

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 - For the quarter ended September 30, 1996

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
(State or other jurisdiction of
incorporation or organization)

13-5267260
(IRS Employer
Identification No.)

16825 Northchase Drive, Suite 1200, Houston, Texas
(Address of principal executive offices)

77060-2544
(Zip Code)

(281)423-3300
(Registrant's telephone number, including area code)

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

Number of shares of common stock outstanding on November 12, 1996: 51,118,014

NL INDUSTRIES, INC. AND SUBSIDIARIES

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NL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

ASSETS	December 31, 1995	September 30, 1996
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 141,333	\$ 130,196
Accounts and notes receivable	147,428	163,236
Refundable income taxes	4,941	2,643
Inventories	251,630	216,280
Prepaid expenses	3,217	6,736
Deferred income taxes	2,522	1,791
	-----	-----
Total current assets	551,071	520,882
	-----	-----
Other assets:		
Marketable securities	20,944	22,354
Investment in joint ventures	185,893	181,382
Prepaid pension cost	22,576	23,962
Deferred income taxes	788	--
Other	31,165	24,712
	-----	-----
Total other assets	261,366	252,410
	-----	-----
Property and equipment:		
Land	22,902	22,001
Buildings	166,349	163,249
Machinery and equipment	648,458	643,850
Mining properties	97,190	95,673
Construction in progress	11,187	30,520
	-----	-----
	946,086	955,293
Less accumulated depreciation and depletion	486,870	489,355
	-----	-----
Net property and equipment	459,216	465,938
	-----	-----
	\$1,271,653	\$1,239,230
	=====	=====

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

LIABILITIES AND SHAREHOLDERS' DEFICIT	December 31, 1995	September 30, 1996
	-----	-----
Current liabilities:		
Notes payable	\$ 39,247	\$ 26,248
Current maturities of long-term debt	43,369	98,573
Accounts payable and accrued liabilities	165,985	159,512
Payable to affiliates	10,181	9,134
Income taxes	40,088	36,123
Deferred income taxes	3,555	2,837
	-----	-----
Total current liabilities	302,425	332,427
	-----	-----
Noncurrent liabilities:		
Long-term debt	740,334	711,846
Deferred income taxes	157,192	145,319
Accrued pension cost	69,311	57,541
Accrued postretirement benefits cost	60,235	58,107
Other	148,511	132,963
	-----	-----
Total noncurrent liabilities	1,175,583	1,105,776
	-----	-----
Minority interest	3,066	257
	-----	-----
Shareholders' deficit:		
Common stock	8,355	8,355
Additional paid-in capital	759,281	759,281
Adjustments:		
Currency translation	(126,934)	(123,702)
Pension liabilities	(1,908)	(1,908)
Marketable securities	(525)	391
Accumulated deficit	(481,432)	(475,651)
Treasury stock	(366,258)	(365,996)
	-----	-----
Total shareholders' deficit	(209,421)	(199,230)
	-----	-----
	\$ 1,271,653	\$ 1,239,230
	=====	=====

Commitments and contingencies (Note 13)

See accompanying notes to consolidated financial statements.

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

	Three months ended September 30,		Nine months ended September 30,	
	1995	1996	1995	1996
Revenues and other income:				
Net sales	\$ 255,339	\$ 248,462	\$ 789,688	\$ 752,064
Other, net	7,060	5,013	16,075	25,890
	262,399	253,475	805,763	777,954
Costs and expenses:				
Cost of sales	169,058	193,271	526,722	557,881
Selling, general and administrative	48,317	45,274	142,937	131,313
Interest	20,325	18,472	62,053	56,127
	237,700	257,017	731,712	745,321
Income (loss) before income taxes and minority interest	24,699	(3,542)	74,051	32,633
Income tax expense	7,413	698	22,215	11,552
	17,286	(4,240)	51,836	21,081
Minority interest	(140)	9	346	(33)
	\$ 17,426	\$ (4,249)	\$ 51,490	\$ 21,114
	=====	=====	=====	=====
Net income (loss) per share of common stock	\$.34	\$ (.08)	\$ 1.00	\$.41
	=====	=====	=====	=====
Weighted average common and common equivalent shares outstanding	51,628	51,118	51,522	51,376
	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

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

Nine months ended September 30, 1996

(In thousands)

	Common stock	Additional paid-in capital	Adjustments			Accumulated deficit	Treasury stock	Total
			Currency translation	Pension liabilities	Marketable securities			
Balance at December 31, 1995	\$ 8,355	\$ 759,281	\$(126,934)	\$ (1,908)	\$ (525)	\$(481,432)	\$(366,258)	\$(209,421)
Net income	--	--	--	--	--	21,114	--	21,114
Dividends	--	--	--	--	--	(15,333)	--	(15,333)
Adjustments	--	--	3,232	--	916	--	--	4,148
Treasury stock reissued	--	--	--	--	--	--	262	262
Balance at September 30, 1996	<u>\$ 8,355</u>	<u>\$ 759,281</u>	<u>\$(123,702)</u>	<u>\$ (1,908)</u>	<u>\$ 391</u>	<u>\$(475,651)</u>	<u>\$(365,996)</u>	<u>\$(199,230)</u>

See accompanying notes to consolidated financial statements.

NL INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended September 30, 1995 and 1996
(In thousands)

	1995	1996
	-----	-----
Cash flows from operating activities:		
Net income	\$ 51,490	\$ 21,114
Depreciation, depletion and amortization	29,208	30,154
Noncash interest expense	14,368	15,500
Deferred income taxes	18,245	(4,864)
Other, net	(8,382)	(12,401)
	-----	-----
	104,929	49,503
Change in assets and liabilities:		
Accounts and notes receivable	(23,161)	(21,289)
Inventories	(14,067)	26,424
Prepaid expenses	(3,302)	(3,863)
Accounts payable and accrued liabilities	(2,905)	(1,363)
Income taxes	(18,217)	(166)
Other, net	(1,794)	(10,994)
Marketable trading securities, net	26,337	--
	-----	-----
Net cash provided by operating activities	67,820	38,252
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(42,572)	(52,328)
Purchase of minority interest	--	(5,168)
Investment in joint ventures, net	1,664	4,123
Other, net	68	478
	-----	-----
Net cash used by investing activities	(40,840)	(52,895)
	-----	-----

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

Nine months ended September 30, 1995 and 1996

(In thousands)

	1995	1996
	-----	-----
Cash flows from financing activities:		
Indebtedness:		
Borrowings	\$ 38,840	\$ 64,712
Principal payments	(47,401)	(43,359)
Dividends	--	(15,333)
Other, net	159	(202)
	-----	-----
Net cash provided (used) by financing activities	(8,402)	5,818
	-----	-----
Cash and cash equivalents:		
Net change from:		
Operating, investing and financing activities	18,578	(8,825)
Currency translation	3,093	(2,312)
Balance at beginning of period	131,124	141,333
	-----	-----
Balance at end of period	\$ 152,795	\$ 130,196
	=====	=====
Supplemental disclosures - cash paid for:		
Interest, net of amounts capitalized	\$ 37,079	\$ 31,485
Income taxes	22,388	16,652

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 operations primarily through its wholly-owned subsidiaries, Kronos, Inc. (titanium dioxide pigments, or "TiO2") and Rheox, Inc. (specialty chemicals). Valhi, Inc. and Tremont Corporation, each affiliates of Contran Corporation, hold 55% and 18%, respectively, of NL's outstanding common stock. Contran holds, directly or through subsidiaries, approximately 91% of Valhi's and 44% of Tremont's outstanding common stock.

The consolidated balance sheet of NL Industries, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1995 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at September 30, 1996 and the consolidated statements of operations, shareholders' deficit and cash flows for the interim periods ended September 30, 1995 and 1996 have been prepared by the Company, without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Certain prior-year amounts have been reclassified to conform to the 1996 presentation. 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, 1995 (the "1995 Annual Report").

Note 2 - Net income (loss) per share of common stock:

Net income (loss) per share of common stock is based on the weighted average number of common shares and equivalents outstanding. Common stock equivalents, consisting of nonqualified stock options, are excluded from the computation when their effect is antidilutive.

Note 3 - Business segment information:

The Company's operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox.

