

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 June 30, 2000

OR

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

Commission file number 1-640

NL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

New Jersey

13-5267260

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

16825 Northchase Drive, Suite 1200, Houston, Texas

77060-2544

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(281) 423-3300

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 August 3, 2000: 50,113,940

NL INDUSTRIES, INC. AND SUBSIDIARIES

INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements.	
Consolidated Balance Sheets - December 31, 1999 and June 30, 2000	3-4
Consolidated Statements of Income - Three months and six months ended June 30, 1999 and 2000	5
Consolidated Statements of Comprehensive Income - Three months and six months ended June 30, 1999 and 2000	6
Consolidated Statement of Shareholders' Equity - Six months ended June 30, 2000	7
Consolidated Statements of Cash Flows - Six months ended June 30, 1999 and 2000	8-9

Notes to Consolidated Financial Statements 10-15

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 16-22

PART II. OTHER INFORMATION

Item 1. Legal Proceedings 23-24

Item 4. Submission of Matters to a Vote of Security Holders 24

Item 6. Exhibits and Reports on Form 8-K 24-25

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1999	June 30, 2000
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 134,224	\$ 137,629
Restricted cash equivalents	17,565	17,105
Accounts and notes receivable	143,768	170,374
Litigation settlement receivable	--	45,000
Receivable from affiliates	747	617
Refundable income taxes	4,473	2,133
Inventories	191,184	153,287
Prepaid expenses	2,492	3,727
Deferred income taxes	11,974	10,977
	-----	-----
Total current assets	506,427	540,849
	-----	-----
Other assets:		
Marketable securities	15,055	25,664
Investment in TiO2 manufacturing joint venture ...	157,552	152,302
Prepaid pension cost	23,271	21,685
Other	5,410	4,287
	-----	-----
Total other assets	201,288	203,938
	-----	-----
Property and equipment:		
Land	23,678	22,578
Buildings	133,682	127,177
Machinery and equipment	550,842	523,902
Mining properties	71,952	67,274
Construction in progress	6,805	11,779
	-----	-----
	786,959	752,710
Less accumulated depreciation and depletion	438,501	427,180
	-----	-----
Net property and equipment	348,458	325,530
	-----	-----
	\$1,056,173	\$1,070,317
	=====	=====

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

(In thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 1999	June 30, 2000
	-----	-----
Current liabilities:		
Notes payable	\$ 57,076	\$ 36,418
Current maturities of long-term debt	212	157
Accounts payable and accrued liabilities ...	190,360	190,459
Payable to affiliates	11,240	10,946
Income taxes	5,605	11,146
Deferred income taxes	326	767
	-----	-----
Total current liabilities	264,819	249,893
	-----	-----
Noncurrent liabilities:		
Long-term debt	244,266	244,155
Deferred income taxes	108,226	128,779
Accrued pension cost	32,946	27,086
Accrued postretirement benefits cost	37,105	29,618
Other	93,821	78,958
	-----	-----
Total noncurrent liabilities	516,364	508,596
	-----	-----
Minority interest	3,903	4,075
	-----	-----
Shareholders' equity:		
Common stock	8,355	8,355
Additional paid-in capital	774,304	774,362
Retained earnings	19,150	91,135
Accumulated other comprehensive loss	(158,921)	(180,809)
Treasury stock	(371,801)	(385,290)
	-----	-----
Total shareholders' equity	271,087	307,753
	-----	-----
	\$ 1,056,173	\$ 1,070,317
	=====	=====

Commitments and contingencies (Note 12)

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	1999	2000	1999	2000
Revenues and other income:				
Net sales	\$ 232,568	\$ 251,126	\$ 434,137	\$ 482,135
Other, net	9,660	53,946	16,073	58,446
	-----	-----	-----	-----
	242,228	305,072	450,210	540,581
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	167,779	164,033	314,819	323,298
Selling, general and administrative	33,079	36,832	65,641	70,222
Interest	9,298	7,897	19,077	15,753
	-----	-----	-----	-----
	210,156	208,762	399,537	409,273
	-----	-----	-----	-----
Income before income taxes and minority interest	32,072	96,310	50,673	131,308
Income tax benefit (expense)	81,990	(32,762)	77,340	(43,961)
	-----	-----	-----	-----
Income before minority interest	114,062	63,548	128,013	87,347
Minority interest	2,239	110	2,250	201
	-----	-----	-----	-----
Net income	\$ 111,823	\$ 63,438	\$ 125,763	\$ 87,146
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 2.16	\$ 1.26	\$ 2.43	\$ 1.72
	=====	=====	=====	=====
Diluted	\$ 2.16	\$ 1.25	\$ 2.42	\$ 1.71
	=====	=====	=====	=====
Weighted average shares used in the calculation of earnings per share:				
Basic	51,826	50,499	51,823	50,710
Dilutive impact of stock options ..	57	351	48	290
	-----	-----	-----	-----
Diluted	51,883	50,850	51,871	51,000
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	1999	2000	1999	2000
Net income	\$ 111,823	\$ 63,438	\$ 125,763	\$ 87,146
Other comprehensive income (loss), net of tax:				
Marketable securities adjustment .	135	650	(805)	708
Currency translation adjustment ..	(8,131)	(7,287)	(20,382)	(22,596)
Total other comprehensive loss	(7,996)	(6,637)	(21,187)	(21,888)
Comprehensive income	\$ 103,827	\$ 56,801	\$ 104,576	\$ 65,258

See accompanying notes to consolidated financial statements.

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

Six months ended June 30, 2000

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)		
				Currency translation	Pension liabilities	Marketable securities
Balance at December 31, 1999	\$ 8,355	\$ 774,304	\$ 19,150	\$(160,022)	\$ (1,756)	\$ 2,857
Net income	--	--	87,146	--	--	--
Other comprehensive income (loss), net	--	--	--	(22,596)	--	708
Dividends	--	--	(15,161)	--	--	--
Tax benefit of stock options exercised	--	58	--	--	--	--
Treasury stock:						
Acquired (927 shares)	--	--	--	--	--	--
Reissued (42 shares)	--	--	--	--	--	--
Balance at June 30, 2000	<u>\$ 8,355</u>	<u>\$ 774,362</u>	<u>\$ 91,135</u>	<u>\$(182,618)</u>	<u>\$ (1,756)</u>	<u>\$ 3,565</u>

	Treasury stock	Total
Balance at December 31, 1999	\$(371,801)	\$ 271,087
Net income	--	87,146
Other comprehensive income (loss), net	--	(21,888)
Dividends	--	(15,161)
Tax benefit of stock options exercised	--	58
Treasury stock:		
Acquired (927 shares)	(13,959)	(13,959)
Reissued (42 shares)	470	470
Balance at June 30, 2000	<u>\$(385,290)</u>	<u>\$ 307,753</u>

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended June 30, 1999 and 2000

(In thousands)

	1999	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 125,763	\$ 87,146
Depreciation, depletion and amortization	17,024	15,361
Deferred income taxes	(88,415)	25,023
Distribution from TiO2 manufacturing joint venture ..	11,150	5,250
Net gains from securities transactions	--	(5,553)
Litigation settlement gain, net	--	(43,000)
Other, net	(1,427)	(4,166)
	-----	-----
	64,095	80,061
Change in assets and liabilities:		
Accounts and notes receivable	(37,743)	(34,054)
Inventories	8,485	29,340
Prepaid expenses	(2,375)	(1,417)
Accounts payable and accrued liabilities	(8,964)	(9,802)
Income taxes	5,830	8,086
Other, net	(13,119)	(696)
	-----	-----
Net cash provided by operating activities ..	16,209	71,518
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(17,235)	(12,598)
Change in restricted cash equivalents, net	(12,516)	459
Purchase of Tremont Corporation common stock	--	(9,520)
Proceeds from disposition of property and equipment ..	2,128	108
	-----	-----
Net cash used by investing activities	(27,623)	(21,551)
	-----	-----

