 1991, pursuant to which NL repurchased 11.3 million shares of its own stock. Of the 11.3 million shares repurchased by NL, 10.9 million shares were purchased from Valhi as a result of pro rata provisions in the Dutch Tender.
3. The Complaint alleged that the Dutch Tender was unfair to NL, that the Director Defendants, when approving the Dutch Tender, breached their fiduciary duties of care and loyalty, and that Valhi breached its duty of entire fairness to NL and its public shareholders.
4. Plaintiff's claim was based upon the following contentions:
  - (a) That Valhi was party to a loan agreement (the "Loan") with a consortium of banks, that restricted Valhi's ability to borrow other funds, and that was collateralized, inter alia, by Valhi's shares of NL stock;
  - (b) That, by March 1991, Valhi formed the belief that it would be prudent to resell to NL, 10 million shares of its stock and use the proceeds to repay the Loan;
  - (c) That, in contemplation of the sale, Valhi utilized its control of NL to cause it to repurchase, during May, June, and July of 1991 (the "Repurchase Period"), 773,000 of its own shares in the open market. During the Repurchase Period, NL's stock price rose from \$12 to over \$15;
  - (d) That, with NL's stock price over \$15 per share, NL announced a self tender offer in the form of the Dutch Tender for 10 million shares with an over-allotment option of 1.3 million shares. Under the Dutch Tender, stockholders were permitted to tender stock at prices ranging from \$14.50 to \$17.50. NL agreed to pay the same price to all stockholders who tendered stock at or below the price necessary to purchase the 10 millionth share. The Dutch Tender was designed to enable Valhi, which intended to tender all of its shares, to

dominate the Dutch Tender since it was willing to tender at a below market price, a price that was unattractive to other stockholders but was nevertheless above what Valhi could anticipate realizing in an arm's length negotiation. Valhi tendered its 43,515,960 shares, constituting approximately 68% of NL's stock, on the last day of the Dutch Tender at \$16, a price slightly below the market close on that day of \$16.25 per share;

(e) That Valhi did, in fact, dominate the Dutch Tender. 97% of the shares purchased by NL were purchased from Valhi at a price of \$16 per share.

5. On December 23, 1996, defendants served their answer. Defendants denied all wrongdoing and asserted several affirmative defenses including, inter alia, the doctrine of laches, the doctrine of equitable estoppel, the doctrine of waiver, and the entire controversy doctrine.

6. Pursuant to a Case Scheduling Order dated April 14, 1997, which set a trial date of November 10, 1997, the parties conducted extensive discovery on an expedited basis.

7. Plaintiff propounded and responded to document requests and interrogatories; he deposed 14 witnesses and defended the three depositions conducted by defendants. He reviewed thousands of pages of documents and materials produced by defendants and non-parties; and he conducted such other investigations as he deemed necessary.

8. On July 17, 1997, Plaintiff moved to compel the production of documents withheld by the defendants on the ground of privilege. The motion was briefed and argued. After a hearing held on September 26, 1997, Plaintiff's motion was granted.

9. The parties completed discovery and prepared for trial, which had been adjourned from November 10, 1997. In connection therewith, Plaintiff retained experts to testify with respect to valuation issues, and with respect to NL's repurchase activities. With a final pre-trial conference scheduled for March 1998, the parties determined, after arm's-length negotiations, to compromise and settle the Action in accordance with the terms set forth below.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, subject to the approval of the Court, pursuant to New Jersey Court Rules 4:32-4 and 4:32-5, that any and all claims, rights, causes of action, suits, matters and issues, liquidated or non-liquidated, contingent or absolute, state or federal, that have been, could have been, or in the future could be asserted in any court of any jurisdiction by the plaintiffs derivatively in the right and on behalf of NL, or as representatives of all shareholders of NL in their capacity as such, NL, or its stockholders, and each of them, and their present or former directors, officers, agents, employees, attorneys, accountants, representatives, advisers, investment bankers, commercial bankers, trustees, parents, affiliates, subsidiaries, general or limited partners, stockholders, heirs, executors, administrators, successors and assigns, against the defendants, or any of their respective present or former directors, officers, agents, employees, attorneys, accountants, representatives, advisers, investment bankers, commercial bankers, trustees, parents, affiliates, subsidiaries, general or limited partners, stockholders, heirs, executors, administrators, successors and assigns, or anyone else (the "Released Persons") in connection with, or that arise out of or relate to, the subject matter of the Action, or which are or could have been asserted against the Released Persons in the Action (collectively, the "Settled Claims"), except for any claims to enforce the terms or conditions of the Stipulation, shall be fully, finally, and forever compromised, settled, discharged, dismissed with prejudice and released pursuant to the terms and conditions set forth herein (the "Settlement").