	Three months ended September 30,		Nine months ended September 30,	
	1995	1996	1995	1996
	(In thousands)			
Net sales:				
Kronos	\$ 222,799	\$ 215,038	\$ 689,520	\$ 649,635
Rheox	32,540	33,424	100,168	102,429
	-----	-----	-----	-----
	\$ 255,339	\$ 248,462	\$ 789,688	\$ 752,064
	=====	=====	=====	=====
Operating income:				
Kronos	\$ 40,828	\$ 9,640	\$ 120,381	\$ 64,555
Rheox	9,762	9,831	29,726	32,952
	-----	-----	-----	-----
	50,590	19,471	150,107	97,507
General corporate income (expense):				
Securities earnings, net .	1,489	1,190	5,884	3,631
Expenses, net	(7,055)	(5,731)	(19,887)	(12,378)
Interest expense	(20,325)	(18,472)	(62,053)	(56,127)
	-----	-----	-----	-----
	\$ 24,699	\$ (3,542)	\$ 74,051	\$ 32,633
	=====	=====	=====	=====

Note 4 - Inventories:

	December 31, 1995	September 30, 1996
	(In thousands)	
Raw materials	\$ 35,075	\$ 34,548
Work in process	9,132	7,556
Finished products	172,330	138,169
Supplies	35,093	36,007
	-----	-----
	\$251,630	\$216,280
	=====	=====

Note 5 - Marketable securities and securities transactions:

	December 31, 1995	September 30, 1996
----- (In thousands)		
Available-for-sale securities - noncurrent marketable equity securities:		
Unrealized gains	\$ 1,962	\$ 2,183
Unrealized losses	(2,770)	(1,581)
Cost	21,752	21,752
	-----	-----
Aggregate market	\$ 20,944	\$ 22,354
	=====	=====

Net gains from trading securities transactions are composed of:

	Three months ended September 30,		Nine months ended September 30,	
	1995	1996	1995	1996
----- (In thousands)				
Unrealized gains	\$ 7	\$ --	\$1,122	\$--
Realized gains	--	--	50	--
	-----	-----	-----	-----
	\$ 7	\$ --	\$1,172	\$--
	=====	=====	=====	=====

Note 6 - Investment in joint ventures:

	December 31, 1995	September 30, 1996
----- (In thousands)		
Ti02 manufacturing joint venture	\$183,129	\$179,423
Other	2,764	1,959
	-----	-----
	\$185,893	\$181,382
	=====	=====

Note 7 - Other noncurrent assets:

	December 31, 1995	September 30, 1996
----- (In thousands)		
Intangible assets, net	\$11,803	\$ 8,849
Deferred financing costs, net	13,199	10,534
Other	6,163	5,329
	-----	-----
	\$31,165	\$24,712
	=====	=====

Note 8 - Accounts payable and accrued liabilities:

	December 31, 1995	September 30, 1996
----- (In thousands)		
Accounts payable	\$ 68,734	\$ 58,568
	-----	-----
Accrued liabilities:		
Employee benefits	49,884	37,627
Environmental costs	6,000	6,000
Interest	6,633	15,718
Miscellaneous taxes	2,557	2,274
Other	32,177	39,325
	-----	-----
	97,251	100,944
	-----	-----
	\$165,985	\$159,512
	=====	=====

Note 9 - Other noncurrent liabilities:

	December 31, 1995	September 30, 1996
----- (In thousands)		
Environmental costs	\$112,827	\$107,322
Insurance claims and expenses	12,088	11,405
Employee benefits	13,148	12,096
Deferred technology fee income	8,456	463
Other	1,992	1,677
	-----	-----
	\$148,511	\$132,963
	=====	=====

Note 10 - Notes payable and long-term debt:

	December 31, 1995	September 30, 1996
	----- (In thousands) -----	
Notes payable - Kronos (DM 56,000 and DM 40,000, respectively)	\$ 39,247	\$ 26,248
	=====	=====
Long-term debt:		
NL Industries:		
11.75% Senior Secured Notes	\$250,000	\$250,000
13% Senior Secured Discount Notes	132,034	145,064
	-----	-----
	382,034	395,064
Kronos:		
DM bank credit facility (DM 397,609 and DM 490,609, respectively)	276,895	321,938
Joint venture term loan	73,286	61,714
Other	13,672	11,094
	-----	-----
	363,853	394,746
	-----	-----
Rheox:		
Bank term loan	37,263	20,284
Other	553	325
	-----	-----
	37,816	20,609
	-----	-----
	783,703	810,419
Less current maturities	43,369	98,573
	-----	-----
	\$740,334	\$711,846
	=====	=====

Note 11 - Income taxes:

The difference between the provision for income tax 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.

	Nine months ended September 30,	
	----- 1995	----- 1996
	----- (In thousands) -----	
Expected tax expense	\$ 25,918	\$ 11,422
Non-U.S. tax rates	(1,501)	(273)
Incremental tax on income of companies not included in NL's consolidated U.S. federal income tax return ...	1,007	870
Valuation allowance	(3,183)	(1,150)
U.S. state income taxes	898	1,350
Other, net	(924)	(667)
	-----	-----
Income tax expense	\$ 22,215	\$ 11,552
	=====	=====

Note 12 - Other income, net:

	Three months ended September 30,		Nine months ended September 30,	
	1995	1996	1995	1996
	(In thousands)			
Securities earnings:				
Interest and dividends	\$ 1,482	\$ 1,190	\$ 4,712	\$ 3,631
Securities transactions	7	--	1,172	--
	1,489	1,190	5,884	3,631
Pension curtailment gain	--	--	--	4,791
Technology fee income	2,685	2,606	7,990	8,280
Litigation settlement gain	--	--	--	2,756
Currency transaction gains, (losses), net	1,122	624	(795)	4,491
Other, net	1,764	593	2,996	1,941
	\$ 7,060	\$ 5,013	\$ 16,075	\$ 25,890

Note 13 - 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) Part II, Item 1 - "Legal Proceedings," (ii) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996 and June 30, 1996, and (iii) the 1995 Annual Report.

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

RESULTS OF OPERATIONS

The Company's chemical operations are conducted in two business segments - TiO2 conducted by Kronos and specialty chemicals conducted by Rheox.

	Three months ended September 30,		% Change	Nine months ended September 30,		% Change
	1995	1996		1995	1996	
	(In millions)			(In millions)		
Net sales:						
Kronos	\$222.8	\$215.1	-3%	\$689.5	\$649.7	-6%
Rheox	32.5	33.4	+3%	100.2	102.4	+2%
	=====	=====		=====	=====	
	\$255.3	\$248.5	-3%	\$789.7	\$752.1	-5%
Operating income:						
Kronos	\$ 40.8	\$ 9.7	-76%	\$120.4	\$ 64.6	-46%
Rheox	9.8	9.8	N/C	29.7	32.9	+11%
	=====	=====		=====	=====	
	\$ 50.6	\$ 19.5	-62%	\$150.1	\$ 97.5	-35%
Percent changes in TiO2:						
Sales volume			+17%			+3%
Average selling prices (in billing currencies)			-15%			-6%

Kronos' TiO2 operating income in the third quarter and first nine months of 1996 decreased from the comparable periods in 1995 primarily due to the decline in average TiO2 selling prices. Average TiO2 selling prices for the third quarter of 1996 were 15% lower than the third quarter of 1995 and 6% lower than the second quarter of 1996. Selling prices at the end of the third quarter of 1996 were 15% lower than prices at the end of 1995. The Company expects average TiO2 prices in the fourth quarter to be below the third quarter average. While prices have declined, demand for TiO2 has grown. Kronos' third quarter sales volumes increased 17% compared with the third quarter of 1995 with improved sales volumes worldwide. Sales volumes for the first nine months in 1996 were 3% higher than the comparable period in 1995 primarily due to improved sales volumes in the U.S.

Rheox's operating income of \$9.8 million for the third quarter of 1996 was even with the year-earlier period. Rheox's operating income in the first nine months of 1996 includes a first-quarter \$2.7 million gain related to the curtailment of certain U.S. employee pension benefits.

Based on the continuing decline in TiO2 selling prices during the third quarter and the current TiO2 industry pricing outlook, the Company expects its fourth-quarter net loss will exceed that of the third quarter of 1996 and the Board of Directors has suspended the regular quarterly dividend.