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Six months ended June 30, 1999 and 2000

(In thousands)

	1999	2000
	-----	-----
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ 56,271	\$ --
Principal payments	(71,563)	(16,830)
Dividends paid	(3,628)	(15,161)
Treasury stock purchased	--	(13,959)
Other, net	111	463
	-----	-----
Net cash used by financing activities	(18,809)	(45,487)
	-----	-----
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	(30,223)	4,480
Currency translation	(2,274)	(1,075)
Balance at beginning of period	154,953	134,224
	-----	-----
Balance at end of period	\$ 122,456	\$ 137,629
	=====	=====
Supplemental disclosures - cash paid for:		
Interest	\$ 18,672	\$ 15,686
Income taxes, net	5,238	10,797

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and basis of presentation:

NL Industries, Inc. conducts its titanium dioxide pigments ("TiO2") operations through its wholly owned subsidiary, Kronos, Inc. At June 30, 2000, Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, held approximately 60% and 20%, respectively, of NL's outstanding common stock. At June 30, 2000, Contran and its subsidiaries held approximately 93% of Valhi's outstanding common stock, and Valhi and other entities related to Harold C. Simmons held approximately 73% of Tremont's outstanding common stock. See Note 5.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1999 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 2000 and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the interim periods ended June 30, 1999 and 2000 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. 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, 1999 (the "1999 Annual Report").

The Company will adopt Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, no later than the first quarter of 2001. SFAS No. 133 establishes accounting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Under SFAS No. 133, all derivatives will be recognized as either assets or liabilities and measured at fair value. The accounting for changes in fair value of derivatives will depend upon the intended use of the derivative. The impact of adopting SFAS No. 133, if any, has not 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, including derivatives embedded in nonderivative host contracts. As permitted by the transition requirements of SFAS No. 133, as amended, the Company will exempt from the scope of SFAS No. 133 all host contracts containing embedded derivatives which were issued or acquired prior to January 1, 1999.

The Company will adopt the SEC's Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition, as amended, in the fourth quarter of 2000. SAB No. 101 provides guidance on the recognition, presentation and disclosure of revenue, including specifying basic criteria that must be met before revenue can be recognized. The impact on the Company of adopting SAB No. 101, if any, has not yet been determined, in part because the SEC is continuing to provide additional informal guidance and clarification concerning the exact requirements of SAB No. 101. If the impact of adopting SAB No. 101 is material, the Company will

adopt SAB No. 101 retroactively to the beginning of 2000, and previously reported results of operations for the first three quarters of 2000 would be restated.

Note 2 - Earnings per share:

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

Note 3 - Business segment information:

The Company's operations are conducted by Kronos in one operating business segment - the production and sale of TiO2.

	Three months ended June 30,		Six months ended June 30,	
	1999	2000	1999	2000
	----- (In thousands) -----			
Net sales	\$ 232,568	\$ 251,126	\$ 434,137	\$ 482,135
Other income, excluding corporate	6,909	2,444	10,602	4,114
	-----	-----	-----	-----
	239,477	253,570	444,739	486,249
Cost of sales	167,779	164,033	314,819	323,298
Selling, general and administrative, excluding corporate	27,562	26,794	54,823	53,973
	-----	-----	-----	-----
Operating income	44,136	62,743	75,097	108,978
General corporate income (expense):				
Securities earnings, net	1,545	7,390	3,145	9,108
Litigation settlement gain, net and other income	1,206	44,112	2,326	45,224
Corporate expenses	(5,517)	(10,038)	(10,818)	(16,249)
Interest expense	(9,298)	(7,897)	(19,077)	(15,753)
	-----	-----	-----	-----
Income before income taxes and minority interest	\$ 32,072	\$ 96,310	\$ 50,673	\$ 131,308
	=====	=====	=====	=====

Note 4 - Inventories:

	December 31, 1999	June 30, 2000
	-----	-----
	(In thousands)	
Raw materials	\$ 54,861	\$ 40,616
Work in process	8,065	6,876
Finished products	100,824	80,478
Supplies	27,434	25,317
	-----	-----
	\$191,184	\$153,287
	=====	=====

Note 5 - Marketable securities:

	December 31, 1999	June 30, 2000
	-----	-----
	(In thousands)	
Available-for-sale marketable equity securities:		
Unrealized gains	\$ 6,700	\$ 8,503
Unrealized losses	(2,304)	(3,018)
Cost	10,659	20,179
	-----	-----
Aggregate fair value	\$ 15,055	\$ 25,664
	=====	=====

In March 2000 the Company purchased 500,000 shares of Tremont's common stock in market transactions for \$9.5 million. At June 30, 2000, the Company held approximately 9% of Tremont's outstanding common stock and 1% of Valhi's outstanding common stock.

Note 6 - Other noncurrent assets:

	December 31, 1999	June 30, 2000
	-----	-----
	(In thousands)	
Deferred financing costs, net	\$2,278	\$1,978
Other	3,132	2,309
	-----	-----
	\$5,410	\$4,287
	=====	=====

Note 7 - Accounts payable and accrued liabilities:

	December 31, 1999	June 30, 2000
	-----	-----
	(In thousands)	
Accounts payable	\$ 56,597	\$ 48,560
	-----	-----
Accrued liabilities:		
Environmental costs	47,228	60,091
Employee benefits	35,243	29,981
Interest	6,761	6,507
Deferred income	4,000	4,000
Other	40,531	41,320
	-----	-----
	133,763	141,899
	-----	-----
	\$190,360	\$190,459
	=====	=====

Note 8 - Other noncurrent liabilities:

	December 31, 1999	June 30, 2000
	-----	-----
	(In thousands)	
Environmental costs	\$64,491	\$52,508
Insurance claims and expenses	11,688	11,258
Employee benefits	7,816	7,913
Deferred income	8,333	6,333
Other	1,493	946
	-----	-----
	\$93,821	\$78,958
	=====	=====

Note 9 - Notes payable and long-term debt:

	December 31, 1999	June 30, 2000
	-----	-----
	(In thousands)	
Notes payable - Kronos (euro 56,511 and euro 38,611, respectively)	\$ 57,076	\$ 36,418
	=====	=====
Long-term debt:		
NL Industries, Inc. - 11.75% Senior Secured Notes ...	\$244,000	\$244,000
Kronos	478	312
	-----	-----
	244,478	244,312
Less current maturities	212	157
	-----	-----
	\$244,266	\$244,155
	=====	=====

Note 10 - Income taxes:

The difference between the income tax benefit (expense) attributable to income 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.

	Six months ended June 30,	
	----- 1999	2000 -----
	(In thousands)	
Expected tax expense	\$(17,736)	\$(45,958)
Non-U.S. tax rates	(3,362)	2,900
Resolution of German income tax audits	36,490	--
Change in valuation allowance:		
Corporate restructuring in Germany and other	77,580	--
Change in German income tax law	(24,070)	--
Recognition of certain deductible tax attributes which previously did not meet the "more-likely-than-not" recognition criteria	7,528	1,325
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return ...	(1,169)	(634)
U.S. state income taxes	803	(614)
Other, net	1,276	(980)
	-----	-----
Income tax benefit (expense)	<u>\$ 77,340</u>	<u>\$(43,961)</u>
	=====	=====

The Company recognized a \$90 million noncash net income tax benefit in 1999 that includes (i) a \$36 million reduction in deferred tax liabilities related to a favorable resolution of a German tax contingency, (ii) a \$78 million decrease in the valuation allowance to recognize the benefit of certain deductible income tax attributes which the Company believes meet the recognition criteria as a result of, among other things, a corporate restructuring of the Company's German subsidiaries, offset by (iii) a \$24 million increase in the valuation allowance to reduce the previously recognized benefit of certain other deductible income tax attributes which the Company believes do not meet the recognition criteria due to a change in German tax law.

