

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934
(Amendment No. 59)*

VALHI, INC.
(Name of Issuer)

Common Stock, \$0.01 par value
(Title of Class of Securities)

918905100
(CUSIP Number)

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

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

March 11, 1997
(Date of Event which requires Filing
of this Statement)

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

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

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

(Continued on following pages)

CUSIP No. 918905100

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

Valhi Group, Inc.

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

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Nevada

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES 8 SHARED VOTING POWER
BENEFICIALLY OWNED BY
EACH

85,644,496

REPORTING 9 SOLE DISPOSITIVE POWER
PERSON WITH

-0-

10 SHARED DISPOSITIVE POWER

85,644,496

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

85,644,496

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

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

74.9%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

National City Lines, Inc.

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

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES 8 SHARED VOTING POWER
BENEFICIALLY OWNED BY
EACH

97,135,505

REPORTING 9 SOLE DISPOSITIVE POWER

PERSON
WITH

-0-

10 SHARED DISPOSITIVE POWER

97,135,505

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

97,135,505

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

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

84.9%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

NOA, Inc.

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

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Texas

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

8 SHARED VOTING POWER

97,135,505

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

97,135,505

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

97,135,505

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

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

84.9%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

Dixie Holding Company

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

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES
BENEFICIALLY

8 SHARED VOTING POWER

OWNED BY
EACH

85,644,496

REPORTING
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

85,644,496

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

85,644,496

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

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

74.9%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

Dixie Rice Agricultural Corporation, Inc.

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

(a)

(b)

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Louisiana

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES 8 SHARED VOTING POWER

BENEFICIALLY OWNED BY EACH

85,644,496

REPORTING PERSON 9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

85,644,496

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

85,644,496

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

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

74.9%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

Southwest Louisiana Land Company, Inc.

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

INSTRUCTIONS)

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Louisiana

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

8 SHARED VOTING POWER

97,135,505

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

97,135,505

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

97,135,505

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

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

84.9%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

Contran Corporation

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

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

7 SOLE VOTING POWER

-0-

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY
EACH
REPORTING
PERSON
WITH

8 SHARED VOTING POWER

105,015,963

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

105,015,963

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON

105,015,963

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

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

91.8%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905100

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

Harold C. Simmons

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

(a) []

(b) []

3 SEC USE ONLY

4 SOURCE OF FUNDS(SEE INSTRUCTIONS)

Not applicable

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

USA

7 SOLE VOTING POWER

NUMBER OF
SHARES 8 SHARED VOTING POWER
BENEFICIALLY
OWNED BY 105,211,346
EACH
REPORTING 9 SOLE DISPOSITIVE POWER
PERSON
WITH -0-
10 SHARED DISPOSITIVE POWER
105,211,346
11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING
PERSON
3,383
12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS) [X]
13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
0.0%
14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)
IN
AMENDMENT NO. 59
TO SCHEDULE 13D

This statement on Schedule 13D is hereby amended and restated in its entirety as set forth below, except for Item 3, which is amended but not restated in its entirety (collectively, this "Statement").

Item 1. Security and Issuer

This Statement relates to the common stock, \$0.01 par value per share (the "Shares"), of Valhi, Inc., a Delaware corporation (the "Company"). The principal executive offices of the Company are located at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1740, Dallas, Texas 75240.

Item 2. Identity and Background

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

VGI, National and Contran are the direct holders of approximately 74.9%, 10.0% and 6.6%, respectively, of the 114,365,404 Shares outstanding as of February 28, 1997 according to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "Outstanding Shares"). Together, VGI, National and Contran may be deemed to control the Company. National, NOA and Dixie Holding are the direct holders of approximately 73.3%, 11.4% and 15.3%, respectively, of the outstanding common stock of VGI. Together, National, NOA and Dixie Holding may be deemed to control VGI. Contran and NOA are the direct holders of approximately 85.7% and 14.3%, respectively, of the outstanding common stock of National and together may be deemed to control National. Contran and Southwest are the direct holders of approximately 49.9% and 50.1%, respectively, of the outstanding common stock of NOA and together may be deemed to control NOA. Dixie Rice is the holder of 100% of the outstanding common stock of Dixie Holding and may be deemed to control Dixie Holding. Contran is the direct holder of approximately 88.7% and 54.3% of the outstanding common stock of Southwest and Dixie Rice, respectively, and may be deemed to control Southwest and Dixie Rice.

Mr. Harold C. Simmons is chairman of the board, president and chief

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

Substantially all of Contran's outstanding voting stock is held by two trusts, the Harold C. Simmons Family Trust No. 1 dated January 1, 1964 and the Harold C. Simmons Family Trust No. 2 dated January 1, 1964 (together, the "Trusts"), established for the benefit of Mr. Simmons' children and grandchildren, 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.

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

The Contran Deferred Compensation Trust No. 2 (the "CDCT No. 2") directly holds approximately 0.2% of the Outstanding Shares. Contran contributed to the CDCT No. 2 the 279,000 Shares directly held by the CDCT No. 2 on November 15, 1995. Contran established the CDCT No. 2 pursuant to an agreement (the "Trust Agreement"), dated as of October 1, 1995, between Contran and NationsBank of Texas, N.A., a national banking association ("NationsBank"). NationsBank serves as the trustee of the CDCT No. 2 (the "Trustee"). The CDCT No. 2 was established in connection with the Amended Deferred Compensation Agreement, dated as of October 1, 1995, between Contran and Harold C. Simmons. Pursuant to the Trust Agreement, Contran retains the right to vote the Shares held by the CDCT No. 2. Except to fund withholding obligations with respect to payments to Mr. Simmons, the Trustee may not sell the Shares without Contran's consent. Contran retains the right at anytime, in its sole discretion, to substitute assets of equal fair market value for any Shares held by the CDCT No. 2. The foregoing summary of the Trust Agreement is qualified in its entirety by reference to Exhibits 13 and 14 to this Statement, which are incorporated herein by this reference. As a result of the relationship between Contran and the CDCT No. 2, Contran (i) retains sole power to vote the Shares that Contran will contribute to the CDCT No. 2, (ii) shares dispositive power with the Trustee over such Shares and (iii) may be deemed the indirect beneficial owner of such Shares.

The Combined Master Retirement Trust (the "CMRT") directly holds approximately 0.1% of the Outstanding Shares. The CMRT is a trust formed by the Company to permit the collective investment by trusts that maintain the assets of certain employee benefit plans adopted by the Company and related companies. Mr. Simmons is sole trustee of the CMRT and 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. Mr. Simmons, however, disclaims beneficial ownership of the Shares held by the CMRT, except to the extent of his vested beneficial interest therein.

Harold C. Simmons' spouse is the direct beneficial owner of 77,000 Shares, or approximately 0.1% of the Outstanding Shares. Mr. Simmons may be deemed to share indirect beneficial ownership of such Shares. Mr. Simmons disclaims all such beneficial ownership.

The Reporting Persons understand that NL Industries, Inc. ("NL") and Valmont Insurance Company ("Valmont") directly held 1,186,200 Shares and 1,000,000 Shares, respectively. The Company and Tremont Corporation ("Tremont") are the direct holders of approximately 55.6% and 17.7%, respectively, of the outstanding common stock of NL and together may be deemed to control NL. VGI, National, Contran, NL and Valmont are the direct holders of approximately 35.2%, 4.7%, 1.1%, 0.5% and 0.4%, respectively, of the outstanding common stock of Tremont. Together, VGI, National and Contran may be deemed to control Tremont. The Company is the holder of 100% of the outstanding common stock of Valmont and may be deemed to control Valmont. Mr. Harold C. Simmons is chairman of the board of NL and is a director of Tremont.

The Reporting Persons further understand that, pursuant to Delaware law, the Company treats the Shares that Valmont and NL hold directly as treasury stock for voting purposes. For the purposes of this Statement, the Shares that Valmont and NL hold directly are not deemed outstanding.