#### The Settlement

1. In consideration for the full settlement, satisfaction, compromise and release of the Settled Claims, the parties to the Action have agreed to settle the Litigation upon the following terms:

a. On the Effective Date, as defined below, Valhi shall transfer to NL 750,000 shares of NL common stock, provided that:

(i) If the average per share closing sales prices of NL common stock as reported on the New York Stock Exchange ("NYSE") composite transactions reporting system (as reported in the New York City edition of the Wall Street Journal or, if not reported therein, another authoritative source acceptable to all parties) for the fifteen trading days (the "Averaging Period") ending on (and including) the fifth trading day prior to the Effective Date (rounded to four decimal points, the "Average Price"), is greater than \$21 per share, then the number of NL shares to be transferred shall be reduced to an amount equal to the quotient resulting from the division of 15,750,000 (\$21.00 X



750,000) by the Average Price, but in no event shall the number of NL shares to be transferred be fewer than 675,000;

(ii) If the Average Price is less than \$17 per share, then the number of NL shares to be transferred shall be increased to an amount equal to the quotient resulting from the division of 12,750,000 (\$17.00 X 750,000) by the Average Price, but in no event shall the number of NL shares to be transferred be more than 825,000.

b. On the Effective Date, Valhi shall have the option, in lieu of transferring stock, to transfer cash or cash equivalents to NL in an amount equal to the product resulting from the multiplication of the Average Price and the number of shares of NL stock that would otherwise have been transferred to NL pursuant to (a) above.

c. The Effective Date shall be the date upon which the Court's Order and Final Judgment approving the Settlement becomes final, as set forth in Paragraph 5 below.

#### Submission and Application to Court

2. As soon as practicable after the execution of the Stipulation, the parties hereto shall jointly apply to the Court for an order in the form attached hereto as Exhibit A (the "Scheduling Order"), which shall include provisions that:

a. a settlement hearing (the "Settlement Hearing") be held to determine whether the Court should (i) approve the Settlement pursuant to New Jersey Court Rules 4:32-4 and 4:32-5 as fair, reasonable, and adequate and in the best interests of NL's stockholders, (ii) enter an Order and Final Judgment dismissing the Action with prejudice, each party to bear its own costs (except as provided herein) and extinguish, release and enjoin prosecution of any and all Settled Claims, and (iii) hear such other matters as the Court may deem necessary and appropriate; and

b. a copy of the Notice of Pendency of Derivative Action, Proposed Settlement of Derivative Action and Settlement Hearing and Right to Appear (the "Notice"), substantially in the form attached hereto as Exhibit B, be sent to all shareholders of record of NL as of the date of the Scheduling Order, and further provide that the distribution of the Notice substantially in the manner set forth in the Scheduling Order herein constitutes the best notice practicable under the circumstances, meets the requirements of applicable law and due process, is due and sufficient notice of all matters relating to the Settlement and fully satisfies the requirements of due process and of Rules 4:32-4 and 4:32-5 of the New Jersey Court Rules.

#### Notices

3. All costs incurred in identifying and notifying NL's stockholders of the Settlement, including the printing and copying of the Notice, as set forth in the Scheduling Order (attached hereto as Exhibit A) shall be paid by NL.