Note 11 - Other income, net:

	Three months ended June 30,		Six months ended June 30,	
	1999	2000	1999	2000
	(In thousands)			
Securities earnings:				
Interest and dividends	\$ 1,545	\$ 1,837	\$ 3,145	\$ 3,555
Securities transactions	--	5,553	--	5,553
	1,545	7,390	3,145	9,108
Currency transaction gains, net	6,272	2,413	7,841	3,654
Litigation settlement gain, net	--	43,000	--	43,000
Noncompete agreement income	1,000	1,000	2,000	2,000
Disposition of property and equipment	(32)	(546)	947	(948)
Trade interest income	357	470	1,305	827
Other, net	518	219	835	805
	\$ 9,660	\$ 53,946	\$ 16,073	\$ 58,446

The Company recognized a \$43 million net gain from a June 2000 settlement with one of the Company's two principal former insurance carriers. The gain is net of \$2 million in commissions. The settlement resolved with that carrier a court proceeding that the Company initiated to seek reimbursement for legal defense expenditures and indemnity coverage for certain of its environmental remediation expenditures. In July 2000, proceeds from the settlement were transferred by the carrier to a special purpose trust established to pay future remediation and other environmental expenditures of the Company. Cash held by the trust will be reported as restricted cash on the Company's balance sheet.

In the second quarter of 2000, the Company received 389,691 shares of MetLife, Inc. common stock pursuant to MetLife's demutualization. The Company recognized a \$5.6 million securities gain based on MetLife's initial public offering price of \$14-1/4 per share. The shares were placed in a Voluntary Employees' Beneficiary Association trust, the assets of which may only be used to pay for certain retiree benefits. The Company accounted for the \$5.6 million contribution of the MetLife common stock to the trust as a reduction of its accrued postretirement benefits cost liability. The shares were sold by the trust in the second quarter of 2000 for \$7.8 million (\$20 per share).

Note 12 - 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 quarter ended March 31, 2000, and (iv) the 1999 Annual Report.

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

RESULTS OF OPERATIONS

Net sales and operating income

	Three months ended June 30,		% Change	Six months ended June 30,		% Change
	1999	2000		1999	2000	
	(In millions)			(In millions)		
Net sales	\$ 232.6	\$ 251.1	+8%	\$ 434.1	\$ 482.1	+11%
Operating income	\$ 44.1	\$ 62.7	+42%	\$ 75.1	\$ 109.0	+45%
Percent changes in TiO2:						
Sales volume			+9%			+16%
Average selling prices (in billing currencies)			+5%			+3%

Kronos' operating income in the second quarter of 2000 increased from the comparable period in 1999 due to higher average selling prices in billing currencies (which excludes the effects of foreign currency translation) and record sales volume, partially offset by the previously reported second-quarter 1999 \$5.3 million foreign currency transaction gain. Kronos' operating income in the first half of 2000 increased from the comparable period in 1999 due to record sales volume, higher average selling prices in billing currencies and higher production volume, partially offset by the second-quarter 1999 \$5.3 million foreign currency transaction gain.

Average TiO2 selling prices in billing currencies for the second quarter of 2000 were 5% higher than the second quarter of 1999 and were 3% higher than the first quarter of 2000. Average selling prices in billing currencies at the end of the second quarter were 1% higher than the average for the quarter. Kronos' prices were up in all major regions from the second quarter of 1999. Prices were higher in Europe and export markets from the first quarter of 2000 and were flat in North America. Average selling prices in billing currencies for the first half of 2000 were 3% higher than the first half of 1999 with increases in all major regions. During the second quarter of 2000, Kronos announced price increases of 7% in Europe and 4% in North America, both of which Kronos expects, depending on market conditions, to implement during the second half of 2000.

Kronos' second-quarter sales volume represents the highest-quarter sales in Kronos' history. Sales volume increased 9% from both the second quarter of 1999 and the first quarter of 2000, reflecting sustained demand in all major regions. Sales volume in the first half of 2000 was 16%, or 31,000 metric tons, higher than the first half of 1999. Although Kronos believes its TiO2 sales volume for the second half of 2000 will be lower than the record sales volume in the second half of 1999, Kronos anticipates its TiO2 sales volume for full-year 2000 will be higher than that of 1999.

The Company's second-quarter 2000 production volume was slightly higher than the comparable 1999 period with operating rates in both periods near full capacity. Kronos' production volume in the first half of 2000 was 8% higher than the comparable 1999 period with operating rates near full capacity compared to 91% capacity utilization in the first half of 1999. Kronos' chloride-process production facility in Leverkusen, Germany suffered a small fire in one of its production lines in the second quarter of 2000, resulting in approximately 5,000 metric tons of lost production. The production line has been fully repaired and on stream since early June. The Company has insurance coverage for the loss of production and damaged property and, in the second quarter of 2000, the Company accrued \$4.1 million of expected insurance reimbursements as a reduction of cost of sales to offset unallocated period costs that were recorded as a result of the lost production. The Company's efforts to debottleneck Kronos' production facilities to meet long-term demand continue to prove successful. The Company expects Kronos' production capacity will be increased by 25,000 metric tons primarily at its chloride facilities, with only modest capital expenditures, bringing Kronos' capacity to approximately 465,000 metric tons by 2002. Kronos expects to produce more in 2000 than the record 434,000 metric tons it produced in 1998.

Kronos expects its full-year 2000 operating income will be higher than 1999 primarily because of higher average selling prices in billing currencies, higher production and sales volumes and its continued focus on controlling costs. The extent of the improvement will be determined primarily by the magnitude of realized price increases.

Compared to the year-earlier periods, Kronos' cost of sales as a percentage of net sales decreased in both the second quarter and first half of 2000 primarily due to higher average selling prices in billing currencies, higher production volume and \$4.1 million of accrued insurance reimbursements. Excluding the effects of foreign currency translation, which decreased the Company's expenses in the second quarter and first half of 2000 compared to the year-earlier periods, Kronos' selling, general and administrative expenses increased in the second quarter and first half of 2000 due to higher distribution expenses associated with higher sales volumes in these periods.

A significant amount of Kronos' sales and operating costs are denominated in currencies other than the U.S. dollar. Fluctuations in the value of the U.S. dollar relative to other currencies, primarily a stronger U.S. dollar compared to the euro, decreased the dollar value of sales for the second quarter and first half of 2000 by a net \$17 million and \$30 million, respectively, when compared to the year-earlier periods. When translated from billing currencies to U.S. dollars using currency exchange rates prevailing during the respective periods, Kronos' average selling price in U.S. dollars for the second quarter and first half of 2000 were lower by 1% and 3%, respectively, than the comparable periods in 1999. Kronos' operating costs that are not denominated in U.S. dollars were also lower when translated to U.S. dollars in the second quarter and first half of 2000 compared to the year-earlier periods and, accordingly, Kronos' unit costs in U.S. dollar terms were lower in the second quarter and first half of 2000 compared to the same periods last year. In addition, sales to export markets are typically denominated in U.S. dollars and a stronger U.S. dollar improves margins at the Company's non-U.S. subsidiaries on their export sales. This helps to offset the unfavorable effect of translating local currency profits to U.S. dollars when the dollar is stronger. As a result, the net impact of currency exchange rate fluctuations on operating income in the second quarter and first half of 2000, excluding the second-quarter 1999 \$5.3 million gain described above, was not significant when compared to the year-earlier periods.