Certain information concerning the directors and executive officers of the

Reporting Persons, including offices held by Mr. Simmons is set forth on Schedule B attached hereto and incorporated herein by reference.

(b) The principal offices of VGI, National, NOA, Dixie Holding, Southwest and Dixie Rice and Contran are located at, and the business address of Harold C. Simmons is, Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697. The principal business address of Dixie Rice is 600 Pasquiere Street, Gueydan, Louisiana 70542. The principal business address of Southwest is 402 Canal Street, Houma, Louisiana 70360. The business addresses of the remaining directors and executive officers of the Reporting Persons are set forth on Schedule B to this Statement and incorporated herein by reference.

(c) The Company is a diversified holding company engaged, through operating subsidiaries in the chemicals, component products, fast food and waste management industries.

VGI does not engage in any business activity other than holding Shares.

National is engaged directly or through subsidiaries (other than VGI and its subsidiaries), in real estate, oil and gas activities and the rental and sales of compressors and related products.

Dixie Holding does not engage in any business activity other than holding common stock of VGI and preferred stock of Contran.

NOA holds investments in land, securities and notes receivable.

Dixie Rice is engaged in (other than Dixie Holding and its subsidiaries) land management, agriculture and oil and gas activities.

Southwest is engaged in (other than NOA and its subsidiaries) land management, agriculture and oil and gas activities.

Contran is a diversified holding company engaged through its subsidiaries, other than as set forth above, in the production of, among other things, titanium metals, wire products, industrial wire and steel rod.

(d) None of the Reporting Persons or, to the best knowledge of such persons, any of the persons named in Schedule B to this Statement has been convicted in a criminal proceeding in the past five years (excluding traffic violations or similar misdemeanors).

(e) None of the Reporting Persons or, to the best knowledge of such persons, any person named in Schedule B to this Statement, was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Contran, Dixie Holding and National are Delaware corporations. VGI is a Nevada corporation. NOA is a Texas corporation. Dixie Rice and Southwest are Louisiana corporations. Harold C. Simmons and all persons named on Schedule B to this Statement are citizens of the United States, except as otherwise indicated on such Schedule.

Item 3. Source and Amount of Funds or Other Consideration

The total amount of funds required by Contran to acquire the Shares reported in Item 5(c) was \$4,403,010.00 (including commissions). Such funds were or will be provided by Contran's cash on hand and no funds were or will be borrowed for such purpose.

The Reporting Persons understand that the funds required by each person named in Schedule B to this Statement to acquire Shares were from such person's personal funds.

Item 4. Purpose of Transaction

The Reporting Persons acquired Shares to obtain an equity interest in and control of the Company. By virtue of the relationships and positions held by Harold C. Simmons as reported in Item 2, Mr. Simmons, directly and indirectly through Contran, may be deemed to control the Company.

Contran purchased the additional Shares reported in Item 5(c) of this Statement in order to increase its equity interest in the Company. Depending

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

The Reporting Persons understand that prior purchases of Shares by persons named in Schedule B to this Statement were made for the purpose of each such person's personal investment.

Except as described in this Item 4, none of the Reporting Persons nor, to the best knowledge of such persons, any other person named in Schedule B to this Statement has formulated any plans or proposals which relate to or would result in any matter required to be disclosed in response to paragraphs (a) through (j) of Item 4 of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) VGI is the direct beneficial owner of 85,644,496 Shares, or approximately 74.9% Outstanding Shares. By virtue of the relationships reported under Item 2 of this Statement, National, NOA, Southwest, Dixie Holding, Dixie Rice, Contran and Harold C. Simmons may be deemed to share indirect beneficial ownership of the Shares directly held by VGI.

National is the direct beneficial owner of 11,491,009 Shares or approximately 10.0% of the Outstanding Shares. VGI is the direct beneficial owner of 85,644,496 Shares. By virtue of the relationships reported under Item 2 of this Statement, National may be deemed to be the beneficial owner of the 97,135,505 Shares (approximately 84.9% of the Outstanding Shares) directly held by VGI and itself. By virtue of the relationships reported under Item 2 of this Statement, NOA, Southwest, Contran and Harold C. Simmons may be deemed to share indirect beneficial ownership of the Shares directly and indirectly held by National.

Contran is the direct beneficial owner of 7,601,458 Shares, or approximately 6.6% of the Outstanding Shares. VGI, National and the CDCT No. 2 are the direct beneficial owners of 85,644,496, 11,491,009 and 279,000 Shares, respectively. By virtue of the relationships described under Item 2 of this Statement, Contran may be deemed to be the beneficial owner of the 105,015,963 Shares (approximately 91.8% of the Outstanding Shares) directly held by VGI, National, the CDCT No. 2 and itself. By virtue of the relationships reported under Item 2 of this Statement, Harold C. Simmons may be deemed to share indirect beneficial ownership of the Shares directly and indirectly held by Contran.

Harold C. Simmons directly owns 3,383 Shares, or less than 0.1% of the Outstanding Shares. VGI, National, Contran, the CDCT No. 2, the CMRT and Mr. Simmons' spouse are the direct beneficial owners of 85,644,496, 11,491,009, 7,601,458, 279,000, 115,000 and 77,000 of the Shares, respectively. By virtue of the relationships described under Item 2 of this Statement, Harold C. Simmons may be deemed to share indirect beneficial ownership of the 105,211,346 Shares (approximately 92.0% of the Outstanding Shares) directly held by VGI, National, Contran, the CDCT No. 2 the CMRT and Mr. Simmons' spouse. Except for the 3,383 Shares that he holds directly and to the extent of his vested beneficial interest in Shares directly held by the CMRT, Mr. Simmons disclaims beneficial ownership of all Shares.

The Reporting Persons understand, based on ownership filings with the Securities and Exchange Commission or upon information provided by the persons listed on Schedule B to this Statement, that such persons may be deemed to personally beneficially own the Shares as indicated on Schedule C to this Statement.

(b) Each of VGI, National, Contran and Harold C. Simmons has the direct power to vote and direct the disposition of the Shares directly held by it or him. By virtue of the relationships described in Item 2:

(1) National may be deemed to share the indirect power to vote and direct the disposition of the Shares directly held by VGI;

(2) Contran, Southwest and NOA may be deemed to share the indirect power to vote and direct the disposition of the Shares directly held by VGI and National;

(3) Dixie Rice and Dixie Holding may be deemed to share the indirect power to vote and direct the disposition of the Shares directly held by VGI;

(4) Contran may also be deemed to share the indirect power to vote and direct the disposition of the Shares directly held by the CDCT No. 2; and

(5) Harold C. Simmons may be deemed to share the indirect power to vote and direct the disposition of the Shares directly held by VGI, National, Contran, the CDCT No. 2, the CMRT and his spouse.

Additionally, the Reporting Persons may be deemed to have the indirect power to direct the disposition of the Shares directly held by NL and Valmont.