A significant amount of sales are denominated in currencies other than the U.S. dollar, and fluctuations in the value of the U.S. dollar relative to other currencies decreased the dollar value of sales for the third quarter and first nine months of 1996 by \$4 million and \$7 million, respectively, compared to the comparable 1995 periods.

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

	Three months ended September 30,		Difference	Nine months ended September 30,		Difference
	1995	1996		1995	1996	
	-----	-----	-----	-----	-----	-----
	-----	-----		-----	-----	
	(In millions)					
Securities earnings	\$ 1.5	\$ 1.2	\$ (.3)	\$ 5.9	\$ 3.6	\$ (2.3)
Corporate expenses, net ..	(7.1)	(5.7)	1.4	(19.9)	(12.4)	7.5
Interest expense	(20.3)	(18.5)	1.8	(62.1)	(56.1)	6.0
	-----	-----	-----	-----	-----	-----
	\$ (25.9)	\$ (23.0)	\$ 2.9	\$ (76.1)	\$ (64.9)	\$ 11.2
	=====	=====	=====	=====	=====	=====

Securities earnings were lower due to lower average balances available for investment. Net corporate expenses were lower in the third quarter and first nine months of 1996 compared to the same periods in 1995 due to lower environmental remediation costs. Interest expense was lower primarily due to lower variable interest rates.

Income tax expense for the third quarter of 1996 differs from a normally-expected effective tax rate because of losses in certain countries for which no tax benefit is currently available and for which recognition of a deferred tax asset is not appropriate.

LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated cash flows from operating, investing and financing activities for the nine months ended September 30, 1995 and 1996 are presented below.

	Nine months ended September 30,	
	1995	1996
	-----	-----
	(In millions)	
Net cash provided (used) by:		
Operating activities	\$ 67.8	\$ 38.3
Investing activities	(40.8)	(52.9)
Financing activities	(8.4)	5.8
	-----	-----
Net cash provided (used) by operating, investing and financing activities	\$ 18.6	\$ (8.8)
	=====	=====

The TiO₂ industry is cyclical and changes in economic conditions within the industry significantly impact the earnings and operating cash flows of the Company. During the first nine months of 1996, declining TiO₂ selling prices unfavorably impacted Kronos' operating income and cash flows from operations compared to the 1995 period. Average selling prices began a downward trend in the last half of 1995 and the Company expects the trend to continue at least for the remainder of the year. The Company expects prices will begin to increase during 1997; however, no assurance can be given that price trends will conform to the Company's expectations and future cash flows will be adversely affected should price trends be lower than the Company's expectations.

The Company's cash flows from operations also declined in the first nine months of 1995 due to an increase in working capital of \$43 million, while

working capital remained about the same in the first nine months of 1996, excluding the effect of currency translation. Net changes in working capital used less cash in the 1996 period primarily due to TiO2 production curtailments and higher sales volumes reducing inventory levels during 1996.

Certain of the Company's income tax returns in various U.S. and non-U.S. jurisdictions are being examined and tax authorities have proposed or may propose tax deficiencies. The Company has reached an agreement with the German tax authorities regarding examinations which resolves certain significant tax contingencies for years through 1990. The Company has received certain final assessments and expects to pay tax deficiencies of approximately DM 49 million (\$32 million at September 30, 1996), including interest, in the fourth quarter of 1996 in final settlement of the agreed issues. Certain other German tax contingencies remain outstanding and will continue to be litigated. Although the Company believes that it will ultimately prevail, the Company has granted a DM 100 million (\$66 million at September 30, 1996) lien on its Nordenham, Germany TiO2 plant in favor of the German tax authorities until the litigation is resolved. No assurance can be given that this litigation will be resolved in the Company's favor in view of the inherent uncertainties involved in court rulings. The Company believes that it has adequately provided accruals for additional income 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.

Rheox acquired the minority interests of its non-U.S. subsidiaries for \$5.2 million in the first quarter of 1996.

The Company borrowed DM 95 million (\$64 million when borrowed) under its DM credit facility during the first nine months of 1996 and used the proceeds primarily to fund operations. During October 1996, the Company borrowed DM 49 million (\$32 million when borrowed) under the DM credit facility to fund the German tax settlement payments described above. Repayments of indebtedness in the first nine months of 1996 included payments of \$17.2 million on the Rheox bank term loan, \$11.6 million on the joint venture term loan and DM 16 million (\$10.4 million when repaid) on DM-denominated notes payable.

In the third quarter of 1996, the Company paid a quarterly dividend of \$.10 per share to shareholders aggregating \$5.1 million. Dividends paid during the first nine months of 1996 totaled \$15.3 million. In October 1996, the Company's Board of Directors suspended the Company's regular quarterly dividend.

At September 30, 1996, the Company had cash and cash equivalents aggregating \$130 million (36% held by non-U.S. subsidiaries) including restricted cash and cash equivalents of \$11 million. The Company's subsidiaries had \$5 million and \$119 million available for borrowing at September 30, 1996 under existing U.S. and non-U.S. credit facilities, respectively, of which \$82 million of the non-U.S. amount is available only for (i) permanently reducing the DM term loan or (ii) paying future German income tax assessments, as described above. In October 1996, the borrowing availability to pay German income tax assessments under the DM credit facility was reduced by \$32 million related to the October 1996 borrowings described above. The Company is engaged in discussions with its

lenders to modify the repayment terms and covenants of certain of its indebtedness and to refinance certain other indebtedness.

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 or facilities currently or formerly owned, operated or used by the Company, many of which disposal sites or facilities are on the U.S. Environmental Protection Agency's (the "U.S. EPA") Superfund National Priorities List or similar state lists. On a quarterly basis, the Company evaluates the potential range of its liability at sites where it has been named as a PRP or defendant. The Company believes it has adequate accruals (\$114 million at September 30, 1996) for reasonably estimable costs of such matters. It is not possible to estimate the range of costs for certain sites. The Company has estimated that 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 \$175 million. The Company's estimates of such liabilities have not been discounted to present value, and the Company has not recognized any potential insurance recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made, and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. Further, there can be no assurance that additional environmental matters will not arise in the future.

The Company is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising from the sale of lead pigments and lead-based paints. Although no assurance can be given that the Company will not incur future liability in respect of this litigation, based on, among other things, the results of such litigation to date, the Company believes that the pending lead pigment and paint litigation is without merit. The Company has not accrued any amounts for such pending litigation. Liability that may result, if any, cannot be reasonably estimated. In addition, various legislation and administrative regulations are, from time to time, enacted or proposed at the state, local and federal levels seeking to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which the Company and other pigment manufacturers have been successful. 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.

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 has in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, 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 also review

opportunities for acquisitions or other business combinations in the chemicals industry. In the event of any such 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.

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 involve a number of risks and uncertainties. The actual results of the future events described in such forward-looking statements in this Quarterly Report could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are the risks and uncertainties discussed in this Quarterly Report and in the 1995 Annual Report, including, without limitation, the portions of such reports under the captions referenced above, and the uncertainties set forth from time to time in the Company's filings with the Securities and Exchange Commission, and other public statements.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the 1995 Annual Report and the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1996 and June 30, 1996 for descriptions of certain previously-reported legal proceedings.

Frank D. Seinfeld v. Harold C. Simmons, et al. (Superior Court of New York, Bergen County, Chancery Division, No. C-336-96). Plaintiff brought this action in September 1996 on behalf of himself and derivatively, on behalf of NL, against the Company, Valhi and certain current and former members of the Company's Board of Directors. The complaint alleges, among other things, that the Company's August 1991 "Dutch auction" tender offer was an unfair and wasteful expenditure of the Company's funds. Plaintiff seeks, among other things, to rescind the Company's purchase of approximately 10.9 million shares of its common stock from Valhi pursuant to the Dutch auction. The Company believes, and understands that each of the other defendants believes, the complaint is without merit. The Company intends, and believes that each of the other defendants intends, to defend the action vigorously.

Ritchie v. NL Industries, et al. (Circuit Court of Marshall County, West Virginia, No. 96-C-179M). In September 1996, the Company was served with a complaint filed in West Virginia state court that seeks compensatory and punitive damages for alleged personal injury caused by lead paint and asserts causes of action against the Company and five other former manufacturers of lead pigment for negligence, strict liability, breach of warranty, fraud, conspiracy, market share liability and alternative liability. In October 1996, defendants removed the case to federal court and filed motions to dismiss.