General corporate

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

	Three months ended June 30,		Difference	Six months ended June 30,		Difference
	1999	2000		1999	2000	
	(In millions)					
Securities earnings	\$ 1.5	\$ 7.4	\$ 5.9	\$ 3.1	\$ 9.2	\$ 6.1
Litigation settlement gain, net and other corporate income ...	1.2	44.1	42.9	2.3	45.2	42.9
Corporate expenses	(5.4)	(10.0)	(4.6)	(10.7)	(16.3)	(5.6)
Interest expense	(9.3)	(7.9)	1.4	(19.1)	(15.8)	3.3
	-----	-----	-----	-----	-----	-----
	\$ (12.0)	\$ 33.6	\$ 45.6	\$ (24.4)	\$ 22.3	\$ 46.7
	=====	=====	=====	=====	=====	=====

Securities earnings in the second quarter of 2000 includes a \$5.6 million securities gain related to common stock received from the demutualization of MetLife, Inc., an insurance company from which the Company had purchased certain insurance policies. See Note 11 to the Consolidated Financial Statements.

Corporate income in the second quarter of 2000 includes a \$43 million net gain from a June 2000 settlement with one of the Company's two principal former insurance carriers. See Note 11 to the Consolidated Financial Statements. Corporate expenses were higher in the second quarter of 2000 primarily due to higher environmental remediation accruals and legal expenses.

Interest expense in the second quarter and first half of 2000 decreased 15% and 17%, respectively, from the comparable periods in 1999 primarily due to reduced levels of outstanding debt and lower European borrowing rates. At the end of the second quarter of 2000, the Company repaid \$16.7 million of its euro-denominated short-term debt with excess cash flow from operations. The Company expects its full-year 2000 interest expense will be lower than 1999 primarily due to reduced levels of outstanding debt and lower European borrowing rates.

Provision for income taxes

The Company reduced its deferred income tax valuation allowance by \$7.5 million in the first half of 1999 and \$1.3 million in the first half of 2000 primarily as a result of utilization of certain tax attributes for which the benefit had not been previously recognized under the "more-likely-than-not" recognition criteria. See Note 10 to the Consolidated Financial Statements for a description of the Company's previously reported \$90 million noncash net income tax benefit recognized in the second quarter of 1999.

Other

Minority interest primarily relates to the Company's majority-owned environmental management subsidiary, NL Environmental Management Services, Inc. ("EMS").

LIQUIDITY AND CAPITAL RESOURCES

The Company's condensed consolidated cash flows from operating, investing and financing activities for the six months ended June 30, 1999 and 2000 are presented below.

	Six months ended June 30,	
	----- 1999	2000 -----
	(In millions)	
Net cash provided (used) by:		
Operating activities:		
Before changes in assets and liabilities	\$ 64.1	\$ 80.1
Changes in assets and liabilities	(47.9)	(8.6)
	-----	-----
	16.2	71.5
Investing activities	(27.6)	(21.6)
Financing activities	(18.8)	(45.4)
	-----	-----
Net cash provided (used) by operating, investing, and financing activities	\$ (30.2)	\$ 4.5
	=====	=====

Operating activities

The TiO₂ industry is cyclical and changes in economic conditions within the industry significantly affect the earnings and operating cash flows of the Company. Cash flow from operations, before changes in assets and liabilities, in the first half of 2000 increased from the comparable period in 1999 primarily due to higher operating income, partially offset by lower cash distributions from the Company's TiO₂ manufacturing joint venture. Changes in the Company's inventories, receivables and payables (excluding the effect of currency translation) used \$38.2 million and \$14.5 million of cash in the first half of 1999 and 2000, respectively, primarily due to increases in receivables in each period. The cash used in the first half of 2000 was significantly less than the first half of 1999 due to a greater amount of cash being provided from reductions in inventory levels.

Investing activities

In the first quarter of 2000, the Company purchased 500,000 shares of Tremont's common stock in market transactions for \$9.5 million. See Note 1 and 5 to the Consolidated Financial Statements. In the first half of 1999, the Company collateralized letters of credit with \$12.5 million of the Company's cash, and classified such amounts as current restricted cash equivalents.

Financing activities

At the end of the second quarter of 2000, the Company repaid euro 17.9 million (\$16.7 million when paid) of its euro-denominated short-term debt with excess cash flow from operations.

In the second quarter of 2000, the Company paid a regular quarterly dividend of \$.15 per share to shareholders aggregating \$7.6 million. Dividends paid during the first half of 2000 totaled \$15.2 million. In July 2000 the Company's Board of Directors declared a regular quarterly dividend of \$.15 per share to shareholders of record as of September 15, 2000 to be paid on September 27, 2000.

In 1999 the Company's Board of Directors authorized a 1.5 million share repurchase program. Pursuant to this program, the Company purchased in the open market (i) 552,000 shares of its common stock at an aggregate cost of \$7.2 million in 1999, (ii) 927,000 shares at an aggregate cost of \$14.0 million in the first half of 2000 and (iii) 21,000 shares at an aggregate cost of \$3 million in July 2000. In July 2000 the Company's Board of Directors authorized the purchase of up to an additional 1.5 million shares and, pursuant to this authorization, the Company purchased 271,000 shares of its common stock in the open market at an aggregate cost of \$5.0 million through August 1, 2000.

Cash, cash equivalents, restricted cash equivalents and borrowing availability

At June 30, 2000, the Company had cash and cash equivalents aggregating \$138 million (\$41 million held by non-U.S. subsidiaries) and an additional \$17 million of restricted cash equivalents. The Company's subsidiaries had \$28 million available for borrowing at June 30, 2000 under existing non-U.S. credit facilities.

Income tax contingencies

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.

During 1997 the Company received a tax assessment from the Norwegian tax authorities proposing tax deficiencies of NOK 51 million (\$6 million at June 30, 2000) relating to 1994. The Company appealed the 1994 assessment to the Fredrikstad City Court, and in February 2000 the Court ruled in favor of the tax authorities on the primary issue, but asserted that the tax authorities' assessment was overstated by NOK 34 million (\$4 million at June 30, 2000). In March 2000 the tax authorities agreed with the Court and reduced the 1994 assessment to NOK 17 million (\$2 million at June 30, 2000). The tax authorities issued a NOK 13 million (\$1 million at June 30, 2000) assessment for 1996 which has been computed on a similar basis as the revised 1994 assessment. The Company has appealed the Court's decision on the primary issue related to the 1994 assessment to a higher court, and the Company believes that the outcome of the 1996 case is dependent on the eventual outcome of the 1994 case. The Company has granted a lien for the 1994 and 1996 tax assessments on its Fredrikstad, Norway Ti02 plant in favor of the Norwegian tax authorities.

No assurance can be given that these or other 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.

Environmental matters and litigation

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, including sites for which EMS has contractually assumed the Company's obligation. The Company believes it has adequate accruals (\$113 million at June 30, 2000) 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 \$170 million. The Company's estimates of such liabilities have not been discounted to present value, and the Company has not recognized any potential insurance recoveries other than the June 2000 settlement discussed below. No assurance can be given that actual costs will not exceed either accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. The imposition of more stringent standards or requirements under environmental laws or regulations, new developments or changes with respect to site cleanup costs or allocation of such costs among PRPs, or a determination that the Company is potentially responsible for the release of hazardous substances at other sites could result in expenditures in excess of amounts currently estimated by the Company to be required for such matters. Furthermore, there can be no assurance that additional environmental matters will not arise in the future.