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

Date	Number of Shares	Approximate Price Per Share (\$) (exclusive of commissions)
01/31/97	15,000	\$7.375
02/10/97	22,000	\$7.250
02/11/97	1,700	\$7.250
02/12/97	5,000	\$7.250
02/12/97	12,500	\$7.125
02/13/97	5,300	\$7.250
02/13/97	9,700	\$7.375
02/14/97	1,200	\$7.500
02/14/97	23,600	\$7.625
02/18/97	10,000	\$7.500
02/18/97	6,600	\$7.375
02/19/97	6,000	\$7.500
02/19/97	4,900	\$7.625
02/20/97	8,900	\$7.625
02/20/97	15,000	\$7.750
02/21/97	5,000	\$7.750
02/21/97	15,200	\$7.875
02/24/97	800	\$7.875
02/24/97	20,000	\$8.000
02/25/97	15,500	\$8.000
02/26/97	9,200	\$8.000
02/27/97	15,100	\$8.000
02/28/97	4,300	\$7.875
02/28/97	56,800	\$8.000
03/03/97	6,700	\$7.875
03/03/97	15,000	\$8.000
03/04/97	10,100	\$7.875
03/05/97	4,500	\$7.875
03/06/97	10,100	\$7.875
03/06/97	15,000	\$8.000
03/07/97	21,300	\$7.875
03/10/97	2,000	\$7.750
03/10/97	20,400	\$7.875
03/11/97	22,500	\$7.875
03/12/97	300	\$7.875
03/12/97	8,700	\$8.000
03/13/97	12,000	\$7.875
03/13/97	21,300	\$8.000
03/14/97	5,000	\$7.875
03/17/97	11,100	\$7.875
03/18/97	2,600	\$7.875
03/19/97	22,000	\$8.000
03/20/97	2,000	\$8.000

03/21/97	22,600	\$8.000
03/24/97	1,500	\$8.000
03/25/97	1,700	\$8.000
03/25/97	6,200	\$8.125
03/26/97	3,400	\$8.125
03/27/97	17,800	\$8.125
03/31/97	4,100	\$8.125

(d) Each of VGI, National, the CDCT No. 2, Contran, the CMRT, Harold C. Simmons and his spouse has the right to receive and the power to direct the receipt of dividends from, and proceeds from the sale of, the shares directly held by such entity or person.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Contran is a party to a \$20 million revolving credit and letter of credit facility dated as of October 31, 1991, as amended and supplemented through October 29, 1996 with Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (the "Paribas/Societe Facility"). Borrowings under the Paribas/Societe Facility bear interest at the rate announced publicly from time to time by each bank as its base rate or at a rate of 1.5% over the London interbank offered rate of interest ("LIBOR"), are due October 28, 1997 or such extended maturity date as may be mutually agreed to, and are collateralized by, among other things, certain Shares. On March 31, 1997, no money had been borrowed, letters of credit aggregating \$4.1 million were outstanding and 2,000,000 Shares had been pledged under the Paribas/Societe Facility. The foregoing summary of the Paribas/Societe Facility is qualified in its entirety by reference to Exhibits 1 through 9 to this Statement, which are incorporated herein by this reference.

VGI, National and Contran are parties to a \$40 million credit facility dated as of November 8, 1996 with United States National Bank of Oregon and Societe Generale, Southwest Agency (the "U.S. Bank/SoGen Facility"). Borrowings under the U.S. Bank/SoGen Facility bear interest at the rate announced publicly from time to time by each bank as its prime rate or at a rate of 1.75% over LIBOR, are due November 7, 1997 or such extended maturity date as may be mutually agreed to, and are collateralized by certain Shares. On March 31, 1997, no money had been borrowed under the U.S. Bank/SoGen Facility and 7,200,000 Shares had been pledged under the U.S. Bank/SoGen Facility. The foregoing summary of the U.S. Bank/SoGen Facility is qualified in its entirety by reference to Exhibit 10 to this Statement, which is incorporated herein by this reference.

Dixie Rice is a party to a \$1.5 million credit facility dated as of August 18, 1986 with Southern Methodist University (the "SMU Facility"). Borrowings under the SMU Facility bear interest at the greater of 7.5% per annum or 76% of the Shearson Lehman Brothers, Inc. Bond Market Report - Corporate Bond Index - Long Term (Average) Yield, are due in forty equal quarterly installments beginning September 30, 1996 and ending on June 30, 2006 and are secured by certain Shares. On March 31, 1997, approximately \$1.4 million had been borrowed under the SMU Facility and 600,000 Shares had been pledged under the SMU Facility. The Shares pledged under the SMU Facility are held directly by Contran but loaned to Dixie Rice pursuant to a Collateral Agreement, dated December 29, 1988 between Dixie Rice and Contran (the "Collateral Agreement"). The foregoing summary of the SMU Facility and the Collateral Agreement is qualified in its entirety by reference to Exhibits 11 and 12 to this Statement, respectively, which are incorporated herein by this reference.

Other than as set forth above, none of the Reporting Persons or, to the best knowledge of such persons, any person named in Schedule B to this Statement has any contract, arrangement, understanding or relationship (legal or otherwise) with any person with respect to securities of the Company, including, but not limited to, transfer or voting of any such securities, finder's fees, joint ventures, loans or option arrangements, puts or calls, guarantees of profits, division of profits or losses, or the giving or withholding of proxies.

Item 7. Material to be Filed as Exhibits.

Exhibit 1 Letter Agreement dated as of October 31, 1991 among Contran,

Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 39 to the Schedule 13D filed by NL Industries, Inc., the Combined Master Retirement Trust and Contran Corporation with respect to common stock of Keystone Consolidated Industries, Inc. and referred to herein as the "Keystone Schedule 13D").

- Exhibit 2 First Amendment to Letter Agreement and Security Agreement dated as of December 17, 1991 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 39 to the Keystone Schedule 13D).
- Exhibit 3 Second Amendment to Letter Agreement and Security Agreement dated as of October 31, 1992 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 39 to the Keystone Schedule 13D).
- Exhibit 4 Third Amendment to Letter Agreement and Security Agreement dated as of October 31, 1993 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 39 to the Keystone Schedule 13D).
- Exhibit 5 Fourth Amendment to Letter Agreement and Security Agreement effective as of September 30, 1994 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 44 to the Keystone Schedule 13D).
- Exhibit 6 Fifth Amendment to Letter Agreement and Security Agreement effective as of October 31, 1994 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 44 to the Keystone Schedule 13D).
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- Exhibit 8 Seventh Amendment to Letter Agreement and Security Agreement effective as of March 27, 1996 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 44 to the Keystone Schedule 13D).
- Exhibit 9* Eighth Amendment to Letter Agreement and Security Agreement effective as of October 29, 1996 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency.
- Exhibit 10* Loan Agreement, dated as of November 8, 1996, among Valhi Group, Inc., National City Lines, Inc., Contran Corporation, United States National Bank of Oregon and Societe Generale, Southwest Agency.
- Exhibit 11* Loan and Pledge Agreement, dated as of August 18, 1986, between Dixie Rice Agricultural Corporation, Inc. and Southern Methodist University
- Exhibit 12* Collateral Agreement, dated as of December 29, 1988, between Dixie Rice Agricultural Corporation, Inc. and Contran Corporation.
- Exhibit 13 Contran Deferred Compensation Trust No. 2, dated as of October 1, 1995, between Contran Corporation and NationsBank of Texas, N.A. (incorporated by reference to Exhibit 1 to Amendment No. 43 to the Keystone Schedule 13D).
- Exhibit 14* Amendment One to the Contran Deferred Compensation Trust No. 2, dated as of December 18, 1996, between Contran Corporation and NationsBank of Texas, N.A.

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[FN]
* Filed herewith.

Signature

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

Date: March 31, 1997

By: /s/ Harold C. Simmons

Harold C. Simmons
Signing in his individual capacity only.

Signature

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

Date: March 31, 1997

/s/ Steven L. Watson

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

SCHEDULE A

Steven L. Watson, as Vice President of each of:

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

Schedule B

The names of the directors and executive officers of Contran Corporation ("Contran"), Dixie Rice Agricultural Corporation, Inc. ("Dixie Rice"), Dixie Holding Company ("Dixie Holding"), National City Lines, Inc. ("National"), NOA, Inc. ("NOA"), Southwest Louisiana Land Company, Inc. ("Southwest"), Valhi Group, Inc. ("VGI") and their present principal occupations are set forth below. Except as otherwise indicated, the business address of each such person is 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240.

Name	Present Principal Occupation
Eugene K. Anderson	Vice President of Contran, Dixie Holding, NOA, National, Valhi, Inc. ("Valhi") and VGI
F. Murlyn Broussard	Treasurer of Southwest. 402 Canal Street, Houma, LA 70360

J. Mark Hollingsworth General Counsel of Contran, Dixie Holding, Dixie Rice, NOA, National, Southwest and Valhi.

William J. Lindquist Vice President and Tax Director of Contran, Dixie Holding, Dixie Rice, NOA, National, Southwest, VGI and Valhi.