#### Final Order and Judgment

4. If the Settlement (including any modification thereto made with the consent of the parties as provided for herein) is approved by the Court, the parties shall promptly request the Court to enter an Order and Final Judgment substantially in the form attached hereto as Exhibit C, which among other things:

a. approves the Settlement, adjudges the terms thereof to be fair, reasonable, adequate and in the best interests of NL, directs consummation of the Settlement in accordance with the terms and conditions of the Stipulation, and reserves jurisdiction to supervise the consummation of such Settlement;

b. determines that the requirements of Rules 4:32-4 and 4:32-5 of the New Jersey Court Rules and due process have been satisfied in connection with Notice to NL's stockholders and that the Plaintiff served as an adequate representative of NL in the Action;

c. dismisses the Action with prejudice as to all Released Persons, extinguishing, discharging and releasing any and all Settled Claims as against Plaintiff and all stockholders, without costs except as herein provided, said dismissal subject only to compliance by the parties and the stockholders with the terms of this Stipulation and any Order of the Court concerning this Stipulation, and permanently enjoining Plaintiff and any stockholder from asserting, commencing, prosecuting or continuing either directly, individually, representatively, derivatively or in any other capacity any of the Settled Claims; and

d. awards attorneys' fees and expenses to counsel for Plaintiff as

provided in paragraph 8 herein.

#### Finality of Settlement

5. The approval of the Settlement shall be considered final ("Final" or "Finally Approved") for purposes of this Stipulation: (i) upon entry of the Order and Final Judgment approving the Settlement; and (ii) upon the expiration of any applicable appeal period for the appeal of the Order and Final Judgment without an appeal having been filed or, if an appeal is taken, upon entry of an order affirming the Order and Final Judgment appealed from and the expiration of any applicable period for the reconsideration, rehearing or appeal of such affirmance without any motion for reconsideration or rehearing or further appeal having been filed.

#### Right to Withdraw from the Settlement

6. a. Each of the parties shall have the option to withdraw from and terminate the Settlement in the event that (i) either the Scheduling Order or the Order and Final Judgment referred to above are not entered substantially in the forms specified herein, including such modifications thereto as may be ordered by the Court with the consent of the parties, or (ii) the Settlement is not approved by the Court or is disapproved or substantially modified upon appeal.

b. In the event the Settlement proposed herein is not approved by the Court, or the Court approves the Settlement but such approval is reversed or vacated on appeal, reconsideration or otherwise, and such order reversing or vacating the Settlement becomes final by lapse of time or otherwise, or if any of the conditions to such Settlement are not fulfilled, then the Settlement proposed herein shall be of no further force and effect, and this Stipulation and all negotiations, proceedings and statements relating thereto and any amendment thereof shall be null and void and without prejudice to any party hereto, and each party shall be restored to his, her or its respective position as it existed prior to the execution of this Stipulation.

#### Defendants' Denial of Liability

7. The defendants in the Action continue to disclaim any liability whatsoever relating to any of the Settled Claims, expressly deny having engaged in any wrongful or illegal activity, or having violated any law or regulation or duty, expressly deny that any person or entity has suffered any harm or damages as a result of the Settled Claims, and are making this Settlement solely to avoid the distraction, burden and expense occasioned by continued litigation. The defendants believe they have acted with the utmost candor and honesty, and have at all times acted in the best interests of NL's stockholders. Without conceding any infirmity in their defenses against the Settled Claims, the defendants are agreeing to the Settlement solely to avoid the substantial burden, expense, distraction and inconvenience of continued litigation.

#### Attorneys' Fees

8. At the hearing, counsel for Plaintiff will apply for an award of attorneys' fees in an amount to be determined by the Court, but not to exceed \$3,000,000 payable by NL. Defendants agree that they will not object to the application of Plaintiff's counsel for attorney's fees within the aforesaid limit. Counsel for Plaintiff will also seek reimbursement of costs and expenses reasonably incurred in connection with the prosecution of this Action, including the reimbursement of experts' fees.