In June 2000 the Company settled with one of its two principal former insurance carriers a lawsuit that the Company initiated to seek reimbursement from an insurance carrier for legal defense expenditures and indemnity coverage for certain of its environmental remediation expenditures. In July 2000, proceeds of \$45 million from the settlement were transferred by the carrier to a special purpose trust established to pay future remediation and other environmental expenditures of the Company. The Company is continuing to pursue similar claims with other insurance carriers and expects to recover additional amounts, although there can be no assurance that any such additional amounts will be received.

Lead pigment litigation

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

Other

In the second quarter of 2000, a confederation of labor organizations in Norway implemented a work stoppage directed at various Norwegian employers, including the Company's 30,000 metric ton TiO₂ facility and ilmenite mining operations. The work stoppage lasted only a few days and did not have a material adverse effect on the Company's consolidated financial position, results of operations 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 or other industries. 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.

Special note regarding forward-looking statements

The statements contained in this Report on Form 10-Q ("Quarterly Report") which 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 represent management's beliefs and assumptions based on currently available information. Forward-looking statements can be identified by the use of words such as "believes," "intends," "may," "will," "should," "anticipates," "expects," or comparable terminology or by discussions of strategy or trends. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it cannot give any assurances that these expectations will prove to be correct. Such statements by their nature involve risks and uncertainties, including, but not limited to, the cyclicity of the titanium dioxide industry, global economic conditions, global productive capacity, customer inventory levels, changes in product pricing, competitive technology positions, operating interruptions (including, but not limited to, labor disputes, leaks, fires, explosions, unscheduled downtime and transportation interruptions), the ultimate resolution of pending or possible future lead pigment litigation and legislative developments related to the lead paint litigation, the outcome of other litigation, and other risks and uncertainties included in this Quarterly Report and in the 1999 Annual Report, and the uncertainties set forth from time to time in the Company's other public reports and filings. Should one or more of these risks materialize (or the consequences of such a development worsen), or should the underlying assumptions prove incorrect, actual results could differ materially from those forecasted or expected. The Company assumes no duty to update any forward-looking statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1999 Annual Report and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 for descriptions of certain previously reported legal proceedings.

City of St. Louis v. Lead Industries Association, et al. (No. 002-245, Division 1). In May 2000 defendants moved to dismiss all claims. Briefing is not yet complete.

Brenner, et al. v. American Cyanamid, et al. (No. 12596-93). In June 2000, following remand of the appellate court's dismissal of market share claims, the trial court dismissed all remaining claims. The time for plaintiffs to appeal has not yet run.

Parker v. NL Industries, et al. (No. 97085060 CC915). In June 2000, following a two-week trial, the jury returned a verdict for the Company. Plaintiffs have appealed.

Thomas v. Lead Industries Association, et al. (No. 99-CV-6411). In June 2000 the trial court granted defendants' motion to dismiss the product defect and Wisconsin consumer protection statute claims.

Smith, et al. v. Lead Industries Association, et al. (No. 24-C-99-004490). In June 2000 defendants moved to dismiss all claims for lack of product identification. Briefing is not yet complete.

County of Santa Clara v. Atlantic Richfield Company, et al. (No. CV788657). In June 2000 defendants filed demurrers to dismiss all claims. Briefing is not yet complete.

In June 2000 two complaints were filed in Texas state court, Spring Branch Independent School District v. Lead Industries Association, et al. (District Court of Harris County, Texas, No. 2000-31175), and Houston Independent School District v. Lead Industries Association, et al. (District Court of Harris County, Texas, No. 2000-33725). The Company has not been served in either case. The School Districts seek past and future damages and exemplary damages for costs they have allegedly incurred due to the presence of lead-based paint in their buildings from the Company, the Lead Industries Association ("LIA") and seven other companies sued as former manufacturers of lead-based paint. Plaintiffs allege claims for design defect and marketing defect, negligent product design and failure to warn, fraudulent misrepresentation, negligent misrepresentation, concert of action, conspiracy, and indemnity. The Company intends to deny all allegations of wrongdoing and liability and to defend the cases vigorously.

In June 2000 a complaint was filed in Illinois state court, Mary Lewis, et al. v. Lead Industries Association, et al. (Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 00CH09800). The Company has not been served. Plaintiffs seek to represent two classes, one of all minors between ages six months and six years who resided in housing in Illinois built before 1978, and one of all individuals between ages six and twenty years who lived between ages six months and six years in Illinois housing built before 1978 and had blood lead levels of 10 micrograms/deciliter or more. The complaint seeks a medical screening fund for the first class to determine blood lead levels, a medical monitoring fund for the second class to detect the onset of latent diseases, and a fund for a public education campaign. The complaint seeks to hold jointly and severally liable the Company, the LIA, and seven other companies sued as former manufacturers of lead pigment and/or lead paint. Plaintiffs allege claims for

negligent product design, negligent failure to warn, strict products liability, violation of the Illinois Consumer Fraud Act, fraud by omission, market share liability, civil conspiracy, concert of action, enterprise liability and alternative liability. The Company intends to deny all allegations of wrongdoing and liability and to defend the case vigorously.

Cherokee County, Kansas Site. In June 2000 the Company finalized the previously reported agreement in principle allocating remediation costs among the PRPs at the Baxter Springs subsite in Cherokee County.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its Annual Meeting of Shareholders on May 10, 2000. All the nominees for director were elected with the voting results for each as follows:

Director	Shares For -----	Shares Withheld -----
Mr. Joseph S. Compofelice	49,623,888	381,790
Mr. J. Landis Martin	49,616,672	389,006
Mr. Kenneth R. Peak	49,627,069	378,609
Mr. Glenn R. Simmons	49,608,473	397,205
Mr. Harold C. Simmons	49,610,905	394,773
General Thomas P. Stafford	49,620,126	385,552
Dr. Lawrence A. Wigdor	49,627,164	378,514

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 - Amendment to NL Industries, Inc. Retirement Savings Plan effective as of January 1, 2000.

10.2 - Intercorporate Services Agreement by and between Valhi, Inc. and the Registrant effective as of January 1, 2000.

10.3 - Intercorporate Services Agreement by and between Contran Corporation and the Registrant effective as of January 1, 2000.

10.4 - Intercorporate Services Agreement by and between Titanium Metals Corporation and the Registrant effective as of January 1, 2000.

10.5 - Intercorporate Services Agreement by and between Tremont Corporation and the Registrant effective as of January 1, 2000.

10.6 - Intercorporate Services Agreement by and between CompX International, Inc. and the Registrant effective as of January 1, 2000.

27.1 - Financial Data Schedule for the six-month period ended June 30, 2000.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 2000 and through the date of this report:

April 18, 2000 - reported Items 5 and 7.
May 11, 2000 - reported Items 5 and 7.
July 18, 2000 - reported Items 5 and 7.
July 18, 2000 - reported Items 5 and 7.
July 19, 2000 - reported Items 5 and 7.

SIGNATURES

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

NL INDUSTRIES, INC.