Andrew McCollam, Jr. Director of Dixie Rice; President and Director of Southwest; Private Investor. 402 Canal Street, Houma, LA 70360
Present Principal Occupation

Harold M. Mire President of Dixie Rice; Vice President and General Manager of Southwest. 600 Pasquiere Street, Gueydan, LA 70542

Bobby D. O'Brien Vice President and Treasurer of Contran, Dixie Holding, NOA, National, VGI and Valhi; Vice President of Dixie Rice and Southwest.

Glenn R. Simmons Vice Chairman of the Board and Director of Contran, Dixie Holding, NOA, National, VGI and Valhi. Director of NL and Tremont. Director and Executive Vice President of Southwest and Dixie Rice. Director and Chairman of the Board of Keystone Consolidated Industries, Inc. ("Keystone") (wire products, industrial wire and steel rod manufacturer).

Harold C. Simmons Chairman of the Board, Chief Executive Officer, Director and President of Contran, Dixie Holding, NOA, National, VGI and Valhi. Chairman of the Board, Chief Executive Officer and Director of Dixie Rice and Southwest. Director and Chairman of the Board of NL; Director of Tremont.

Robert W. Singer Vice President of Contran and Valhi; President and Chief Executive Officer of Keystone

Richard A. Smith Director and Treasurer of Dixie Rice. 600 Pasquiere Street, Gueydan, LA 70542-0010

Gregory M. Swalwell Controller of Contran, Dixie Holding, NOA, National, Southwest, VGI and Valhi.

Steven L. Watson Vice President and Secretary of Contran, Dixie Holding, Dixie Rice, NOA, National, Southwest, VGI and Valhi.

SCHEDULE C

Based upon ownership filings with the Securities and Exchange Commission or upon information provided by the persons listed on Schedule B to this Statement, such persons may be deemed to personally beneficially own Shares, as outlined below:

Name	Shares Held	Options Held (1)
-----	-----	-----
Eugene K. Anderson (2)	1,446	12,000

F. Murlyn Broussard (3)	1,157	---
J. Mark Hollingsworth	---	57,600
William J. Lindquist(4)	2,713	157,000
Andrew McCollam, Jr.	550	---
Harold M. Mire	1,137	---
Bobby D. O'Brien	---	40,000
Glenn R. Simmons(5)	52,683	640,000
Harold C. Simmons(6)	80,383	650,000
Robert W. Singer(7)	54,015	50,000
Richard A. Smith	2,610	---
Gregory M. Swalwell(8)	1,166	72,000
Steven L. Watson(9)	18,635	226,000

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[FN]

- (1) Represents Shares issuable pursuant to the exercise within 60 days of the date of this Statement of stock options.
- (2) The Reporting Persons understand that the Shares indicated as held by Eugene K. Anderson include 1,446 Shares held in his individual retirement account.
- (3) The Reporting Persons understand that the Shares indicated as held by F. Murlyn Broussard include 1,157 Shares held in his individual retirement account.
- (4) The Reporting Persons understand that the Shares indicated as held by William J. Lindquist include 2,713 Shares held in his individual retirement account.
- (5) The Reporting Persons understand the Shares indicated as held by Glenn R. Simmons include 4,383 Shares held in his individual retirement account. The Reporting Persons further understand that the Shares indicated as held by Mr. Simmons also include 3,000 Shares held by Mr. Simmons' wife and 800 Shares held in his wife's retirement account, with respect to all of which beneficial ownership is disclaimed by Mr. Simmons.
- (6) The Reporting Persons understand that the Shares indicated as held by Harold C. Simmons include 77,000 Shares held by Mr. Simmons wife, with respect to all of which beneficial ownership is disclaimed by Mr. Simmons. Mr. Simmons may be deemed to possess indirect beneficial ownership of the Shares set forth in Item 5(a) of this Statement, held by other Reporting Persons. Except for the 3,383 Shares that he owns directly and to the extent of his vested beneficial interest in Shares directly held by the CMRT, Mr. Simmons disclaims beneficial ownership of all Shares.
- (7) The Reporting Persons understand that the Shares indicated as held by Robert W. Singer include 8,515 Shares held in his individual retirement account and 10,000 Shares held in another of his retirement accounts. The Reporting Persons further understand that the Shares indicated as held by Mr. Singer include 5,000 Shares held by Mr. Singer's wife in a retirement account, with respect to all of which beneficial ownership is disclaimed by Mr. Singer.
- (8) The Reporting Persons understand that the Shares indicated as held by Gregory M. Swalwell include 1,166 Shares held in his individual retirement account.
- (9) The Reporting Persons understand that the Shares indicated as held by Steven L. Watson include 3,035 Shares held in his individual retirement account.

EXHIBIT INDEX

Exhibit 1 Letter Agreement dated as of October 31, 1991 among Contran, Banque Paribas, Houston Agency and Societe Generale, Southwest

Agency (incorporated by reference to Exhibit 1 to Amendment No. 39 to the Schedule 13D filed by NL Industries, Inc., the Combined Master Retirement Trust and Contran Corporation with respect to common stock of Keystone Consolidated Industries, Inc. and referred to herein as the "Keystone Schedule 13D").

- Exhibit 2 First Amendment to Letter Agreement and Security Agreement dated as of December 17, 1991 among Contran Corporation, Banque Paribas, Houston Agency and Societe Generale, Southwest Agency (incorporated by reference to Exhibit 1 to Amendment No. 39 to the Keystone Schedule 13D).
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- Exhibit 10* Loan Agreement, dated as of November 8, 1996, among Valhi Group, Inc., National City Lines, Inc., Contran Corporation, United States National Bank of Oregon and Societe Generale, Southwest Agency.
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- Exhibit 14* Amendment One to the Contran Deferred Compensation Trust No. 2, dated as of December 18, 1996, between Contran Corporation and NationsBank of Texas, N.A.

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[FN]

* Filed herewith.

Effective as of October 29, 1996

Contran Corporation
Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
Attention: Mr. William C. Timm,
Vice President-Finance

Re: Eighth Amendment to Letter Agreement and Security Agreement

Ladies and Gentlemen:

Reference is made to that certain (a) Letter Agreement dated October 31, 1991, by and among BANQUE PARIBAS HOUSTON AGENCY ("Paribas"), SOCIETE GENERALE, SOUTHWEST AGENCY ("SG"), BANQUE PARIBAS HOUSTON AGENCY as Agent for Paribas and SG ("Agent") and CONTRAN CORPORATION ("Borrower") relating to a line of credit and letter of credit facility extended to Borrower (as amended, the "Letter Agreement"), (b) Security Agreement dated October 31, 1991, executed by Borrower to and in favor of Agent, Paribas and SG (as amended, the "Security Agreement"), (c) First Amendment to Letter Agreement and Security Agreement dated December 17, 1991, by among Borrower, Paribas, SG and Agent, (d) Second Amendment to Letter Agreement and Security Agreement dated October 31, 1992, by and among Borrower, Paribas, SG and Agent, (e) Third Amendment to Letter Agreement and Security Agreement dated October 31, 1993, by and among Borrower, Paribas, SG and Agent, (f) Fourth Amendment to Letter Agreement and Security Agreement dated September 30, 1994, by and among Borrower, Paribas, SG and Agent, (g) Fifth Amendment to Letter Agreement and Security Agreement dated October 31, 1994, by and among Borrower, Paribas, SG and Agent, (h) Sixth Amendment to Letter Agreement and Security Agreement dated October 30, 1995, by and among Borrower, Paribas, SG and Agent, and (i) Seventh Amendment to Letter Agreement and Security Agreement dated as of March 27, 1996, by and among Borrower, Paribas, SG and Agent. Borrower, Paribas, SG and Agent desire to amend the Letter Agreement and the Security Agreement as hereinafter set forth.