9. Subject to the terms and conditions of this Stipulation, the payment of attorneys' fees shall be made nine months after the approval by the Superior Court of the Settlement provided that (i) the date upon which the time for the filing or noticing of any appeal of the final order has expired, or (ii) if there is an appeal or appeals, such appeal has been completed in a manner that affirms and leaves in place the final order, of all proceedings in the New Jersey courts arising out of the appeal or appeals including, but not limited to, the expiration of all deadlines for motions for reconsideration or petitions for certiorari, all proceedings ordered on remand, and all proceedings arising out of any subsequent appeal or appeals following decisions on remand. Payment of costs and expenses shall occur on the Effective Date.

#### Authority

10. Each of the attorneys executing the Stipulation on behalf of one or more of the parties hereto warrants and represents that he or she has been duly authorized and empowered to execute this Stipulation on behalf of his or her respective client or clients.

#### Stipulation Not An Admission

11. The provisions contained in the Stipulation and all negotiations,

statements and proceedings in connection therewith shall not be deemed a presumption, a concession or an admission by any defendant of any fault, liability or wrongdoing as to any fact or claim alleged or asserted in the Action or any other actions or proceedings (all of which Defendants continue to deny), and shall not be interpreted, construed, deemed, invoked, offered or received in evidence or otherwise used by any person in these or any other actions or proceedings, whether civil, criminal or administrative, except in a proceeding to enforce the terms or conditions of this Stipulation.

Counterparts

12. This Stipulation may be executed in any number of actual or telecopied counterparts and by each of the different parties thereto on several counterparts, each of which when so executed and delivered shall be an original. The executed signature page(s) from each actual or telecopied counterpart may be joined together and attached to one such original and shall constitute one and the same instrument.

Waiver

13. The waiver by any party of any breach of this Stipulation shall not be deemed or construed as a waiver of any other breach, whether prior, subsequent, or contemporaneous, of this Stipulation.

Entire Agreement; Amendments

14. This Stipulation constitutes the entire agreement among the parties with respect to the subject matter hereof, and may not be amended, or any of its provisions waived, except by a writing executed by all of the parties hereto.

15. This Stipulation, upon becoming operative, shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors and administrators and upon any corporation, partnership or entity into or with which any party may merge or consolidate.

16. All of the exhibits hereto are incorporated herein by reference as if set forth herein verbatim, and the terms of all exhibits are expressly made part of this Stipulation.

Governing Law

17. This Stipulation shall be construed and enforced in accordance with the laws of the State of New Jersey, without regard to conflict of law principles.

Best Efforts

18. The parties hereto and their attorneys agree to cooperate fully with one another in seeking the Court's approval of this Stipulation and the Settlement and to use their best efforts to effect the confirmation of this Stipulation and the Settlement.

LOWENSTEIN, SANDLER, KOHL,  
FISHER & BOYLAN

By:

-----  
Lawrence M. Rolnick  
65 Livingston Avenue  
Roseland, New Jersey 07068  
(201) 992-8700  
Attorneys for Defendants

NICOLETTE & PERKINS, P.A.

By:

-----  
David A. Nicolette  
3 University Plaza, 5th floor  
Hackensack, New Jersey 07601  
(201) 488-9080  
Attorneys for Plaintiff

Dated: February , 1998

IN AND FOR NEW CASTLE COUNTY

|                               |   |                        |
|-------------------------------|---|------------------------|
| ALAN RUSSELL KAHN,            | ) |                        |
|                               | ) |                        |
| Plaintiff,                    | ) |                        |
|                               | ) | Civil Action No. 12339 |
| v.                            | ) |                        |
|                               | ) |                        |
| TREMONT CORPORATION, SUSAN E. | ) |                        |
| ALDERTON, RICHARD J. BOUSHKA, | ) |                        |
| J. LANDIS MARTIN, GLENN R.    | ) |                        |
| SIMMONS, HAROLD C. SIMMONS,   | ) |                        |
| MICHAEL A. SNETZER, THOMAS P. | ) |                        |
| STAFFORD, AVY H. STEIN and    | ) |                        |
| VALHI, INC.,                  | ) |                        |
|                               | ) |                        |
| Defendants.                   | ) |                        |

STIPULATION OF SETTLEMENT

The parties to the above-captioned action, by and through their respective attorneys, have entered into the following Stipulation of Settlement (the "Stipulation") subject to the approval of the Court of Chancery of the State of Delaware in and for New Castle County (the "Court"):

WHEREAS,

1. On November 1, 1991, plaintiff Alan R. Kahn ("Plaintiff") filed the instant action (the "Action"), naming as defendants the directors (the "Director Defendants") of nominal defendant Tremont Corporation ("Tremont") and its alleged controlling shareholder, Valhi, Inc. ("Valhi").