(Registrant)

Date: August 3, 2000

By /s/ Susan E. Alderton

Susan E. Alderton
Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: August 3, 2000

By /s/ Robert D. Hardy

Robert D. Hardy
Vice President and Controller
(Principal Accounting Officer)

LOAN AMENDMENT TO
NL INDUSTRIES, INC.
RETIREMENT SAVINGS PLAN

THIS AGREEMENT by the Pension and Employee Benefits Committee of NL Industries, Inc. ("PEBCO"),

WHEREAS, NL Industries, Inc. ("the Company") has previously adopted the Plan known as "NL Industries, Inc. Retirement Savings Plan NL Industries, Inc." (the "Plan"); and

WHEREAS, pursuant to Section 11.2 and 13.1 of the Plan, PEBCO has the authority to amend the Plan; and

NOW, THEREFORE, the parties hereto agree that the Plan is hereby amended, effective as of January 1, 2000, or such other date required by any appropriate governmental agency, as follows:

I. Article X of the Plan is amended by the addition of a new Section 10.7 to read as follows:

10.7 Loans to Participants

(a) Who is eligible. Effective January 1, 2000 loans are permitted to any (i) Participant or (ii) only to the extent required by law, any former Participant, Beneficiary, or alternate payee under a qualified domestic relations order described in Section 414(p) of the Code, who is a "party in interest," as defined in Section 3(14) of the Act, or a "disqualified person," as defined in Section 4975(e)(2) of the Code, and (iii) on whose behalf an Account or subaccount is maintained under the Plan (hereinafter an individual described in clause (i) or (ii) and (iii) shall be referred to as a "Qualified Participant"). For purposes of this Section, a "loan" shall include any renewal or modification to an existing loan hereunder so long as, at the time of any such renewal or modification, the requirements of this Section are met. Any action taken by the Committee shall be taken to establish or suspend or terminate a loan program shall be communicated to Qualified Participants in a time and manner unlikely to discriminate against any group of Qualified Participants.

(b) How to apply. A Qualified Participant may borrow from his vested Account balance under the Plan, subject to the provisions of this Section and to such additional rules or guidelines as the Committee may adopt hereunder, by following the application procedure established by the Trustee. The Qualified Participant shall receive written documents (i) specifying the terms pursuant to which the requested loan is to be made, (ii) designating the extent, if any, that the loan will be made from any one or more of the investment funds established under Article VI in which the Qualified Participant has an interest, (iii) authorizing the repayment of the loan through payroll deductions if the Qualified Participant is an Employee, or authorizing a procedure whereby the Qualified Participant makes

repayments if the Qualified Participant is not an Employee, (iv) providing such additional information and documentation as the Committee or Trustee shall require, and (v) including a note and security agreement to be duly executed by the Qualified Participant, pursuant to which the Qualified Participant promises to repay the note and grants a security interest to secure repayment of the loan and the note.

(c) Loan Procedures. The Committee shall issue rules or guidelines ("Procedures") which shall be uniformly applicable to all Qualified Participants similarly situated and such guidelines shall govern the approval or disapproval of loan application requests, as well as establishing terms governing loans, repayments, defaults, and other features of the participant loan program. Such Procedures may complete, interpret, and add to the provision of this Section 10.7, and to the extent permitted by law without causing disqualification of the Plan, may contradict and overrule the provision of this Section 10.7.

(d) Interest rates and fees. The Procedures shall prescribe the manner for determining the annual rate of interest to be charged on each loan to a Qualified Participant under the Plan. The annual rate of interest shall provide the Plan with an annual rate of return commensurate with the prevailing interest rate charged on similar commercial loans by

persons in the business of lending money for loans which would be made under similar circumstances, as determined by the Committee. In addition, the Procedures may provide for assessment of a fee for processing loan application forms, collection and processing late payments, and similar administrative expenses which amounts shall be charged directly to the Account of the affected Qualified Participant. The Committee shall from time to time prescribe such additional Procedures that it deems to be necessary or appropriate and which are consistent with proper lending practices.

(e) Loan amount limits. Whenever loans are permitted, each Qualified Participant eligible to take a loan under the Procedures shall be entitled to borrow from his Account an amount which is not in excess of the lesser of (i) \$50,000, or (ii) one-half (1/2) of the present value of the vested Account balance of the Qualified Participant under the Plan as of the most recent valuation date. No Qualified Participant shall be entitled to a loan from the Trustee if the amount of the loan is less than the minimum (\$1000). Any renewal or modification of an existing loan hereunder shall be deemed to be a new loan for purposes of this Section. Any loan shall be secured by up to one-half of such Qualified Participant's vested interest in his Account balance, as measured immediately after the origination of each loan hereunder.

However, to the extent not inconsistent with the requirements of applicable provisions of the Code and ERISA, the Committee or the Trustee, in their discretion, may reduce the maximum loans allowed to reflect or anticipate any potential fluctuation in the value of plan investments in funds which may be affected by stock market performance. Similarly, if the Committee or the Trustee determines that it is not reasonable or prudent, in the interest of Participants or Beneficiaries, to liquidate the requested amount from any of the Investment Funds, the amount to be paid to each Qualified Participant who designated that a loan be made from such Investment Fund shall be reduced unless the Qualified Participant agrees

to that portion of the loan being made from other Investment Funds.

(f) Number of loans. Except as may otherwise be prescribed by the Committee in the Procedures, no Qualified Participant shall be entitled to originate, renew or modify more than one loan during any single calendar year, and if a Qualified Participant who has an outstanding loan requests an additional loan, the entire outstanding loan shall be repaid before a new loan can be processed.

(g) Repayment schedule and method. Any loan originated, renewed or modified with respect to a Qualified Participant who is an Employee shall be repaid by payroll deduction pursuant to a substantially level amortization schedule as provided in the Procedures issued by the Committee (with payments not less frequently than quarterly) over the term of the loan, or any loan issued hereunder to a Qualified Participant who is not an Employee shall be repaid by money order or certified check in accordance with a substantially level amortization schedule as provided in the Procedures (with payments not less frequently than quarterly) over the term of the loan. No loan shall have a maturity date in excess of five (5) years. Any loan may be prepaid at any time, without penalty, provided that the full amount of the loan, plus all interest accrued and unpaid thereon, is prepaid at one time.

(h) Accounting for loans and repayments. Any loan to a Qualified Participant hereunder shall be considered to be an earmarked investment of the Qualified Participant's Account. All costs, charges, fees or expenses in connection with acquisition and disposition of such investment of the Qualified Participant's Account shall be charged directly to such Qualified Participant's Account. The amount necessary to pay the loan to the Qualified Participant shall be taken proportionately from each of the Investment Funds in which the Qualified Participant's Account is invested, unless otherwise agreed in the loan application or otherwise provided in the Procedures. Repayments of principal and interest on a loan shall be made to the Investment Funds in the same proportion as contributions would be made pursuant to the Qualified Participant's then effective investment election for new contributions.

(i) Authority to approve or disapprove loan requests. The Committee shall have the authority to delegate the power to review and approve or disapprove loans to such agents as the Committee shall deem proper, provided that any such agents shall act only in accordance with the Procedures established by the Committee pursuant to this Section, A loan may be denied or granted in reduced amount if the Committee or its agent determines that the Qualified Participant is not reasonably and prudently able to liquidate the necessary amount from any funds in this Account.

(j) Recordkeeping. The Trustee shall convert all or any part of the Qualified Participant's Account in the aggregate amount necessary to make payment of the loan from the Trust Fund to the extent designated in the loan application and shall transfer cash to the Qualified Participant in such aggregate amount. The Trustee shall maintain sufficient records to permit an accurate crediting of repayments of the loan.