Accordingly, Borrower, Paribas, SG and Agent, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

1. Definitions. The term "Letter Agreement", as used in this Eighth Amendment to Letter Agreement and Security Agreement (this "Amendment"), shall mean the Letter Agreement referred to hereinabove, as amended hereby. The term "Security Agreement", as used in this Amendment, shall mean the Security Agreement referred to hereinabove, as amended hereby. Capitalized terms used in this Amendment, if and to the extent not otherwise defined in this Amendment, shall have the same meanings in this Amendment as in the Letter Agreement; provided, however, that capitalized terms used in amended terms and provisions of the Security Agreement shall have the same meanings as in the Security Agreement.

2. Amendments to the Letter Agreement.

(a) Facility. The section of the Letter Agreement entitled "Facility" is hereby amended to read in its entirety as follows:

"\$20,000,000 (the 'Committed Amount') aggregate committed line of credit for loans (the 'Loans') and letters of credit (the 'Letters of Credit'), subject to the Advance Rate (as hereinafter defined) and the other terms and conditions of this Agreement and the other Loan Papers (as hereinafter defined); provided, however, that the commitment of Paribas shall be \$10,000,000 of the Committed Amount and the commitment of SG shall be \$10,000,000 of the Committed Amount. The commitments of Banks under this Facility shall expire on the earlier to occur of the Maturity Date (as hereinafter defined) or the occurrence of an Event of Default. Banks shall not be obligated to make any advances of Loans or issue any Letter of Credit under the Facility on or after the Maturity Date."

(b) Maturity Date. The section of the Letter Agreement entitled "Maturity Date" is hereby amended to read in its entirety as follows:

"October 28, 1997 (the "Maturity Date"), subject to acceleration upon the occurrence of an Event of Default."

(c) Other Terms and Provisions. The first sentence of the section of the Letter Agreement entitled "Other Terms and Provisions" is hereby amended to read in its entirety as follows:

"In addition to the terms and provisions specified herein, the terms and provisions contained in that certain (a) Security Agreement dated October 31, 1991, executed by Borrower to and in favor of Agent and Banks, as amended by that certain (i) First Amendment to Letter Agreement and Security Agreement dated December 17, 1991, by and among Borrower, Banks and Agent, (ii) Second Amendment to Letter Agreement and Security Agreement dated October 31, 1992, by and among Borrower, Banks and Agent, (iii) Third Amendment to Letter Agreement and Security Agreement dated October 31, 1993, by and among Borrower, Banks and Agent, (iv) Fourth Amendment to Letter Agreement and Security Agreement dated September 30, 1994, by and among Borrower, Banks and Agent, (v) Fifth Amendment to Letter Agreement and Security Agreement dated October 31, 1994, by and among Borrower, Banks and Agent, (vi) Sixth Amendment to Letter Agreement and Security Agreement dated October 30, 1995, by and among Borrower, Banks and Agent, (vii) Seventh Amendment to Letter Agreement and Security Agreement dated March 27, 1996, by and among Borrower, Banks and Agent, and (viii) Eighth Amendment to Letter Agreement and Security Agreement dated October 29, 1996, by and among Borrower, Banks and Agent (as amended, the "Security Agreement"), (b) Amended and Restated Promissory Note dated October 29, 1996, in the original principal amount of \$10,000,000 made by Borrower payable to the order of Paribas (the "Paribas Note"), (c) Amended and Restated Promissory Note dated October 29, 1996, in the original principal amount of \$10,000,000 made by Borrower payable to the order of SG (the "SG Note") (the Paribas Note and the SG Note, together with all renewals, extensions, amendments and replacements thereof from time to time, are hereinafter collectively called the "Promissory Notes"), and (d) all other agreements, documents, instruments and certificates executed or delivered in connection herewith (this Agreement, the Security Agreement, the Promissory Notes and such other agreements, documents, instruments and certificates, as the same may be amended, renewed, extended, restated or supplemented from time to time, are hereinafter collectively called the "Loan Papers"), all of which are incorporated herein by reference for all purposes, shall apply and shall govern the relationship among Borrower, Agent and Banks with respect to the Facility."

3. Amendments to the Security Agreement.

(a) Definition of Loan Papers. The first sentence of Subparagraph (f) of Paragraph 21 of the Security Agreement is hereby amended to read in its entirety as follows:

"The term "Loan Papers", as used in this Agreement, shall mean and refer to (i) the Letter Agreement, (ii) that certain Amended and Restated Promissory Note dated October 29, 1996, in the original principal amount of \$10,000,000 made by the undersigned payable to the order of Banque Paribas Houston Agency, (iii) that certain Amended and Restated Promissory Note dated October 29, 1996, in the original principal amount of \$10,000,000 made by the undersigned payable to the order of Societe Generale, Southwest Agency, (iv) this Agreement, and (v) the other "Loan Papers", as such term is defined in the Letter Agreement, as the same may be amended, renewed, extended, restated or supplemented from time to time."

4. Ratifications, Representations and Warranties.

(a) Except as expressly amended by this Amendment, the terms and provisions of the Letter Agreement and the Security Agreement are hereby

ratified and confirmed and shall continue in full force and effect. The Letter Agreement and the Security Agreement as amended hereby shall continue to be legal, valid, binding and enforceable in accordance with their terms.

(b) Borrower hereby represents and warrants to Banks that the execution, delivery and performance of this Amendment and all other Loan Papers executed and/or delivered in connection herewith, and the performance of the transactions contemplated hereby and thereby, have been duly authorized by all requisite corporate action on the part of Borrower and will not violate the Certificate of Incorporation or Bylaws of Borrower or any other material agreement, document, instrument or certificate to which Borrower, or any of its assets, is a party or is bound or affected.

5. Conditions Precedent. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

(a) Agent shall have received the following, each dated (unless otherwise indicated) the date of this Amendment, in form and substance satisfactory to Banks:

(i) an Amended and Restated Promissory Note in the original principal amount of \$10,000,000 made by Borrower payable to the order of Paribas and an Amended and Restated Promissory Note in the original principal amount of \$10,000,000 made by Borrower payable to the order of SG;

(ii) an Amended and Restated Federal Reserve Form U-1 executed by Borrower pertaining to this Amendment; and

(iii) a Corporate Certificate executed by Borrower and certain officers of Borrower evidencing that the transactions contemplated by this Amendment have been duly authorized by all requisite corporate action on the part of Borrower.

(b) All corporate proceedings taken in connection with the transactions contemplated by this Amendment and all agreements, documents, instruments and certificates and other legal matters incident thereto shall be reasonably satisfactory to Agent and its legal counsel, Jenkins & Gilchrist, P.C.

6. Miscellaneous.

(a) All representations and warranties contained in this Amendment shall survive the execution and delivery of this Amendment and the other Loan Papers, and no investigation by Agent or Banks or any closing shall affect such representations and warranties or the right of Agent and Banks to rely thereon.

(b) The Loan Papers are hereby amended so that any reference therein to the Letter Agreement or the Security Agreement shall mean a reference to the Letter Agreement or the Security Agreement, respectively, as amended hereby.

(c) Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

(d) This Amendment is binding upon and shall inure to the benefit of Banks, Agent and Borrower and their respective successors and assigns; provided, however, that Borrower may not assign or transfer any of its rights or obligations hereunder without the prior written consent of Banks.

(e) This Amendment may be executed in one or more counterparts.

(f) Borrower agrees to pay on demand by Agent the reasonable fees and out-of-pocket expenses of counsel to Agent and Paribas in connection with the preparation, negotiation and execution of this Amendment and the other Loan Papers executed pursuant hereto.