The City of New York, et al. v. Lead Industries Association, Inc., et al. (No. 89-4617). In September 1996, defendants' request for permission to appeal was denied.

Skipworth v. Sherwin-Williams Co., et al. (No. 92-3069). Oral argument was held in this matter in the Pennsylvania Supreme Court in October 1996.

Wright, et al. v. Lead Industries Association, Inc., et al. (Nos. 94-363042 and 94-363043). In September 1996, the remaining defendants' motion for summary judgment was granted. Plaintiffs have appealed as to all defendants.

Gates v. American Cyanamid Co., et al. (I1996 - 2114). In July 1996, the Company filed an answer denying plaintiff's allegations.

Hines v. Gates, et al. (96-616161). In July 1996, plaintiffs voluntarily dismissed the complaint without prejudice.

NL Industries, Inc. v. Commercial Union Insurance Cos., et al. The Company is seeking interlocutory appellate review of the previously-reported ruling regarding contribution.

Granite City, Illinois smelter site. In August 1996, the district court denied Granite City's and the PRP's motion for a temporary restraining order and preliminary injunction seeking to enjoin the U.S. EPA from proceeding with the residential component of the cleanup.

Wagner, et al. v. Anzon, Inc. and NL Industries, Inc. (No. 87-4420). In September 1996, the Superior Court of Pennsylvania affirmed the judgment of the jury verdict for the Company. Plaintiffs have filed an application for reargument in the Superior Court, which the Company has opposed. The application is pending before the Superior Court.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 - Eighth amendment to the Credit Agreement, dated September 17, 1996, between Rheox, Inc. and Subsidiaries, Guarantors and the Chase Manhattan Bank (National Association) and the Nippon Credit Bank, Ltd. as Co-Agents.

10.2 - Executive Severance Agreement effective as of February 16, 1994 by and between the Registrant and Joseph S. Compofelice.

10.3 - Executive Severance Agreement effective as of March 9, 1995 by and between the Registrant and Lawrence A. Wigdor.

27.1 - Financial Data Schedule for the nine months ended September 30, 1996.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended September 30, 1996 and through the date of this report:

July 25, 1996 - reported Items 5 and 7.
October 23, 1996 - 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: November 12, 1996

By /s/ Joseph S. Compofelice

Joseph S. Compofelice
Vice President and
Chief Financial Officer

Date: November 12, 1996

By /s/ Dennis G. Newkirk

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

THIS INSTRUMENT IS SECURED BY A DEED OF TRUST, ASSIGNMENT OF PERMITS, RENTS AND BENEFITS, SECURITY AGREEMENT AND FIXTURE FILING, DATED AS OF JUNE 18, 1991

EIGHTH AMENDMENT TO CREDIT AGREEMENT

EIGHTH AMENDMENT dated as of September 17, 1996 TO CREDIT AGREEMENT dated as of March 20, 1991 among RHEOX, INC., a Delaware corporation (the "Company"); RHEOX INTERNATIONAL, INC., a Delaware corporation (the "Subsidiary Guarantor"); each of the lenders that is a signatory hereto (individually, a "Bank" and, collectively, the "Banks"); THE CHASE MANHATTAN BANK (successor by merger to The Chase Manhattan Bank (National Association)), a New York state banking corporation, and THE NIPPON CREDIT BANK, LTD., a Japanese banking corporation acting through its New York branch, as co-agents for the Banks (each in such capacity, a "Co-Agent" and, collectively, the "Co-Agents"); and THE CHASE MANHATTAN BANK, as administrative agent for the Banks (in such capacity, together with its successors in such capacity, the "Administrative Agent").

WHEREAS, the parties hereto are parties to a Credit Agreement dated as of March 20, 1991 among the Company, the Subsidiary Guarantor, the Banks, the Co-Agents and the Administrative Agent (as at any time amended or otherwise modified, the "Credit Agreement"; terms defined therein having their respective defined meanings when used herein unless otherwise defined herein);

WHEREAS, the Company has requested that the Credit Agreement be amended in certain respects, and the Banks are willing to consent to such amendments upon the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Amendments. The Credit Documents are hereby amended (effective as provided in Section 3 hereof) as follows:

A. Each reference in the Credit Agreement and the other Credit Documents to the Credit Agreement shall be deemed to be a reference to the Credit Agreement as amended hereby. Except as expressly provided in this Section 1, the Credit Agreement shall remain unchanged and in full force and effect.

B. Section 1.01 of the Credit Agreement is hereby amended by adding the following new definitions and inserting the same in the appropriate alphabetical locations:

"'Bankruptcy Code' shall mean the Federal Bankruptcy Code of 1978, as amended from time to time."

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"'Subordinated Note' shall have the meaning assigned to such term in Section 9.07(e) hereof."

"'Subordination Agreement' shall mean a Subordination Agreement substantially in the form of Exhibit A to the Eighth Amendment dated as of September 17, 1996 to this Agreement."

C. The definition of "Credit Documents" in Section 1.01 of the Credit Agreement is hereby amended by inserting ", the Subordination Agreement" after "the NL Guaranty".

D. Clause (a) of the definition of "Interest/Lease Expense" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

"(a) all interest in respect of Indebtedness of the Company and its Consolidated Subsidiaries (including imputed interest expense in respect of Capital Lease Obligations, if any, but excluding interest expense in respect of the Subordinated Note to the extent accrued but not paid) paid, accrued or capitalized during such period;"

E. Clause (a) of the definition of "Leverage Ratio" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

"(a) the aggregate outstanding principal amount of Indebtedness (other than Indebtedness evidenced by the Subordinated Note) of the Company and its Consolidated Subsidiaries on such date by".

F. The definition of "Revolving Credit Termination Date" in Section 1.01 of the Credit Agreement is hereby amended to read as follows:

"'Revolving Credit Termination Date' shall mean December 31, 1997."

G. The last sentence of the definition of "Tangible Net Worth" in

Section 1.01 of the Credit Agreement is hereby amended to read as follows:

"Notwithstanding anything in this definition to the contrary, neither (i) cumulative foreign currency translation gains (or losses) nor (ii) the dividend evidenced by the Subordinated Note shall be deemed to increase or decrease Tangible Net Worth."

H. Section 9.05 of the Credit Agreement is hereby amended by (i) deleting "and" at the end of clause (h) thereof, (ii) replacing the period at the end of clause (i) thereof with "; and" and (iii) inserting a new clause (j) therein reading as follows:

"(j) the Company may enter into and issue the Subordinated Note and make payments and otherwise perform its obligations in respect thereof in accordance with the Subordination Agreement."

I. Section 9.07 of the Credit Agreement is hereby amended by (i) relettering clauses (e), (f) and (g) thereof to be clauses (f), (g) and (h) respectively and (ii) inserting a new clause (e) therein reading as follows:

"(e) Indebtedness of the Company to NL evidenced by a subordinated note (the "Subordinated Note") substantially in the form of Exhibit B to the Eighth Amendment dated as of September 17, 1996 to this Agreement and in an original principal amount not exceeding \$100,000,000, provided that NL, the Company and the Administrative Agent shall have executed and delivered the Subordination Agreement;"

J. The proviso in Section 9.09 of the Credit Agreement is hereby amended to read as follows:

"provided that (a) the Company may declare and pay the NL Dividend in cash on the date the Term Loans are made hereunder and (b) the Company may declare the dividend to be evidenced by the Subordinated Note and may pay such dividend by issuing the Subordinated Note."

K. Section 9.18 of the Credit Agreement is hereby amended by (i) replacing " and" at the end of clause (iii) thereof with a comma, (ii) replacing the period at the end of clause (iv) thereof with " and" and (iii) inserting a new clause (v) therein reading as follows:

"(v) the Company may enter into and issue the Subordinated Note and make payments and otherwise perform its obligations in respect thereof in accordance with the Subordination Agreement."

L. Clause (b) of Section 9.23 of the Credit Agreement is hereby amended by inserting "the Subordinated Note (other than a modification, supplement or waiver deferring part or all of the Company's payment obligations thereunder) or" before "the Tax Sharing Agreement," therein.

M. The Credit Agreement is hereby amended by adding a new Section 9.29 thereto reading as follows:

"9.29 Subordinated Note. The Company will not, and will not permit any of its Subsidiaries to, purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, the Subordinated Note, except, subject to the Subordination Agreement, for regularly scheduled payments of interest thereon required pursuant thereto."