(k) Effect of loans on Participant's Accounts. The unpaid balance owed by a Qualified Participant on a loan under the Plan shall not reduce the amount credited to him under the Plan. However, from the time of payment of the proceeds of the loan to the Qualified Participant, his Account balances shall be deemed invested, to the extent of such unpaid loan balance, in such loan until the complete repayment thereof or distribution from such Account. Unless the Procedures provide a different ordering, at the time a loan is made, the amount loaned shall first be deemed an investment of, and allocated to, the following sequence of sub-accounts, and for purposes of this Paragraph where reference is made to Basic and Supplemental Pre-Tax Contributions or Basic and Supplemental After-Tax Contributions, such terms shall mean the lesser of the actual amount of such unwithdrawn or unloaned contributions or the current market value thereof as of the applicable Valuation Date:

1. Basic and Supplemental After-Tax Contributions made prior to 1987 to the Predecessor Plan;

2. post-1986 Basic and Supplemental After-Tax Contributions, and all or part of the increments earned on all Basic and Supplemental After-Tax Contributions made to the Plan and/or the Predecessor Plan;

3. that portion of his account balance attributable to Employer Contributions which are fully vested, including increments earned thereon, made to the Plan and/or the Predecessor Plan. For purposes of determining his vested percentage at the time of such loan, a Participant who has completed at least 1,000 Hours of Service or six Months of Service in a calendar year at the time of the loan shall be deemed to have completed one year of Vesting Service for that calendar year;

4. Employer Contributions made prior to January 1, 1974 to the Predecessor Plan, including increments earned thereon, Rollover Contributions and direct rollovers from another qualified trust as described in subparagraphs 4.10(b) and (c) including increments thereon;

5. Basic and Supplemental Pre-Tax Contributions, made to the Plan and/or the Predecessor Plan.

(l) Effect of loan on withdrawals. Except for the application of a Qualified Participant's Account balance to repayment of a loan in the event of a default, no withdrawal may be made by a Qualified Participant of any amount deemed invested in the outstanding balance of a loan.

(m) Effect of loan on distributions after termination of service. The amount actually paid in any distribution otherwise payable to a Qualified Participant shall be reduced by the amount owed (including any accrued interest) on all loans of the Qualified Participant at the time of such distribution. The Trustee shall apply the pledged portion (including accrued interest) of the Qualified Participant's Account to be distributed or paid toward the

liquidation of the Qualified Participant's indebtedness to the Plan and the Trustee. Such reduction shall constitute a complete discharge of all liability to the Plan and the Trustee for the loan to the extent of such reduction.

(n) Repayment issues. All loans under the Plan shall be secured by the Qualified Participant's vested Account balance; provided, however, that repayment shall be secured by the Qualified Participant's vested interest in his Account only for such time, and to the extent that, a portion of each loan is allocated to such Account. Unless the Procedures provide a different ordering, any loan repayment amounts shall be credited to the Qualified Participant's sub-accounts in the following order, but only as reflects the extent to which loan proceeds were taken from any of these sub-accounts:

1. Basic and Supplemental Pre-Tax Contributions, made to the Plan and/or the Predecessor Plan;

2. Employer Contributions made prior to January 1, 1974 to the Predecessor Plan, including increments earned thereon, Rollover Contributions and direct rollovers from another qualified mist as described in subparagraphs 4.10(b) and (c) including increments thereon;

3. that portion of his account balance attributable to Employer Contributions which are fully vested, including increments earned thereon, made to the Plan and/or the Predecessor Plan;

4. post-1986 Basic and Supplemental After-Tax Contributions, and all or part of the increments earned on all Basic and Supplemental After-Tax Contributions made to the Plan and/or the Predecessor Plan;

5. Basic and Supplemental After-Tax Contributions made prior to 1987 to the Predecessor Plan.

If at any time prior to the full repayment of a loan, the Participant should cease to be a Participant by reason of his termination of employment for any reason, or the Plan should terminate, the unpaid balance owed by the Participant on the loan and all accrued but unpaid interest shall be due and payable immediately. The Participant or his Beneficiary may make all repayments due on outstanding loans by certified check or money order within the grace period provided for in the Procedures.

The Procedures shall provide for methods of adjusting payment dates and amounts in the event of those kinds of approved leave without pay for which special repayment rules are authorized or mandated by law.

(o) Defaults. In the event of failure to make any payment of principal or interest under a loan when due, the loan shall be in default ("Default") and all the unpaid balance owed by the Qualified Participant and all accrued but unpaid interest shall be due and

payable immediately. Immediately after the expiration of any grace period provided for in the Procedures following a Default, the Plan and the Trustee may apply the vested Account balance of the Qualified Participant to pay the loan, in whole or in part, and take any other action or remedy as allowed by law, provided that no application of a Qualified Participant's vested Account balance shall occur prior to the time such vested Account balance is otherwise distributable under the terms of the Plan except as permitted by the Code and the Act. The amount paid under any withdrawal or distribution from the vested Account balance of a Qualified Participant following a Default shall be reduced by the amount of any loan in Default and such amount shall be applied to the unpaid loan balance and any accrued but unpaid interest thereon.

In the event of a default and after the expiration of any grace period provided for in the Procedures, any amounts of the defaulted part of the loan and to sub-account eligible for withdrawal shall be offset against the loan in order to effect an actual default and immediate distribution. If some or all of the loan is attributed to sub-accounts not eligible for withdrawal, but assets are available in sub-accounts eligible for withdrawal, assets of the subaccounts used for the loan shall be traded for assets of sub-accounts eligible for withdrawal on a dollar for dollar basis to the extent necessary to permit offset and immediate distribution of the loan. To the extent that the loan still cannot be offset and immediately distributed, the default shall result in a deemed distribution, but the loan will remain a debt to the Plan and, to the extent required by law or by the procedures, interest will continue to accrue until the date the loan is repaid or the account is distributed,

II. Section 6.1 of the Plan is amended to provide for a new investment fund by the addition or a new subsection (f) to read as follows:

(f) The Loan Fund, which shall be maintained for the sole purpose of accounting for the outstanding balance of loans to Participants in accordance with Paragraph 10.7. Provided, however, any loan to a Participant shall not be considered as an investment in the Loan Fund, but instead shall be considered to be an earmarked investment of the Participant's account.

III. Article VI of the Plan is further amended by the addition of a new Section 6.10 to read as follows:

6.11 Loans. Notwithstanding any other provision of this Article VI, contributions of a Participant may, subject to paragraph 10.7, be invested in loans to the Participant.

IV. Section 7.4 of the Plan is amended and restated to read as follows (the underlined words indicate the changes):

7.4 Statement of Participant's Account. As soon as practicable after the completion of a Plan Year, an individual statement of account shall be issued to each Participant showing the value of his interest in each Fund, and any loans pursuant to paragraph 10.7.

V. The first sentence of Section 9.1 (a) of the Plan is amended by the insertion of the words "(other than amounts invested in the Loan Fund)" immediately after the words "all vested

amounts then credited to his account"; and by the insertion of the words "including amounts invested in the Loan Fund" immediately after the words "exceeds \$3,500".

VI. The third to last sentence of 'Section 9. 1(a) of the Plan is amended by the insertion of the words "(and the Loan Fund)" immediately after the words "NL Stock Fund and the Dresser - Tremont Fund".

VII. Section 16.3 of the Plan is amended by the addition of the following sentence at the end thereof:

The prohibition against assignment or alienation of benefits contained in this Paragraph 16.3 shall not apply to any loan to a Participant made under the Plan if such loan is secured by the Participant's account in the Plan and is exempt from the tax imposed by Section 4975 of the Code by reason of Section 4975(d)(a) thereof.

IN WITNESS WHEREOF, on behalf of NL Industries, Inc., the Pension and Employee Benefits Committee has caused this Amendment to be executed this 1st day of December, 1999 to be effective as of January 1, 2000.