(g) THIS AMENDMENT, TOGETHER WITH THE OTHER LOAN PAPERS AS WRITTEN, REPRESENT THE FINAL AGREEMENTS BETWEEN AND AMONG THE PARTIES HERETO WITH RESPECT TO THE FACILITY, THE LOANS AND THE LETTERS OF CREDIT AND MAY NOT BE CONTRADICTED BY EVIDENCE OR PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL

AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN
(1) BORROWER AND (2) AGENT OR ANY BANK.

If you are in agreement with all of the terms and conditions stated herein,
please indicate by signing below whereupon this Amendment shall become effective
as of the date first above written.

Sincerely,

BANQUE PARIBAS HOUSTON AGENCY
Individually and as Agent

By: /s/ Scott Clingan

Name: Scott Clingan
Title: Vice President

By: /s/ Larry Robinson

Name: Larry Robinson
Title: Vice President

SOCIETE GENERALE, SOUTHWEST AGENCY

By: /s/ Richard M. Lewis

Name: Richard M. Lewis
Title: Vice President

AGREED AND ACCEPTED:

CONTRAN CORPORATION

By: /s/ William C. Timm

Name: William C. Timm
Title: Vice President-Finance

LOAN AGREEMENT

This loan agreement (this "Agreement") is dated as of November 8, 1996, and is among Contran Corporation, a Delaware corporation ("Contran"), the affiliated corporations herein referred to as the "Contran Affiliates," United States National Bank of Oregon ("USBO"), and Societe Generale, Southwest Agency ("SoGen").

Recitals

A. Contran, the Contran Affiliates, the Agent, and the Bank Group desire to enter into the Loan Documents under which the members of the Bank Group will severally make Advances to Contran aggregating no more than the Maximum Availability at any one time.

B. The members of the Bank Group are prepared to severally make Advances and extend credit to Contran aggregating no more than the Maximum Availability at any one time under the terms and conditions of the Loan Documents.

NOW, THEREFORE, for value, it is agreed that:

I. DEFINITIONS; CONSTRUCTION MATTERS.

A. Definitions. As used in the Loan Documents:

"Advance" means the substantially contemporaneous Advances or extensions of credit made by the members of the Bank Group to Contran under the Loan Documents for the benefit of one or more members of the Contran Companies;

"Agent" means USBO or any successor or assignee when acting as the administrative agent for the Bank Group under the Loan Documents;

"Allowed Uses" means the general corporate purposes of the Contran Companies including the purchase of margin stock;

"Available" or "Availability" means the difference between the Maximum Availability and the outstanding balance of the Advances at the time that Availability is being determined;

"Average Availability" means the difference between the Maximum Availability and the average outstanding principal balance of the Advances during a Quarter;

"Bank Group" means USBO, SoGen, and any banks hereafter added to this Agreement by modification agreement;

"Bank Group Majority" means USBO and SoGen;

"Banking Day" means a day when all members of the Bank Group are open to the public at their main offices for carrying on substantially all of its banking activities (except for a Saturday, Sunday, or a bank holiday listed in '707.430 of the Oregon Revised Statutes) and, with respect to LIBOR Advances, a day upon which banks transact business on the London interbank market for Eurodollars;

"Commitment Fee" means a fee, which is payable quarterly in arrears as of the last Banking Day of each Quarter for the Average Availability in that Quarter and which will be calculated by the Agent by multiplying the Average Availability in such Quarter by 37.5 basis points per annum (365/366 day year) on a prorated basis;

"Contran Companies" means Contran and the Contran Affiliates and "Contran Company" means any one of the Contran Companies;

"Contran Affiliates" means NCL and VGI and "Contran Affiliate" means either NCL or VGI;

"Credit Line" means the revolving lines of credit being severally extended by the members of the Bank Group to and for the benefit of the Contran Companies under the terms and conditions of the Loan Documents;

"Default Rate" means the rate of interest that is otherwise applicable plus an additional 2% per annum;

"Eurodollars" means U.S. dollars to be deposited in a bank or other financial institution located outside of the United States;

"Expiry Date" means the date which is 364 days following the date of this Agreement, and any anniversary of such date as extended by mutual agreement of the Contran Companies and the Bank Group;

"Guaranty" means the unconditional payment guaranty to be issued to each member of the Bank Group by the Contran Affiliates in the form attached as exhibit A;

"Hazardous Material" or "Hazmat" means any waste, substance, mixture, pollutant or contaminant defined as hazardous, toxic or radioactive under any federal, state, or local statutory laws, regulations, or orders and includes, whether or not so defined, petroleum and natural gas products, polychlorinated biphenyls and asbestos-containing materials;

"Interest Period" means as of the end of each calendar month for Prime Rate Advances and a period of 1 month, 2 months, 3 months or 6 months as selected by Contran for each LIBOR Advance, and, if any Interest Period would otherwise end on a day which is not a Banking Day, such Interest Period will end on the next succeeding Banking Day unless such day falls in the next calendar month in which case that Interest Period will end on the last Banking Day in the immediately preceding calendar month;

"LIBOR" means the London interbank offered rate of interest, as determined and quoted by the Agent, for a deposit of Eurodollars in the amount of the Advance requested by Contran, rounded up to the nearest 1/16th of 1% and adjusted for any reserves, FDIC insurance premiums or other charges which would be payable by any member of the Bank Group in connection therewith, plus 1.75% per annum;

"LIBOR Advance" means an Advance to which the LIBOR applies;

"LTV" means the percentage resulting from dividing the outstanding principal balance of the Advances on the date the LTV is being determined by the published closing prices for the preceding trading day, as published in the Wall Street Journal or, if the prices are not published, as reasonably determined by the Agent, of the security interest of the Bank Group (i.e., market value less the amount secured by any prior liens and security interests or any offsets, defenses, or counterclaims, such as unpaid subscription liability, asserted by the issuer of any investment security) in the Pledged Securities;

"Loan Documents" means this Agreement, the Guaranties, the Notes, and the Security Documents, as originally executed and as hereafter extended and/or modified;

"Maximum Availability" means \$40,000,000 until changed by mutual agreement or reduced by Contran as provided in this Agreement.

"NCL" means National City Lines, Inc., a Delaware corporation;

"Note" means the note to be issued by Contran to each member of the Bank Group in the form attached as exhibit B;

"Notice of Borrowing" means the notice of intention to borrow to be given by Contran to the Agent in the form attached as exhibit C;

"Obligations" means the debts and obligations of the Contran Companies to the Bank Group and the Agent under the Loan Documents, including repayment of the Advances;

"Per annum" means, when referring to interest, the actual number of days elapsed in an Interest Period over a denominator of 360 days;

"Percentage Interest" means the percentage interest of each member of the Bank Group determined by dividing its commitment by the Maximum Availability;

"Pledged Securities" means initially the 7,200,000 shares of common stock that have been issued by Valhi and 3,042,467 shares of common stock that have been issued by Tremont and any investment securities that are pledged to the Bank Group under 'II.B.10 of this Agreement to secure payment and performance of the Obligations;

"Prime Rate" means the rate of interest publicly-announced by the Agent from time to time as its prime rate of interest for Advances to commercial customers;

"Prime Rate Advance" means an Advance to which the Prime Rate is applicable;

"Prospective Default" means an event of Default but for the giving of any required notice, the passage of any applicable grace or notice period, or both;

"Quarter" means a calendar quarter;

"Security Document" means the securities pledge agreement to be executed by the Contran Affiliates in the form attached as exhibit D, and the related stock powers and compliance forms, and any security agreement and financing statements that any Contran Company hereafter executes to secure performance of the Obligations;

"Tremont" means Tremont Corporation, a Delaware corporation;

"Valhi" means Valhi, Inc., a Delaware corporation; and

"VGI" means Valhi Group, Inc., a Delaware corporation.