Section 2. Representations and Warranties. Each of the Company and the Subsidiary Guarantor represents and warrants that:

A. The execution and delivery of this Amendment by it has been duly authorized by all necessary corporate action on its part.

B. This Amendment has been duly executed and delivered by it, and each of this Amendment and the Credit Agreement as modified hereby constitute its legal, valid and binding obligation enforceable in accordance with its respective terms subject, however, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

Section 3. Effectiveness. The amendments set forth in Section 1 hereof shall become effective upon the receipt by the Administrative Agent on or before October 15, 1996 of (a) counterparts hereof duly executed and delivered by the Company, the Banks and the Administrative Agent, (b) a Subordination Agreement substantially in the form of Exhibit A hereto duly executed and delivered by NL, the Company and the Administrative Agent and (c) evidence reasonably satisfactory to it as to the truth of the representation contained in Section 2.A hereof. If the Revolving Credit Commitments terminate on September 23, 1996 by reason of failure of the Administrative Agent to have received the documents and evidence referred to in the preceding sentence on or before such date, then, upon the receipt by the Administrative Agent of such documents and evidence on or before October 15, 1996, the amendments set forth in Section 1 hereof shall become effective retroactive to September 23, 1996 and the Revolving Credit Commitments shall be reinstated as of September 23, 1996.

Section 4. Counterparts. This Amendment may be executed in any number of counterparts, each of which may be deemed an original but all of which together shall constitute one and the same instrument.

Section 5. Governing Law. This Amendment shall be governed and construed in accordance with the laws of the State of New York.

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

RHEOX, INC.

By
Name:
Title:

THE CHASE MANHATTAN BANK,
as Co-Agent and
Administrative Agent

By _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.,
as Co-Agent

By _____
Name:
Title:

THE CHASE MANHATTAN BANK

By _____
Name:
Title:

THE NIPPON CREDIT BANK, LTD.

By _____
Name:
Title:

VAN KAMPEN AMERICAN CAPITAL PRIME
RATE INCOME TRUST

By _____
Name:
Title:

RESTRUCTURED OBLIGATIONS BACKED
BY SENIOR ASSETS B.V.

BY CHANCELLOR SENIOR SECURED
MANAGEMENT, INC., its Portfolio Advisor:

By _____
Name:
Title:

STICHTING RESTRUCTURED OBLIGATIONS
BACKED BY SENIOR ASSETS 2 (ROSA2)

BY CHANCELLOR SENIOR SECURED
MANAGEMENT, INC., its Portfolio Advisor:

By _____
Name:
Title:

GIROCREDIT BANK,
NEW YORK
K BRANCH

By _____
Name:
Title:

BANQUE PARIBAS

By _____
Name:

By _____
Name:
Title:

EXECUTIVE SEVERANCE AGREEMENT

Agreement made effective February 16, 1994, by and between NL INDUSTRIES, INC., a New Jersey corporation (hereinafter called the "Company"), and Joseph S. Compofelice (hereinafter called the "Executive").

Recitals

- A. The Company considers it in the best interests of the Company and its stockholders that its key management personnel be encouraged to remain with the Company and to continue to devote their efforts to the Company's business.
- B. Executive is a key executive of the Company.
- C. The Company recognizes that Executive's contribution to the growth and success of the Company has been substantial.

NOW, THEREFORE, to assure the Company that it will have the continued services of Executive and the availability of Executive's advice and counsel and to induce Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and Executive agree as follows:

1. Termination.

- a. General. This Agreement is not an employment contract nor does it in any way alter the status of Executive as an at-will employee of the Company serving at the pleasure of the Company. Executive's employment with the Company may be terminated without notice (except as required by Section 2 hereof) at any time, for any reason (i) by the Company's Chief Executive Officer or (ii) by Executive.
- b. Termination by the Company. Executive shall be entitled to the severance benefits set forth in Sections 3 and 4 upon termination of Executive's employment by the Company unless such termination is for cause (as defined below). Executive's termination of employment with the Company by virtue of death, disability (as defined below), or retirement (as defined below) shall not be considered as a termination of Executive by the Company. For purposes of this Agreement, "cause" shall mean (i) Executive's conviction of any criminal violation involving dishonesty, fraud or breach of trust or any felony or (ii) Executive's willful engagement in gross misconduct in the performance of his duties that materially and adversely affects the financial condition of the Company. The Executive shall be deemed to have a "disability" if, by reason of physical or mental incapacity, Executive becomes unable to perform his normal duties for more than 180 days in the aggregate (excluding infrequent and temporary absence due to ordinary transitory illness) during any 12-month period. Executive shall be deemed to have "retired" upon Executive

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reaching the age of 65; provided that Executive is no longer employed by the Company.

- c. Termination by the Employee. Executive shall not be entitled to the severance benefits set forth in Sections 3 and 4 of this Agreement upon termination of Executive's employment with the Company by Executive unless such termination is for good reason. For purposes of this Agreement, "good reason" shall mean the occurrence of any one of the following events without Executive's consent:
 - (i) the assignment of Executive to any duties substantially inconsistent with his position, duties, responsibilities or status with the Company immediately prior to such assignment, or a substantial reduction of the duties or responsibilities, as compared with the duties or responsibilities immediately prior to such reduction;
 - (ii) a reduction by the Company in the amount of Executive's annual base salary as in effect as of the date of this Agreement or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all executives of the Company;
 - (iii) the Company repudiates this Agreement or fails to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated by Section 9.a. hereof; or
 - (iv) the Company modifies either the proportion of Executive's annual bonus that is based upon the Company's financial performance for the preceding year or the percentage of Executive's annual bonus

attributable to the performance levels set forth by the Company's Employee Incentive Bonus Plan, except for across-the-board modifications similarly affecting all executives of the Company.

2. Notice of Certain Terminations. In the event that either (i) the Company shall terminate Executive for cause or (ii) Executive shall resign for good reason, then any such termination shall be communicated by written notice to the other party hereto. Any such notice shall specify (a) the effective date of termination, which shall not be more than 30 days after the date the notice is delivered (the "Termination Date"); and (b) in reasonable detail the facts and circumstances underlying a determination that the termination is for cause or for good reason, as the case may be. If within 15 days after any notice is given, the party receiving such notice notifies the other party that a good faith dispute exists concerning the characterization of the termination, the Termination Date shall be the date on which such dispute is finally resolved either by written agreement of the parties or by a final judicial

determination. Notwithstanding the pendency of any such dispute, the Company shall continue Executive and his dependents as participants in all medical, dental and any other health insurance and similar benefit plans of the Company in which he or they were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Benefits provided under this Section 2 are in addition to all other amounts due under this Agreement and shall not be offset against, or reduce any other amounts due under, this Agreement.

3. Termination Benefits. Subject to the conditions set forth in Section 1 and Section 6.b. hereof, the Company shall make the following payments (subject to any applicable payroll or other taxes required to be withheld) to Executive within 15 days of the Termination Date.
 - a. Base Salary and Bonus. The greater of (i) two times Executive's effective annual base salary at the Termination Date plus two times Executive's level "B" target bonus under the Company's Employee Incentive Bonus Plan as in effect at the Termination Date, it being understood that such level shall in any event be a minimum of 100% of Executive's effective annual base salary (the "Level B Target Bonus"), or (ii) two times Executive's effective annual base salary plus Executive's actual bonus for the two calendar year period immediately prior to the Termination Date.
 - b. Accrued Amounts. (i) Accrued but unpaid salary and bonus through the Termination Date and (ii) unpaid salary with respect to any vacation days accrued but not taken as of the Termination Date. For purposes of this Agreement only, bonus payments shall accrue and be payable to Executive in an amount equal to the pro rata portion of the Level B Target Bonus calculated on a per diem basis.
4. Other Benefits. Subject to the conditions set forth in Sections 1 and 6.b. hereof, the following benefits (subject to any applicable payroll or other taxes required to be withheld) shall be paid or provided to Executive within 15 days of the Termination Date.
 - a. Insurance Benefits. Medical, dental and any other health insurance, life insurance, accidental death and dismemberment insurance and disability protection no less favorable to Executive and his dependents covered thereby (including with respect to any costs borne by Executive) than the greater of the coverage provided on the date of execution of this Agreement or the coverage provided by Company immediately prior to the Termination Date for the period beginning on the Termination Date and ending on the first to occur of (i) the date of Executive's employment (including self-employment) in a position providing substantially the same or greater benefits as the Executive's assignment with the Company on the

Termination Date or (ii) the second anniversary of the Termination Date.