2. The complaint in the Action (the "Complaint") challenged the sale of 7.8 million shares of common stock of NL Industries, Inc. (the "Block") to Tremont by Valhi (the "Block Sale"). The Complaint alleged that the Block Sale was unfair to Tremont, that the Director Defendants, when approving the Block Sale, had breached their fiduciary duties of care and loyalty, and that Valhi had breached its duty of entire fairness to Tremont and its public shareholders.

3. Defendants answered the Complaint on November 25, 1991. After Plaintiff served discovery requests upon defendants in December 1991, defendants moved, on January 16, 1992, to dismiss the Complaint, pursuant to Chancery Rule 23.1, on the ground that Plaintiff had failed to make pre-suit demand upon Tremont's directors, and failed to allege facts to demonstrate that such demand would have been futile. Defendants asserted that demand was not excused because the Block Sale was approved by a committee of assertedly independent directors (the "Special Committee"). At the same time, defendants moved to stay further discovery.

4. Plaintiff opposed both motions. After the submission of briefs, then Chancellor William T. Allen, in a Memorandum Opinion dated August 21, 1992, deferred determination of defendants' motion to dismiss and permitted limited discovery related to the issue of the independence of the members of the Special Committee.

5. Thereafter, Plaintiff conducted discovery, including the deposition of each member of the Special Committee, defendants Avy H. Stein ("Stein"), Richard J. Boushka ("Boushka"), and Thomas P. Stafford ("Stafford"), concerning their independence at the time of the Block Sale.

6. Upon the completion of such discovery, the parties submitted further briefs in connection with defendants' motion to dismiss. In a Memorandum Opinion, dated April 21, 1994, the Chancellor denied defendants' motion to dismiss and lifted his stay of discovery. The Chancellor determined that the Complaint adequately alleged that a majority of the Tremont board at the time the Action was commenced lacked independence. Further, the Chancellor held that the Complaint alleged sufficient facts to create a reasonable doubt that the members of the Special Committee were not independent.

7. With the stay lifted, Plaintiff engaged in discovery. He propounded and responded to document requests and interrogatories; he deposed each of the defendants, as well as employees of Continental Partners, financial advisor to the Special Committee, and expert witnesses retained by defendants; he issued subpoenas to Salomon Brothers, D.F. King & Co., First Chicago Trust Company, First Southwest Securities, and the New York Stock Exchange; he reviewed thousands of pages of documents and materials produced by defendants

and non-parties; and he conducted such other investigations as he deemed necessary.

8. Beginning on May 31, 1995, and continuing through June 9, 1995, the parties tried this Action before Chancellor Allen.

9. On March 21, 1996, the Chancellor issued a Memorandum Opinion. In its Opinion, the Court found that the Special Committee had operated effectively, thereby shifting the burden of proving the unfairness of the Block Sale to Plaintiff. The Court also found that the price paid by Tremont for the Block was fair, and that the defendants did not violate their duty of disclosure or otherwise engage in unfair dealing. On April 16, 1996, judgment was entered for defendants.

10. Plaintiff filed his Notice of Appeal on April 18, 1996. Oral argument before the Supreme Court of Delaware was held on December 12, 1996.

11. By Order, dated January 8, 1997, the Supreme Court scheduled the appeal for rehearing and determination en banc. On February 25, 1997, the Supreme Court heard further oral argument.

12. On June 10, 1997, the Supreme Court, en banc, reversed the judgment of the Chancery Court and remanded the action, issuing three separate opinions. A majority of the Court rejected the Chancellor's finding that the Special Committee had adequately represented Tremont's interests, and held that, as a result, the burden of proof should not have been shifted to Plaintiff.