B. Additional References.

1. Accounting Terms. Accounting terms which are not specifically defined in the Loan Documents will be defined or interpreted and all reporting practices will be performed, in accordance with generally accepted accounting principles ("GAAP") unless the Bank Group has given its prior written consent to a different accounting definition, interpretation or practice. Without thereby limiting the generality of the foregoing, all financial statements and calculations which are based on financial condition or results of operations as of specific dates or for specific periods (including compliance with financial covenants) will be calculated on a consolidated basis unless otherwise specified. Whenever any Loan Document calls for a payment to be made or an event to occur annually or quarterly, the reference is to Contran's fiscal year and fiscal quarter. The term "financial statements" means balance sheets and statements of income and cash flows prepared in reasonable detail, on a comparative basis, and in accordance with GAAP for the interim (quarterly) accounting periods and balance sheets and statements of income, cash flows, and equity, and related footnotes, for the annual accounting periods.
2. Legal Terms. The definitions and substantive terms of the Uniform Commercial Code, the Uniform Fraudulent Transfer Act, and the Bankruptcy Code will be used as additional aids to construction of the Loan Documents before resort to any other source. The word "execute" means to subscribe and deliver a document. The term "investment security" means the obligation of an issuer, or a share, participation, or other interest in an issuer or in property or an enterprise of an issuer, and any related certificate and entitlement, including a warrant, dividend, or other distribution in respect thereof.
3. Date/Time. Whenever a date or time is specified in the Loan Documents, it means such date or time in Portland, Oregon.
4. Schedules/Exhibits. The schedules and exhibits, if any, that are attached to this Agreement incorporated into this Agreement by this reference.
5. Gender; Number. The Loan Documents are intended to be gender neutral and the neuter pronoun can refer not only to an organization but also to an individual. Use of the singular can

include the plural and vice versa. Where the singular refers to several persons, the liability of such persons is joint and several.

6. Conflicts. The terms and conditions of the Loan Documents are intended to complement and supplement each other and are to be construed so as to be consistent and complimentary. In the event that a conflict of terms cannot be reconciled, the terms and conditions of this Agreement will govern over any conflicting terms or conditions in any other Loan Document.
7. Captions. Captions and headings are merely for convenience and substantively are not a part of the Loan Documents.
8. Governing Law. Construction, performance, and enforcement of the Loan Documents will be governed by the substantive provisions (i.e., without regard to the rules for conflict of laws) of Oregon law, but if the Bank Group has greater rights or remedies under federal law, then such rights and remedies under federal law also will be available to the Bank.
9. Complete Agreement. The Loan Documents are the complete, final, and exclusive agreement of the parties. No term or condition can or will be explained, supplement, waived, or modified by conduct or oral agreement either before, at, or after signing and delivery of the Loan Documents.

II. THE LINE OF CREDIT.

A. Advances.

1. Commitment. Upon satisfaction of the conditions precedent by the Contran Affiliates or waiver thereof by the Bank Group, each member of the Bank Group severally promises and agrees (commits) to make Advances and/or extend credit (all such Advances and/or extensions of credit at substantially the same time being an "Advance") to the Contran Companies for the Allowed Uses until the Expiry Date as long as at the time of such Advance (a) Contran is not in Default or Prospective Default under the Loan Documents, (b) the aggregate principal amount of all outstanding Advances and the requested Advance does not exceed the Maximum Availability, and (c) the LTV after such Advance will not exceed 40%.
2. Revolving Nature. The commitments of the Bank Group are revolving in nature so the Contran Companies may borrow and repay at any time and from time to time without penalty or premium (except for breakage charges collectible in connection with full or partial prepayment of LIBOR Advances) subject to the terms and conditions of the Loan Documents. LIBOR Advances mature and must be repaid or renewed at a new LIBOR or at the Prime Rate at the end of the Interest Period applicable thereto. Prime Rate Advances mature and must be repaid on the Expiry Date.
3. Notice of Borrowing. In order to borrow (obtain a LIBOR Advance or a Prime Rate Advance), convert a Prime Rate Advance to a LIBOR Advance or vice versa, or replace an LIBOR Advance with another new LIBOR Advance at the end of an Interest Period, Contran must submit a Notice of Borrowing to the Agent through an authorized representative (a) not later than 10 a.m. on the date of any requested Prime Rate Advance and (b) not later than 9 a.m. on the third Banking Day before the effective date of a LIBOR Advance, unless the Advance is requested orally and the Agent grants the request, in which case either the Advance will be repaid or a Notice of Borrowing will be submitted to the Agent in writing within 48 hours following the oral request (including any breakage charge related thereto).

The Notice of Borrowing will specify the date when the Advance is to be funded, converted, or renewed, the amount thereof, the applicable interest rate and, if the LIBOR has been selected, the Interest Period. Each Notice of Borrowing and oral request will be irrevocable and the Agent and the Bank Group will be entitled

to procure funds in reliance on such Notice of Borrowing and oral request; provided, however, that Contran may withdraw any Notice of Borrowing at any time prior to the funding of such Advance as long as Contran pays all reasonable direct costs and expenses (including breakage charges) incurred by any member(s) of the Bank Group in reliance on such Notice of Borrowing. No LIBOR Interest Period may be selected that extends beyond the Expiry Date. The Prime Rate will be applicable to each Advance unless Contran has properly selected the LIBOR.

4. Disbursement of Proceeds. All Advances will be funded by wiring the proceeds thereof into Contran's general corporate checking account.
5. Interest Rates. The rates of interest payable by Contran will be (a) the Prime Rate on each Prime Rate Advance and (b) if selected by Contran, the LIBOR plus a margin of 1.75% (175 basis points) per annum for on each LIBOR Advance in the minimum amount of \$1,000,000 and increments of \$500,000 in excess of the minimum amount.
6. Principal Repayment. Contran will repay the Advances on or before the Expiry Date.

B. General Matters.

1. Medium. All Advances will be made by, and all payments will be made to, the Bank Group in immediately available U.S. dollars.
2. Interest Payments. Interest on Prime Rate Advances is due monthly in arrears. Interest on LIBOR Advances is due in arrears at the end of the Interest Period and, in the event of any 6-month LIBOR Interest Period, at the end of the first 90 days of the Interest Period.
3. Payments. Any payment received by the Agent after noon will be deemed to have been made on the next following Banking Day and interest will accrue to that day. In the event that the date specified for payment is not a Banking Day, then interest will accrue to and the payment will be made on the next following Banking Day; provided, however, that if the next Banking Day following the end of an Interest Period for a LIBOR Advance is in the following calendar month, then payment or renewal of the LIBOR Advance will be due on the last Banking Day which precedes the end of that Interest Period. All payments will be applied, to the extent amounts are due, first to costs (including breakage charges), then to fees, then to accrued interest, and finally to principal.
4. Breakage Charge. Contran may prepay a LIBOR Advance only upon three days' advance written notice and upon payment of the breakage charge specified in the Note.
5. Terminating LIBOR. The Bank Group is offering the LIBOR to Contran on the assumption that there will continue to be an active interbank market in Eurodollars. If that market ceases to exist or if it otherwise becomes illegal or impractical for any member of the Bank Group to fund an Advance with reference to this source of funds, then the Bank Group member(s) so affected will give notice of such illegality or impracticality to Contran and any future loan from those members of the Bank Group will be at the Prime Rate.
6. Increased Costs. If any member of the Bank Group is required to increase its reserves, insurance premiums, or regulatory capital or to pay additional taxes (other than income taxes) in order to make Advances to Contran because of the future enactment, promulgation, or amendment of any statute, regulation, or order by a government or governmental subdivision or agency, then Contran will reimburse such member(s) of the Bank Group on demand for all such increased costs as estimated in writing with reasonable particularity by such member.
7. Notes; Promise of Repayment. Contran promises and agrees to issue a note to each member of the Bank Group in the amount of

such member's commitment and to repay all Advances, plus interest, fees, costs and expenses, to the order of each member of the Bank Group in accordance with such member's Percentage Interest.

