



See the continuation pages for footnotes.

/s/ J. Mark Hollingsworth, Vice President

12/7/98

\*\*Signature of Reporting Person

Date

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations.  
See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient,  
See Instruction 6 for procedure.

Potential persons who are to respond to the collection of information contained in this form are not  
required to respond unless the form displays a currently valid OMB Number.

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Name and Address of Reporting Person: | Date of Event Requiring  
Statement

| (Month/Day/Year):  
VALHI, INC. |  
5430 LBJ FREEWAY, Suite 1700 |  
DALLAS, TEXAS 75240 | November 27, 1998  
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Issuer and Ticker or Trading Symbol:

Special Metals Corporation (SMCX)  
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Footnotes:

(1) The following entities ("Additional Reporting Persons") join  
in this filing with Valhi, Inc. as the designated filer:

- Valmont Insurance Company
- Valhi Group, Inc.
- National City Lines, Inc.
- NOA, Inc.
- Dixie Holding Company
- Dixie Rice Agricultural Corporation, Inc.
- Southwest Louisiana Land Company, Inc.
- Contran Corporation

By: /s/ J. Mark Hollingsworth  
----- Date: December  
7, 1998  
J. Mark Hollingsworth, as Assistant  
Secretary of each of the Additional  
Reporting Persons

Except for Valmont Insurance Company, The address for  
Valmont the address of each of the Additional Insurance Company  
is: is:  
Reporting Persons is:  
  
5430 LBJ Freeway, Suite 1700 Five Burlington  
Square 4th Floor  
Dallas, Texas 75240 Burlington, Vermont  
05401

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(2) The 6.625% Series A Senior Convertible Preferred Stock (Liquidation Amount \$50.00 Per Share), par value \$0.01 per share (the "Preferred Stock"), of the issuer will become convertible into shares of common stock, par value \$0.01 per share (the "Common Stock"), of the issuer, subject to certain conditions, on January 26, 1999, at the earliest, and thereafter may be converted at any time prior to the close of business on the business day immediately proceeding a voluntary redemption the Preferred Stock by the issuer (as permitted by the terms of the Preferred Stock) or the mandatory redemption of the Preferred Stock by the issuer on April 28, 2006. Each share of Preferred Stock is convertible into such number of whole shares of Common Stock as is equal to the aggregate liquidation amount of such Preferred Stock surrendered for conversion divided by \$16.50 per share, subject to certain adjustments. The liquidation amount per share of Preferred Stock is \$50.00 plus all accumulated and unpaid dividends. This description of the Preferred Stock is qualified in its entirety by reference to the Certificate of Designations for the Preferred Stock that the issuer filed on October 28, 1998 with the Secretary of State of the State of Delaware, which Certificate of Designations is filed as Exhibit 4.5 to the issuer's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 12, 1998 and incorporated herein by reference.

(3) TIMET Finance Management Company, a Delaware corporation, directly holds the shares of Preferred Stock. See Additional Information below for a description of the relationship.

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Additional Information

Titanium Metals Corporation ("TIMET") is the direct holder of 100% of the outstanding shares of TIMET Finance Management Company ("TMFC") and may be deemed to control TMFC. Tremont Corporation ("Tremont") is the direct holder of 33.5% of the outstanding common stock of TIMET and has an option to purchase an additional 4.8% of TIMET's outstanding common stock expiring on February 15, 1999. Tremont may be deemed to control TIMET. Valhi, Inc. ("Valhi"), the Harold Simmons Foundation, Inc. (the "Foundation"), NL Industries, Inc. ("NL"), Valmont Insurance Company ("Valmont") and The Combined Master Retirement Trust (the "CMRT") are the direct holders of approximately 48.4%, 3.9%, 0.6% 0.5% and 0.1%, respectively, of the outstanding shares of common stock of Tremont. Valhi may be deemed to control Tremont. Valhi and Tremont are the direct holders of approximately 57.8% and 19.6%, respectively of the outstanding common stock of NL and together may be deemed to control NL. Valhi is the direct holder of 100% of the outstanding common stock of Valmont and may be deemed to control Valmont. Valhi Group, Inc. ("VGI"), National City Lines, Inc. ("National"), Contran Corporation ("Contran"), the Foundation and the CMRT are the direct holders of 81.9%, 9.5%, 0.8%, 0.5% and 0.1% of the common stock of Valhi. Together, VGI, National and Contran may be deemed to control Valhi. National, NOA, Inc. ("NOA") and Dixie Holding Company ("Dixie Holding") are the direct holders of approximately 73.3%, 11.4% and 15.3%, respectively, of the outstanding common stock of VGI. Together, National, NOA, and Dixie Holding may be deemed to control VGI. Contran and NOA are the direct

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holders of approximately 85.7% and 14.3%, respectively, of the outstanding common stock of National and together may be deemed to control National. Contran and Southwest Louisiana Land Company, Inc. ("Southwest") are the direct holders of approximately 49.9% and 50.1%, respectively, of the outstanding common stock of NOA and together may be deemed to control NOA. Dixie Rice Agricultural Corporation, Inc. ("Dixie Rice") is the holder of 100% of the outstanding common stock of Dixie Holding and may be deemed to control Dixie Holding. Contran is the holder of approximately 88.8% and 66.3% of the outstanding common stock of Southwest and Dixie Rice, respectively, and may be deemed to control Southwest and Dixie Rice.

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

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

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The Foundation directly holds approximately 3.9% of the outstanding Tremont common stock and 0.5% of the outstanding Valhi common stock. The Foundation is a tax-exempt foundation organized for charitable purposes. Harold C. Simmons is the chairman of the board and chief executive officer of the Foundation and may be deemed to control the Foundation.

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

Valmont and NL directly own 1,000,000 shares and 1,186,200 shares, respectively, of Valhi common stock. Pursuant to Delaware law, Valhi treats the shares of Valhi common stock owned by Valmont and NL as treasury stock for voting purposes and for the purposes of this Statement are not deemed outstanding.

Mr. Harold C. Simmons is chairman of the board and chief executive officer of Valhi, VGI, National, NOA, Dixie Holding, Dixie Rice, Southwest and Contran.

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Mr. Simmons is also chairman of the board of NL and a  
director of Tremont.

By virtue of the holding of the offices, the stock ownership  
and his services as trustee, all as described above, (a) Mr.  
Simmons may be deemed to control the entities described above  
(except the issuer) and (b) Mr. Simmons and certain of such  
entities may be deemed to possess indirect beneficial ownership  
of Shares beneficially owned by TFMC. However, Mr. Simmons  
disclaims beneficial ownership of the Shares beneficially owned,  
directly or indirectly, by any of such entities.

Harold C. Simmons' spouse is the direct owner of 3,747  
shares of Tremont common stock and 77,000 shares of Valhi common  
stock. Mr. Simmons may be deemed to share indirect beneficial  
ownership of such shares. Mr. Simmons disclaims all such  
beneficial ownership.