13. The Supreme Court also vacated the Chancellor's findings with respect to the fairness of the price paid by Tremont for the Block because, the Court found, the Chancellor had made such findings in a procedural construct which required Plaintiff to prove that such price was unfair.

14. The Court remanded the case with the directive that the Chancery Court make a new determination of the entire fairness of the transaction, with the burden of proof on the defendants.

15. On July 29, 1997, defendants moved for entry of judgment on remand, based upon the existing record. On August 28, 1997, Plaintiff cross-moved for entry of judgment, and also moved, in the event that his motion for judgment were denied, to reopen the record to introduce newly discovered evidence.

16. In a Letter Opinion dated October 27, 1997, the Court denied, without prejudice, the motions of both sides for entry of judgment, and granted Plaintiff's motion to reopen the record, permitting both sides to introduce additional evidence. On November 10, 1997, the Court entered an Order on those rulings and delineated the testimony and other evidence which it would consider at the hearing on remand.

17. The parties engaged in further discovery, with each party deposing the experts expected to testify at the hearing, and with Plaintiff further deposing defendants Simmons and Stein, and Gidon Cohen of Continental Partners.

18. The hearing commenced on February 3, 1998. At the conclusion of the first day, the parties agreed to compromise and settle the Action on the terms set forth below.

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED, subject to the approval of the Court, pursuant to Chancery Court Rule 23.1, that any and all claims, rights, causes of action, suits, matters and issues, liquidated or non-liquidated, contingent or absolute, state or federal, that have been, could have been, or in the future could be asserted in any court of any jurisdiction by the plaintiff derivatively in the right and on behalf of Tremont, or as representative of all shareholders of Tremont in his capacity as such, Tremont, or its stockholders, and each of them, and their present or former directors, officers, agents, employees, attorneys, accountants, representatives, advisers, investment bankers, commercial bankers, trustees, parents, affiliates, subsidiaries, general or limited partners, stockholders, heirs, executors, administrators, successors and assigns, against the defendants, or any of their respective present or former directors, officers, agents, employees, attorneys, accountants, representatives, advisers, investment bankers, commercial bankers, trustees, parents, affiliates, subsidiaries, general or limited partners, stockholders, heirs, executors, administrators, successors and assigns, or anyone else (the "Released Persons") in connection with, or that arise out of or relate to, the subject matter of the Action, or which are or could have been asserted against the Released Persons in the Action (collectively, the "Settled Claims"), except for any claims to enforce the terms or conditions of the Stipulation, shall be fully, finally, and forever compromised, settled, discharged, dismissed with prejudice and released pursuant to the terms and conditions set forth herein (the "Settlement").

## The Settlement

1. In consideration for the full settlement, satisfaction, compromise and release of the Settled Claims, the parties to the Action have agreed to settle the Action upon the following terms:

a. On the Effective Date, as defined below, Valhi shall transfer to Tremont 1.2 million shares of NL common stock, provided that:

(i) If the average per share closing sales price of NL common stock as reported on the New York Stock Exchange ("NYSE") composite transactions reporting system (as reported in the New York City edition of the Wall Street Journal or, if not reported therein, another authoritative source acceptable to all parties) for the fifteen trading days (the "Averaging Period") ending on (and including) the fifth trading day prior to the Effective Date (rounded to four decimal points, the "Average Price") is greater than \$21 per share, then the number of NL shares to be transferred shall be reduced to an amount equal to the quotient resulting from the division of 25,200,000 ( $\$21.00 \times 1,200,000$ ) by the Average Price, but in no event shall the number of NL shares to be transferred be fewer than 1 million;

(ii) If the Average Price is less than \$17 per share, then the number of NL shares to be transferred shall be increased to an amount equal to the quotient resulting from the division of 20,400,000 ( $\$17.00 \times 1,200,000$ ) by the Average Price, but in no event shall the number of NL shares to be transferred be more than 1.4 million.

b. On the Effective Date, Valhi shall have the option, in lieu of transferring stock, to transfer cash or cash equivalents in an amount equal to the product resulting from the multiplication of the Average Price and the number of shares that would otherwise have been transferred to Tremont pursuant to q 1(a) above.

c. The Effective Date shall be the date upon which the Court's Order and Final Judgment approving the Settlement becomes final, as set forth in Paragraph 5 below.

d. This Stipulation incorporates by reference, as if fully set forth herein and fully updated, each representation and warranty of Valhi contained in the stock purchase agreement between Tremont and Valhi, dated October 30, 1991.