- b. Stock Awards. The Company shall pay to Executive the following amounts in cash, or in the Company's common stock (valued at the Fair Market Value, as defined below, on the day before the Termination Date), or in any combination of cash and the Company's common stock as determined by the Company in its discretion.
- (i) In respect of each option to purchase the Company's common stock and any related stock appreciation right ("SAR") granted to Executive under the 1985 Long Term Performance Incentive Plan of NL Industries, Inc., the 1989 Long Term Performance Incentive Plan of NL Industries, Inc. or any predecessor or successor plan (collectively, the "Performance Plan") that is outstanding (and regardless of whether then vested) on the day before the Termination Date (and that has not been exercised) an amount equal to the excess, if any, of the Fair Market Value per share of the Company's common stock on the day before the Termination Date over the exercise price, multiplied by the total number of shares of the Company's common stock subject to such option. Such payment shall be in consideration of a cancellation of any rights which Executive may have in such stock options and SARs.
 - (ii) In respect of each SAR unrelated to any options to purchase common stock awarded to Executive under the Performance Plan that is outstanding (and regardless of whether then vested) on the day before the Termination Date, an amount equal to an amount by which the Fair Market Value on the day before the Termination Date of each share of the Company's common stock subject to the SAR exceeds the Fair Market Value of each such share on the date the SAR was awarded, multiplied by the number of shares of the Company's common stock subject to such SAR. Such payment shall be in consideration of a cancellation of any rights that Executive may have in said SARs.
 - (iii) In respect of each restricted stock grant to Executive under the Performance Plan outstanding (and regardless of whether then vested) on the day before the Termination Date (regardless of the performance of the Company's common stock since the grant date), an amount equal to the Fair Market Value of each share of the Company's common stock subject to the restricted stock grant, multiplied by the number of shares of the Company's common stock subject to such stock grant. Such payment shall be in consideration of a cancellation

of any rights which Executive may have in said stock grants.

For purposes of this Section 4, "Fair Market Value" shall mean the average of the highest and lowest sales prices of the Company's common stock as reported on the consolidated tape of the New York Stock Exchange on any relevant date for valuation, or, if there be no such sale, the average of the highest and lowest sales prices of each common stock as so reported on the nearest preceding date upon which such sales took place. In the event the shares of the Company's common stock are no longer listed on the New York Stock Exchange, the "Fair Market Value" of such shares shall be the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 p.m., New York time, on the last trading day prior to the Termination Date, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices in the domestic over-the-counter market as last reported prior to the Termination Date by the National Quotation Bureau, Incorporated, or any similar successor organization. If at any time the Company's Common Stock is not listed on any domestic security exchange or quoted in the NASDAQ System or the domestic over-the-counter market, "Fair Market Value" shall be determined in good faith by the Company's Board of Directors in its discretion.

- c. Savings Plan Benefits. The Company shall pay to Executive an amount in cash equal to the unvested portion of the Company's contributions to Executive's account under the Company's Savings Plan for its employees or other plans "qualified" under ss.401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), to which the Company makes contributions to employee accounts in effect as of the Termination Date (the "Savings Plan"), plus an amount in cash equal to two times an amount determined by multiplying the greater of Section 3.a(i) and 3.a(ii) of this Agreement by the Company's additional annual retirement contribution percentage determined by the Company pursuant to the Savings Plan as in effect on the date of execution of this Agreement or the Termination Date, whichever is greater.

In addition, Executive shall be paid in cash an amount equal to the Company's matching contributions determined pursuant to the Savings Plan as in effect on the date of execution of this Agreement or the Termination Date whichever is greater which would have accrued to the benefit of Executive had he continued his participation in, and elected to make the maximum contributions under, the Savings Plan for the period of 24 months from the Termination Date or until December 31 of the year in which Executive would reach age 65, whichever is the shorter period. The benefits received by

Executive pursuant to this Section 4.c. are in addition to those then having vested prior to the Termination Date in accordance with the terms of the Savings Plan. Awards in shares of common stock of the Company or any predecessor or successor corporation shall be valued for purposes of this section 4.c. at their Fair Market Value, as defined above.

- d. Supplemental Retirement Plans. The Company shall pay to Executive an amount in cash equal to the vested and unvested portions of the Company's contributions to the Executive's account (and all accretions thereto in lieu of interest) under the Company's Supplemental Retirement Plan, in effect as of the Termination Date.
5. Retirement Plan. Following retirement and attainment of ages specified in the Retirement Plan of NL Industries, Inc. (the "NL Pension Plan"), Executive shall be entitled to all pension benefits which are available to him under the NL Pension Plan in effect on the Termination Date.
6. Benefits Valuation and Limitation.
 - a. Promptly following any Termination Date, and as of that date, the Company will notify Executive of the itemized and aggregate cash value of the payments and benefits, as determined under Section 280G of the Code, received or to be received by Executive in connection with the termination of his employment (whether payable pursuant to the terms of this Agreement or otherwise). At the same time, the Company shall advise Executive of the portion of such payments or benefits which constitute parachute payments within the meaning of the Code and which may subject Executive to the payment of excise taxes pursuant to Section 4999 and the expected amount of such taxes (such payments or benefits being hereinafter referred to as "Parachute Payments").
 - b. Notwithstanding the provisions of Sections 3 and 4 hereof, if all or any portion of the payments or benefits provided under Sections 3 or 4 either alone or together with other payments or benefits which Executive has received or is then entitled to receive from the Company and any of its subsidiaries would constitute Parachute Payments, such payments or benefits provided to Executive under Sections 3 and 4 shall be reduced to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code; but only if, by reason of such reduction, Executive's net after-tax benefit shall exceed the net after-tax benefit if such reduction were not made. "Net after-tax benefit" for purposes of this Section 6.b. shall mean the sum of (i) the total amount payable to Executive under Sections 3 and 4 hereof, plus (ii) all other payments and benefits which Executive has received or is then entitled to receive from the

Company and any of its subsidiaries that would constitute a Parachute Payment, less (iii) the amount of federal income taxes payable with respect to the payment and benefits described in (i) and (ii) above calculated at the maximum marginal income tax rate for each year in which such payments and benefits shall be paid to Executive (based upon the rate in effect for such year as set forth in the Code at the Termination Date), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code.

For purposes of this Section 6.b., Executive's base amount, the present value of the Parachute Payments, the amount of the excise tax and all other appropriate matters shall be determined by the Company's independent auditors in accordance with the principles of Section 280G of the Code and based upon the advice of tax counsel selected by the Company, which tax counsel shall be reasonably satisfactory to Executive.

7. Mitigation. Executive is not required to seek other employment or otherwise mitigate the amount of any payments to be made by the Company pursuant to this Agreement. Except as otherwise provided in Section 4.a. of this Agreement, the amount of any payments or other benefits provided for in this Agreement shall not be reduced by any compensation earned by Executive as the result of employment by another employer after the Termination Date, or otherwise.
8. Continuing Obligations. Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come and will come into his possession from time to time during his employment by the Company shall be deemed to be confidential and proprietary to the Company, and Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed.
9. Successors.
 - a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by Agreement in form and substance reasonably satisfactory to Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. For purposes of this Agreement, any determination as to whether the Company has engaged in a transaction involving all or substantially all of the business and/or assets of the Company shall be made by the Board of Directors in its discretion, which determination shall be final and binding on the parties.

For purposes of this Agreement, "Company" shall mean NL Industries, Inc. and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law or otherwise.

b. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

10. Notices. For the purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when actually delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:

Mr. Joseph S. Compofelice
6 Southgate Drive
The Woodlands, Texas 77380

If to the Company:

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

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. Governing Law. THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS, AND NOT THE CONFLICTS LAWS, OF THE STATE OF TEXAS.

12. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and a duly authorized officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar

provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
14. Assignability. This Agreement is personal in nature and neither of the parties hereto shall, without the written consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, as provided in Section 9. Without limiting the foregoing, Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or trust or the laws of descent or distribution, and in the event of any attempted assignment or transfer contrary to this paragraph the Company shall have no liability to pay any amount so attempted to be assigned or transferred.
15. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31 of 1994; provided, however, that beginning January 1, 1995 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company and Executive have mutually agreed in writing to terminate this Agreement.
16. Enforcement Costs. In the event that either party files an action against the other in any court to collect, enforce, protect or preserve its rights under this Agreement, the prevailing party in such action shall be entitled to receive reimbursement from such other party of all reasonable costs and expenses, including attorneys' fees, which such prevailing party incurred in prosecuting or defending such action, as the case may be.
17. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but all of which taken together will constitute one and the same instrument.
18. Unsecured Obligation. All rights of Executive and Executive's spouse or other beneficiaries under this Agreement shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the Company or payment of any amounts due hereunder. Neither Executive nor his spouse or other beneficiary shall have any interest in or rights against any specific assets of the Company, and Executive and his spouse or other beneficiary shall have only the rights of a general unsecured creditor of the Company.

* * * * *

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered on this ___ day of March, 1996.

NL INDUSTRIES, INC.

By: /s/ J. Landis Martin

Name: J. Landis Martin

Its: President and CEO

/s/Joseph S. Compofelice

EXECUTIVE SEVERANCE AGREEMENT

Agreement made effective March 9, 1995, by and between NL INDUSTRIES, INC., a New Jersey corporation (hereinafter called the "Company"), and Lawrence A. Wigdor (hereinafter called the "Executive").

Recitals

- A. The Company considers it in the best interests of the Company and its stockholders that its key management personnel be encouraged to remain with the Company and to continue to devote their efforts to the Company's business.
- B. Executive is a key executive of the Company.
- C. The Company recognizes that Executive's contribution to the growth and success of the Company has been substantial.

NOW, THEREFORE, to assure the Company that it will have the continued services of Executive and the availability of Executive's advice and counsel and to induce Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and Executive agree as follows:

1. Termination.

- a. General. This Agreement is not an employment contract nor does it in any way alter the status of Executive as an at-will employee of the Company serving at the pleasure of the Company. Executive's employment with the Company may be terminated without notice (except as required by Section 2 hereof) at any time, for any reason (i) by the Company's Chief Executive Officer or (ii) by Executive.
- b. Termination by the Company. Executive shall be entitled to the severance benefits set forth in Sections 3 and 4 upon termination of Executive's employment by the Company unless such termination is for cause (as defined below). Executive's termination of employment with the Company by virtue of death, disability (as defined below), or retirement (as defined below) shall not be considered as a termination of Executive by the Company. For purposes of this Agreement, "cause" shall mean (i) Executive's conviction of any criminal violation involving dishonesty, fraud or breach of trust or any felony or (ii) Executive's willful engagement in gross misconduct in the performance of his duties that materially and adversely affects the financial condition of the Company. The Executive shall be deemed to have a "disability" if, by reason of physical or mental incapacity, Executive becomes unable to perform his normal duties for more than 180 days in the aggregate (excluding infrequent and temporary absence due to ordinary transitory illness) during any 12-month period. Executive shall be deemed to have "retired" upon Executive

1

reaching the age of 65; provided that Executive is no longer employed by the Company.

- c. Termination by the Employee. Executive shall not be entitled to the severance benefits set forth in Sections 3 and 4 of this Agreement upon termination of Executive's employment with the Company by Executive unless such termination is for good reason. For purposes of this Agreement, "good reason" shall mean the occurrence of any one of the following events without Executive's consent:
 - (i) the assignment of Executive to any duties substantially inconsistent with his position, duties, responsibilities or status with the Company immediately prior to such assignment, or a substantial reduction of the duties or responsibilities, as compared with the duties or responsibilities immediately prior to such reduction;
 - (ii) a reduction by the Company in the amount of Executive's annual base salary as in effect as of the date of this Agreement or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all executives of the Company;
 - (iii) the Company repudiates this Agreement or fails to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated by Section 9.a. hereof; or
 - (iv) the Company modifies either the proportion of Executive's annual bonus that is based upon the Company's financial performance for the preceding year or the percentage of Executive's annual bonus

attributable to the performance levels set forth by the Company's Employee Incentive Bonus Plan, except for across-the-board modifications similarly affecting all executives of the Company.

2. Notice of Certain Terminations. In the event that either (i) the Company shall terminate Executive for cause or (ii) Executive shall resign for good reason, then any such termination shall be communicated by written notice to the other party hereto. Any such notice shall specify (a) the effective date of termination, which shall not be more than 30 days after the date the notice is delivered (the "Termination Date"); and (b) in reasonable detail the facts and circumstances underlying a determination that the termination is for cause or for good reason, as the case may be. If within 15 days after any notice is given, the party receiving such notice notifies the other party that a good faith dispute exists concerning the characterization of the termination, the Termination Date shall be the date on which such dispute is finally resolved either by written agreement of the parties or by a final judicial

determination. Notwithstanding the pendency of any such dispute, the Company shall continue Executive and his dependents as participants in all medical, dental and any other health insurance and similar benefit plans of the Company in which he or they were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved. Benefits provided under this Section 2 are in addition to all other amounts due under this Agreement and shall not be offset against, or reduce any other amounts due under, this Agreement.

3. Termination Benefits. Subject to the conditions set forth in Section 1 and Section 6.b. hereof, the Company shall make the following payments (subject to any applicable payroll or other taxes required to be withheld) to Executive within 15 days of the Termination Date.
 - a. Base Salary and Bonus. The greater of (i) two times Executive's effective annual base salary at the Termination Date plus two times Executive's level "B" target bonus under the Company's Employee Incentive Bonus Plan as in effect at the Termination Date, it being understood that such level shall in any event be a minimum of 100% of Executive's effective annual base salary (the "Level B Target Bonus"), or (ii) two times Executive's effective annual base salary plus Executive's actual bonus for the two calendar year period immediately prior to the Termination Date.
 - b. Accrued Amounts. (i) Accrued but unpaid salary and bonus through the Termination Date and (ii) unpaid salary with respect to any vacation days accrued but not taken as of the Termination Date. For purposes of this Agreement only, bonus payments shall accrue and be payable to Executive in an amount equal to the pro rata portion of the Level B Target Bonus calculated on a per diem basis.
4. Other Benefits. Subject to the conditions set forth in Sections 1 and 6.b. hereof, the following benefits (subject to any applicable payroll or other taxes required to be withheld) shall be paid or provided to Executive within 15 days of the Termination Date.
 - a. Insurance Benefits. Medical, dental and any other health insurance, life insurance, accidental death and dismemberment insurance and disability protection no less favorable to Executive and his dependents covered thereby (including with respect to any costs borne by Executive) than the greater of the coverage provided on the date of execution of this Agreement or the coverage provided by Company immediately prior to the Termination Date for the period beginning on the Termination Date and ending on the first to occur of (i) the date of Executive's employment (including self-employment) in a position providing substantially the same or greater benefits as the Executive's assignment with the Company on the

Termination Date or (ii) the second anniversary of the Termination Date.

- b. Stock Awards. The Company shall pay to Executive the following amounts in cash, or in the Company's common stock (valued at the Fair Market Value, as defined below, on the day before the Termination Date), or in any combination of cash and the Company's common stock as determined by the Company in its discretion.
- (i) In respect of each option to purchase the Company's common stock and any related stock appreciation right ("SAR") granted to Executive under the 1985 Long Term Performance Incentive Plan of NL Industries, Inc., the 1989 Long Term Performance Incentive Plan of NL Industries, Inc. or any predecessor or successor plan (collectively, the "Performance Plan") that is outstanding (and regardless of whether then vested) on the day before the Termination Date (and that has not been exercised) an amount equal to the excess, if any, of the Fair Market Value per share of the Company's common stock on the day before the Termination Date over the exercise price, multiplied by the total number of shares of the Company's common stock subject to such option. Such payment shall be in consideration of a cancellation of any rights which Executive may have in such stock options and SARs.
 - (ii) In respect of each SAR unrelated to any options to purchase common stock awarded to Executive under the Performance Plan that is outstanding (and regardless of whether then vested) on the day before the Termination Date, an amount equal to an amount by which the Fair Market Value on the day before the Termination Date of each share of the Company's common stock subject to the SAR exceeds the Fair Market Value of each such share on the date the SAR was awarded, multiplied by the number of shares of the Company's common stock subject to such SAR. Such payment shall be in consideration of a cancellation of any rights that Executive may have in said SARs.
 - (iii) In respect of each restricted stock grant to Executive under the Performance Plan outstanding (and regardless of whether then vested) on the day before the Termination Date (regardless of the performance of the Company's common stock since the grant date), an amount equal to the Fair Market Value of each share of the Company's common stock subject to the restricted stock grant, multiplied by the number of shares of the Company's common stock subject to such stock grant. Such payment shall be in consideration of a cancellation

of any rights which Executive may have in said stock grants.