PENSION AND EMPLOYEE BENEFITS
COMMITTEE OF NL INDUSTRIES, INC.

By: /s/ Robert D. Hardy

Name: Robert D. Hardy

Title: Chairman

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement"), effective as of January 1, 2000, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1999 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;

-1-

(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) 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

(b) 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 \$211,000 payable in quarterly installments of \$52,750 each, commencing as of January 1, 2000, pursuant to this Agreement. In addition to the net annual fee:

(a) 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(b); and

(b) 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, 2000 to December 31, 2000.

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 or person 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: /s/ Steven L. Watson
Steven L. Watson
President

NL INDUSTRIES, INC.

By: /s/ Robert D. Hardy
Robert D. Hardy
Vice President

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement"), effective as of January 1, 2000, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1999 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,

-1-

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 \$237,500 quarterly, commencing as of January 1, 2000, 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, 2000 to December 31, 2000.

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 Contran or any such person may become subject arising out of the Services provided by Contran to the 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: /s/ Steven L. Watson
Steven L. Watson
President

NL INDUSTRIES, INC.

By: /s/ Robert D. Hardy
Robert D. Hardy
Vice President

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement") is made effective as of January 1, 2000, 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, and tax 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 tax management and administration, including, without limitation, preparation and filing of tax returns, tax reporting, examinations by government authorities and tax planning;
- (c) consultation and assistance in performing internal audit projects, as requested; and
- (d) use of corporate aircraft.

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 \$318,000 for the Services described in paragraphs 1(a) and 1(b) above payable in quarterly installments of \$79,500 plus all out-of-pocket expenses incurred in connection with the performance of such Services. Regarding Services described in Paragraph 1(c), 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 \$500 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 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 thirty (30) 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, 2000, and shall remain in effect for a term of one year until December 31, 2000 (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 12th day of May, 2000, which Agreement will be deemed to be effective as of January 1, 2000.

NL INDUSTRIES, INC.

By: /s/ Robert D. Hardy
Robert D. Hardy
Vice President

TITANIUM METALS CORPORATION

By: /s/ Mark A. Wallace
Mark A. Wallace
Executive Vice President

INTERCORPORATE SERVICES AGREEMENT

INTERCORPORATE SERVICES AGREEMENT effective as of January 1, 2000 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; and
- (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.

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 \$77,700 (the "Annual Fee") for the Services described in paragraphs 1(a), 1(b), and 1(d) above payable in quarterly installments of \$19,425, 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 \$500 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 thirty (30) 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, 2000, and shall remain in effect for a term of one year until December 31, 2000 (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 12th day of May, 2000, which Agreement will be deemed to be effective as of January 1, 2000.

NL INDUSTRIES, INC.

By: /s/ Robert D. Hardy
Robert D. Hardy
Vice President

TREMONT CORPORATION

By: /s/ Mark A. Wallace
Mark A. Wallace
Vice President

INTERCORPORATE SERVICES AGREEMENT

This INTERCORPORATE SERVICES AGREEMENT (the "Agreement"), effective as of January 1, 2000, amends and supersedes that certain Intercorporate Services Agreement effective as of January 1, 1999 between NL INDUSTRIES, INC., a New Jersey corporation ("NL"), and COMPX INTERNATIONAL INC., a Delaware corporation ("CompX").

Recitals

A. NL provides CompX (i) certain occupancy and related office services (the "Occupancy and Related Office Services"), which services include, without limitation, office space that CompX's personnel currently occupy at NL's corporate offices at Two Greenspoint Plaza, 16825 Northchase Drive, Suite 1200, Houston, Texas and mail, telecommunication, copying and other reasonable office services related to such occupancy and (ii) certain insurance, risk management, loss control, computer support, and internal audit services as set forth in this Agreement.

B. The terms of this Agreement are no less favorable to CompX than could otherwise be obtained from a third party for comparable services.

C. CompX desires to continue receiving the 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 Provided. NL agrees to make available to CompX 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 (as outlined in Attachment 1);
- (b) certain administration and management services with respect to CompX'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 CompX's insurance program, excluding all employee benefit and welfare related programs;
- (c) consultation and assistance in performing internal audit projects, as requested;
- (d) computer related support services;
- (e) such other services as may be requested by CompX or deemed necessary and proper from time to time; and
- (f) use of corporate aircraft.

Section 2. Miscellaneous Services. It is the intent of the parties hereto that NL provide only the Services requested by CompX in connection with routine administrative functions related to the ongoing operations of CompX 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 CompX's business will be on a scale comparable to that existing on the effective date of this Agreement, and that adjustments may be required to the terms of this Agreement in the event of special projects, including corporate investments, acquisitions and divestitures. CompX 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.

Section 3. Fee for Services. During the Term (as defined below) of the Agreement, CompX shall pay to NL an annual fee of \$132,800 for the Services described in subsections 1(a), 1(b), and 1(e) above payable in quarterly

installments of \$33,200 plus all out-of-pocket expenses incurred in connection with the performance of such Services described in subsections 1(b) and 1(e). CompX 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 \$500 multiplied by the number of days devoted by NL's internal auditors to providing Services described in subsection 1(c) above times the number of internal auditors providing such Services plus all out-of-pocket expenses incurred in their performance of such Services. CompX will pay to NL within thirty (30) days after receipt of an invoice, an amount equal to the product of \$50 multiplied by the number of hours devoted by NL's information systems personnel providing such Services described in subsection 1(d) plus all out-of-pocket expenses incurred in the performance of such Services. Regarding Services described in subsection 1(f), CompX will pay to NL within thirty (30) days after receipt of an invoice an amount equal to CompX's share of NL's corporate aircraft expenses which includes CompX's share of the monthly management fee (computed on a per hour basis) and actual flight hour costs at a rate of \$1,767 per hour (subject to annual escalation) plus fuel variable charges, segment fees and excise taxes. Notwithstanding the foregoing, in the event that CompX 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 CompX or NL, as appropriate, shall provide the other party with a thirty (30) day prior written notice of cancellation describing the Services to be terminated or discontinued and CompX and NL during such thirty-day period shall agree to a pro-rata reduction of the fees due hereunder for such terminated or discontinued Services.

Section 4. Original Term. Subject to the provisions of Section 5 hereof, the original term of this Agreement shall be from January 1, 2000 to December 31, 2000.

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 CompX 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 CompX for any error of judgment or mistake of law or for any loss incurred by CompX 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 CompX. CompX 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 NL or any such person may become subject to arising out of the Services provided by NL to CompX 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 to:

If to NL: NL Industries, Inc.
16825 Northchase Drive, Suite 1200
Houston, Texas 77060
Attention: General Counsel

If to COMPX: CompX International Inc.
16825 Northchase Drive, Suite 1200
Houston, Texas 77060
Attention: Chairman of the Board

or such other address as the parties shall have specified 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 CompX 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: /s/ Robert D. Hardy
Robert D. Hardy
Vice President

COMPX INTERNATIONAL INC.

By: /s/ John A. Miller
John A. Miller
Vice President

Attachment No. 1

A-5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM NL INDUSTRIES INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.

1,000

6-MOS	DEC-31-2000	
	JAN-01-2000	
	JUN-30-2000	
		137,629
		0
		157,250
		2,240
		153,287
		540,849
		752,710
		427,180
		1,070,317
249,893		
		244,155
		0
		0
		8,355
		299,398
1,070,317		
		482,135
		540,581
		323,298
		323,298
		0
		281
		15,753
		131,308
		43,961
87,146		
		0
		0
		0
		87,146
		1.72
		1.71