### Submission and Application to Court

2. As soon as practicable after the execution of the Stipulation, the parties hereto shall jointly apply to the Court for an order in the form attached hereto as Exhibit A (the "Scheduling Order"), which shall include provisions that:

a. a settlement hearing (the "Settlement Hearing") be held to determine whether the Court should (i) approve the Settlement pursuant to Chancery Court Rule 23.1 as fair, reasonable, and adequate and in the best interests of Tremont, (ii) enter an Order and Final Judgment dismissing the Action with prejudice, each party to bear its own costs (except as provided herein) and extinguish, release and enjoin prosecution of any and all Settled Claims, and (iii) hear such other matters as the Court may deem necessary and appropriate; and

b. a copy of the Notice of Pendency of Derivative Action, Proposed Settlement of Derivative Action, Settlement Hearing and Right to Appear (the "Notice"), substantially in the form attached hereto as Exhibit B, be sent to all shareholders of record of Tremont as of the date of the Scheduling Order, and further that the distribution of the Notice substantially in the manner set forth in the Scheduling Order herein constitutes the best notice practicable under the circumstances, meets the requirements of applicable law and due process, is due and sufficient notice of all matters relating to the Settlement and fully satisfies the requirements of due process and of Rule 23.1 of the Chancery Court Rules.

### Notices

3. All costs incurred in identifying and notifying Tremont's stockholders of the Settlement, including the printing and copying of the Notice, as set forth in the Scheduling Order (attached hereto as Exhibit A) will be paid by Tremont.

### Final Order and Judgment

4. If the Settlement (including any modification thereto made with the consent of the parties as provided for herein) is approved by the Court, the parties shall promptly request the Court to enter an Order and Final Judgment

substantially in the form attached hereto as Exhibit C, which among other things:

a. approves the Settlement, adjudges the terms thereof to be fair, reasonable, adequate and in the best interests of Tremont's stockholders, directs consummation of the Settlement in accordance with the terms and conditions of the Stipulation, and reserves jurisdiction to supervise the consummation of such Settlement;

b. determines that the requirements of Rule 23.1 of the Chancery Court Rules and due process have been satisfied in connection with Notice to Tremont's stockholders and that the Plaintiff served as an adequate representative of Tremont in the Action;

c. dismisses the Action with prejudice as to all Released Persons, extinguishing, discharging and releasing any and all Settled Claims as against Plaintiff and all stockholders, without costs except as herein provided, said dismissal subject only to compliance by the parties and the stockholders with the terms of this Stipulation and any Order of the Court concerning this Stipulation, and permanently enjoining Plaintiff and any stockholder from asserting, commencing, prosecuting or continuing either directly, individually, representatively, derivatively or in any other capacity any of the Settled Claims; and

d. awards attorneys' fees and expenses to counsel for Plaintiff as provided in paragraph 8 herein.

#### Finality of Settlement

5. The approval of the Settlement shall be considered final ("Final" or "Finally Approved") for purposes of this Stipulation: (i) upon entry of the Order and Final Judgment approving the Settlement; and (ii) upon the expiration of any applicable appeal period for the appeal of the Order and Final Judgment without an appeal having been filed or, if an appeal is taken, upon entry of an order affirming the Order and Final Judgment appealed from and the expiration of any applicable period for the reconsideration, rehearing or appeal of such affirmance without any motion for reconsideration or rehearing or further appeal having been filed.