For purposes of this Section 4, "Fair Market Value" shall mean the average of the highest and lowest sales prices of the Company's common stock as reported on the consolidated tape of the New York Stock Exchange on any relevant date for valuation, or, if there be no such sale, the average of the highest and lowest sales prices of each common stock as so reported on the nearest preceding date upon which such sales took place. In the event the shares of the Company's common stock are no longer listed on the New York Stock Exchange, the "Fair Market Value" of such shares shall be the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 p.m., New York time, on the last trading day prior to the Termination Date, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices in the domestic over-the-counter market as last reported prior to the Termination Date by the National Quotation Bureau, Incorporated, or any similar successor organization. If at any time the Company's Common Stock is not listed on any domestic security exchange or quoted in the NASDAQ System or the domestic over-the-counter market, "Fair Market Value" shall be determined in good faith by the Company's Board of Directors in its discretion.

- c. Savings Plan Benefits. The Company shall pay to Executive an amount in cash equal to the unvested portion of the Company's contributions to Executive's account under the Company's Savings Plan for its employees or other plans "qualified" under ss.401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), to which the Company makes contributions to employee accounts in effect as of the Termination Date (the "Savings Plan"), plus an amount in cash equal to two times an amount determined by multiplying the greater of Section 3.a(i) and 3.a(ii) of this Agreement by the Company's additional annual retirement contribution percentage determined by the Company pursuant to the Savings Plan as in effect on the date of execution of this Agreement or the Termination Date, whichever is greater.

In addition, Executive shall be paid in cash an amount equal to the Company's matching contributions determined pursuant to the Savings Plan as in effect on the date of execution of this Agreement or the Termination Date whichever is greater which would have accrued to the benefit of Executive had he continued his participation in, and elected to make the maximum contributions under, the Savings Plan for the period of 24 months from the Termination Date or until December 31 of the year in which Executive would reach age 65, whichever is the shorter period. The benefits received by

Executive pursuant to this Section 4.c. are in addition to those then having vested prior to the Termination Date in accordance with the terms of the Savings Plan. Awards in shares of common stock of the Company or any predecessor or successor corporation shall be valued for purposes of this section 4.c. at their Fair Market Value, as defined above.

- d. Supplemental Retirement Plans. The Company shall pay to Executive an amount in cash equal to the vested and unvested portions of the Company's contributions to the Executive's account (and all accretions thereto in lieu of interest) under the Company's Supplemental Retirement Plan, in effect as of the Termination Date.
5. Retirement Plan. Following retirement and attainment of ages specified in the Retirement Plan of NL Industries, Inc. (the "NL Pension Plan"), Executive shall be entitled to all pension benefits which are available to him under the NL Pension Plan in effect on the Termination Date.
6. Benefits Valuation and Limitation.
 - a. Promptly following any Termination Date, and as of that date, the Company will notify Executive of the itemized and aggregate cash value of the payments and benefits, as determined under Section 280G of the Code, received or to be received by Executive in connection with the termination of his employment (whether payable pursuant to the terms of this Agreement or otherwise). At the same time, the Company shall advise Executive of the portion of such payments or benefits which constitute parachute payments within the meaning of the Code and which may subject Executive to the payment of excise taxes pursuant to Section 4999 and the expected amount of such taxes (such payments or benefits being hereinafter referred to as "Parachute Payments").
 - b. Notwithstanding the provisions of Sections 3 and 4 hereof, if all or any portion of the payments or benefits provided under Sections 3 or 4 either alone or together with other payments or benefits which Executive has received or is then entitled to receive from the Company and any of its subsidiaries would constitute Parachute Payments, such payments or benefits provided to Executive under Sections 3 and 4 shall be reduced to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code; but only if, by reason of such reduction, Executive's net after-tax benefit shall exceed the net after-tax benefit if such reduction were not made. "Net after-tax benefit" for purposes of this Section 6.b. shall mean the sum of (i) the total amount payable to Executive under Sections 3 and 4 hereof, plus (ii) all other payments and benefits which Executive has received or is then entitled to receive from the

Company and any of its subsidiaries that would constitute a Parachute Payment, less (iii) the amount of federal income taxes payable with respect to the payment and benefits described in (i) and (ii) above calculated at the maximum marginal income tax rate for each year in which such payments and benefits shall be paid to Executive (based upon the rate in effect for such year as set forth in the Code at the Termination Date), less (iv) the amount of excise taxes imposed with respect to the payments and benefits described in (i) and (ii) above by Section 4999 of the Code.

For purposes of this Section 6.b., Executive's base amount, the present value of the Parachute Payments, the amount of the excise tax and all other appropriate matters shall be determined by the Company's independent auditors in accordance with the principles of Section 280G of the Code and based upon the advice of tax counsel selected by the Company, which tax counsel shall be reasonably satisfactory to Executive.

7. Mitigation. Executive is not required to seek other employment or otherwise mitigate the amount of any payments to be made by the Company pursuant to this Agreement. Except as otherwise provided in Section 4.a. of this Agreement, the amount of any payments or other benefits provided for in this Agreement shall not be reduced by any compensation earned by Executive as the result of employment by another employer after the Termination Date, or otherwise.
8. Continuing Obligations. Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come and will come into his possession from time to time during his employment by the Company shall be deemed to be confidential and proprietary to the Company, and Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed.
9. Successors.
 - a. The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by Agreement in form and substance reasonably satisfactory to Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. For purposes of this Agreement, any determination as to whether the Company has engaged in a transaction involving all or substantially all of the business and/or assets of the Company shall be made by the Board of Directors in its discretion, which determination shall be final and binding on the parties.

For purposes of this Agreement, "Company" shall mean NL Industries, Inc. and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law or otherwise.

b. This Agreement shall inure to the benefit of and be enforceable by Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Executive should die while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, to Executive's estate.

10. Notices. For the purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when actually delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Executive:

Dr. Lawrence A. Wigdor

If to the Company:

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

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

11. Governing Law. THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS, AND NOT THE CONFLICTS LAWS, OF THE STATE OF TEXAS.

12. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by Executive and a duly authorized officer of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar

provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

13. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.
14. Assignability. This Agreement is personal in nature and neither of the parties hereto shall, without the written consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, as provided in Section 9. Without limiting the foregoing, Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or trust or the laws of descent or distribution, and in the event of any attempted assignment or transfer contrary to this paragraph the Company shall have no liability to pay any amount so attempted to be assigned or transferred.
15. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect through December 31 of 1995; provided, however, that beginning January 1, 1996 and each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year unless the Company and Executive have mutually agreed in writing to terminate this Agreement.
16. Enforcement Costs. In the event that either party files an action against the other in any court to collect, enforce, protect or preserve its rights under this Agreement, the prevailing party in such action shall be entitled to receive reimbursement from such other party of all reasonable costs and expenses, including attorneys' fees, which such prevailing party incurred in prosecuting or defending such action, as the case may be.
17. Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed to be an original but all of which taken together will constitute one and the same instrument.
18. Unsecured Obligation. All rights of Executive and Executive's spouse or other beneficiaries under this Agreement shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the Company or payment of any amounts due hereunder. Neither Executive nor his spouse or other beneficiary shall have any interest in or rights against any specific assets of the Company, and Executive and his spouse or other beneficiary shall have only the rights of a general unsecured creditor of the Company.

* * * * *

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered on this ___ day of March, 1996.

NL INDUSTRIES, INC.

By: /s/ J. Landis Martin

Name: J. Landis Martin

Its: President and CEO

/s/Lawrence A. Wigdor

This schedule contains summary financial information extracted from NL Industries Inc.'s consolidated financial statements for the nine months ended September 30, 1996, and is qualified in its entirety by reference to such consolidated financial statements.

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	SEP-30-1996	
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	(11,552)	
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