#### Right to Withdraw from the Settlement

6. a. Each of the parties shall have the option to withdraw from and terminate the Settlement in the event that (i) either the Scheduling Order or the Order and Final Judgment referred to above are not entered substantially in the forms specified herein, including such modifications thereto as may be ordered by the Court with the consent of the parties, or (ii) the Settlement is not approved by the Court or is disapproved or substantially modified upon appeal.

b. In the event the Settlement proposed herein is not approved by the Court, or the Court approves the Settlement but such approval is reversed or vacated on appeal, reconsideration or otherwise, and such order reversing or vacating the Settlement becomes final by lapse of time or otherwise, or if any of the conditions to such Settlement are not fulfilled, then the Settlement proposed herein shall be of no further force and effect, and this Stipulation and all negotiations, proceedings and statements relating thereto and any amendment thereof shall be null and void and without prejudice to any party hereto, and each party shall be restored to his, her or its respective position as it existed prior to the execution of this Stipulation.

#### Attorneys' Fees

7. At the Settlement Hearing, counsel for Plaintiff will apply for an award of attorneys' fees in an amount to be determined by the Court, but not to exceed \$5,000,000 payable by Tremont. Defendants agree that they will not object to the application of Plaintiff's counsel for attorneys' fees within the aforesaid limit. Counsel for Plaintiff will also seek reimbursement of costs and expenses reasonably incurred in connection with the prosecution of this Action, including the reimbursement of experts' fees.

8. Subject to the terms and conditions of this Stipulation, the payment shall be made ten (10) business days after the later of the following events: (i) the date upon which the time for the filing or noticing of any appeal of the final order expires, or (ii) if there is an appeal or appeals, the completion, in a manner that affirms and leaves in place the final order, of all proceedings in the Delaware Supreme Court arising out of the appeal or appeals (including, but not limited to, the expiration of all deadlines for motions for reconsideration or petitions for certiorari, all proceedings ordered on remand, and all proceedings arising out of any subsequent appeal or appeals following decisions on remand).

Authority

9. Each of the attorneys executing the Stipulation on behalf of one or more of the parties hereto warrants and represents that he or she has been duly authorized and empowered to execute this Stipulation on behalf of his or her respective client or clients.

Stipulation Not An Admission

10. The provisions contained in the Stipulation and all negotiations, statements and proceedings in connection therewith shall not be deemed a presumption, a concession or an admission by any defendant of any fault, liability or wrongdoing as to any fact or claim alleged or asserted in the Action or any other actions or proceedings (all of which Defendants continue to deny) and shall not be interpreted, construed, deemed, invoked, offered or received in evidence or otherwise used by any person in these or any other actions or proceedings, whether civil, criminal or administrative, except in a proceeding to enforce the terms or conditions of this Stipulation.

Counterparts

11. This Stipulation may be executed in any number of actual or telecopied counterparts and by each of the different parties thereto on several counterparts, each of which when so executed and delivered shall be an original. The executed signature page(s) from each actual or telecopied counterpart may be joined together and attached to one such original and shall constitute one and the same instrument.

Waiver

12. The waiver by any party of any breach of this Stipulation shall not be deemed or construed as a waiver of any other breach, whether prior, subsequent, or contemporaneous, of this Stipulation.

Entire Agreement; Amendments

13. This Stipulation constitutes the entire agreement among the parties with respect to the subject matter hereof, and may not be amended, or any of its provisions waived, except by a writing executed by all of the parties hereto.

14. This Stipulation, upon becoming operative, shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, executors and administrators and upon any corporation, partnership or entity into or with which any party may merge or consolidate.

15. All of the exhibits hereto are incorporated herein by reference as if set forth herein verbatim, and the terms of all exhibits are expressly made part of this Stipulation.

Governing Law

16. This Stipulation shall be construed and enforced in accordance with the laws of the State of Delaware, without regard to conflict of law principles.

Best Efforts

17. The parties hereto and their attorneys agree to cooperate fully with one another in seeking the Court's approval of this Stipulation and the Settlement and to use their best efforts to effect the confirmation of this Stipulation and the Settlement.

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Dated: February , 1998