8. Guaranty; Promise of Repayment. The Contran Affiliates jointly and severally promise and agree to issue the guaranty to each member of the Bank Group and to repay each Bank Group member's Percentage Interest of all Advances, plus interest, fees, costs and expenses, to such member's order in accordance with the terms hereof and of the note.
9. Nature of Liability. Contran, VGI, and NCL are jointly, severally, and primarily liable for performance of the Obligations.
10. Maintenance of Loan-to-Value Ratio: Mandatory Prepayment or Pledge of Additional Pledged Securities. If the outstanding principal balance of the Advances at any time results in an LTV of more than 50%, the Contran Affiliates immediately will either (a) make a prepayment of principal so as to reduce the LTV to 50% or less and/or (b) pledge additional investment securities in quality and quantity reasonably acceptable to the Bank Group so as to reduce the LTV to 50% or less. For the purposes of this paragraph, the Bank Group acknowledges and agrees that the Contran Companies always may pledge additional shares of Valhi common stock owned by a Contran Company in order to meet the LTV requirement. Prepayments required under this section will be applied first to Prime Rate Advances, because such Advances may be prepaid without payment of the breakage charge, and then to LIBOR Advances in an order which first pays the LIBOR Advance(s) with the shortest remaining time until maturity, then the next shortest period, etc. If additional investment securities are pledged and the value of the pledged securities later increases, the Agent will, upon the written request of the Contran Affiliates, return to the Contran Affiliates any of the additional pledged securities (but not the Valhi or Tremont shares pledged initially) which are not then necessary to maintain the LTV at 50% or less.
11. Waiver; Forbearance. Each Contran Affiliate waives acceptance, presentment (including notice of dishonor) and all claims, offsets, defenses, and counterclaims based on suretyship or impairment of collateral. Without limiting the foregoing, each Contran Affiliate consents to extension of due dates, material modifications, and impairment of contribution rights and the value of interests in collateral without prior notice or demand.

III. CONDITIONS PRECEDENT.

- A. Conditions to First Borrowing. The following are conditions precedent which must be satisfied by the Contran Affiliates or waived by the Bank prior to the first Advance:
 1. Loan Documents. Contran has duly executed (signed, acknowledged where appropriate, and delivered) the Loan Documents;
 2. Guaranties. The Contran Affiliates have executed the Guaranties and the Security Documents;
 3. Corporate Documents. Each Contran Company has delivered certified true copies of currently effective (a) articles of incorporation, bylaws, and similar governance documents (its "organization documents"), (b) resolutions of its board of directors authorizing it to execute each of the Loan Documents to which such organization is a party and to perform the Obligations, and specifying the representative(s) who will execute the Loan Documents on its behalf (and, for Contran, who may request Advances) (its "borrowing resolutions"), and (c) an incumbency certificate executed by its corporate secretary containing specimen signatures of the representatives who will execute the Loan Documents and, in the case of Contran, request Advances (its "incumbency certificate");

4. Representations and Warranties. The representations and warranties made by the Contran Affiliates in the Loan Documents are true, complete and correct in all material respects as of the date upon which the Loan Documents are executed and the date upon which the first loan is requested and a duly authorized representative of each Contran Affiliate has executed a certificate dated as of the date of the first Advance certifying the continued accuracy and completeness of the representations and warranties;
 5. Legal Opinion. Contran's general counsel has rendered an opinion to the Bank Group opining that as of the date of the Loan Documents (a) each Contran Company is an existing Delaware corporation that has been duly organized, (b) each Contran Company has been duly authorized to execute each of the Loan Documents to which such organization is a party and to perform the Obligations, (c) each of the Loan Documents is the legally valid and binding obligation of each Contran Company who is a party thereto and is enforceable in accordance with its terms except as enforcement may be limited by insolvency or other similar laws affecting the rights and remedies of creditors generally, general principles of equity, whether applied by a court of law or equity, and other generally applicable rules of law, and (d) the Security Documents are a form sufficient to create a lien on or security interest in all right, title, and interest of the Contran Companies in the Pledged Securities;
 6. Perfection. The Contran Companies have delivered to the Agent possession of the certificates evidencing the investments securities which are part of the Pledged Securities with stock powers signed in blank and related compliance certificates and the Agent has perfected its security interest of the Bank Group in any other types or items of the collateral;
 7. Legal Matters. All matters pertaining to the Loan Documents and the Advances are reasonably satisfactory to the Agent and the Agent has received all certificates, insurance policies and documents that it reasonably requires to establish compliance with the terms and conditions of the Loan Documents.
- B. Subsequent Advances. The following are conditions precedent which must be satisfied by Contran or waived by the Bank Group prior to any Advance subsequent to the first Advance:
1. No default. There is no Default or Prospective Default on the date of such Advance after giving effect to such Advance;
 2. Representations and Warranties. The representations and warranties made by the Contran Companies in the Loan Documents continue to be true, complete and correct in all material respects; and
 3. LTV Compliance. After giving effect to the requested Advance, the LTV will be 40% or less.

IV. REPRESENTATIONS AND WARRANTIES.

- A. Representations and Warranties. Each Contran Company represents and warrants to the Bank Group that:
1. Corporate Organization. Each Contran Company is a Delaware corporation which is duly organized and is duly qualified to transact business in all other states and countries where the failure to be so qualified would have a material adverse impact on its business operations or ownership of property;
 2. Authorization. Each Contran Company has been duly authorized to execute each of the Loan Documents to which such organization is a party and to perform the Obligations;
 3. Due Execution and Delivery. Each Loan Document to which such organization is a party has been duly executed by a representative of such organization who has been duly authorized to perform such acts;

4. Legally Binding Documents. Each Loan Document is the legally valid and binding obligation of each Contran Company who is a party to such document and is enforceable against such organization in accordance with its terms except as such enforcement may be limited by insolvency or other similar laws affecting the rights and remedies of creditors generally, general principles of equity whether applied by a court of law or equity, and generally applicable rules of law;
5. Accurate Financial Statements. The annual and interim financial statements of the Contran Companies furnished to the Bank Group present fairly the financial position of such Contran Companies as of the date of such financial statements and the results of the operations and changes in financial position for the annual and interim periods then ending (1);
6. No Violations. Neither the execution of the Loan Documents nor the performance of the Obligations by the Contran Companies is prohibited by or will subject any Contran Company to any fine, penalty or similar sanction under, any statute, regulation, or order applicable to such organization;
7. No Proceedings. There are no civil, criminal, or administrative proceeding now pending or overtly threatened in writing against any Contran Company which has not been disclosed in the audited financial statements which have been provided to the Bank or

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The financial statements for VGI and NCL may omit footnote disclosures which would normally be required under GAAP.

separately in writing and which, if adversely determined, would have a material adverse effect on the ability of the Contran Companies to repay the Advances and perform their other obligations to the Bank Group under the Loan Documents;

8. No Breach or default. No Contran Company is now, or by reason of the execution of the Loan Documents or performance of the Obligations will be, in breach of or in default under any "employee pension benefit plans" or "employee benefit plans" (as those terms are defined by Section 3 of the Employee Retirement Income Security Act of 1974, as amended) to which such organization is a party or sponsor in any material respect or any other material agreement, instrument, undertaking, or other contract to which such organization is a party or by which its property is bound;
9. Tax Returns; Taxes. Each Contran Company has filed all material tax returns that it is required by any statute, regulation, or order to file and has paid when due all material taxes imposed on it or its property;
10. Compliance with Law. Each Contran Company is in compliance in all material respects with all statutory laws, regulations, and orders that are applicable to such organizations and their property specifically including, but not limited to, environmental laws;
11. Hazardous Material. To the best knowledge of Contran, there is no hazardous material being released, and no hazardous material has been released, from or at any real property owned or operated by any Contran Company in quantities which would trigger such organization's obligation under applicable environmental laws to report the existence of such waste or to remove and dispose of such waste or to remediate the effects of a prior discharge thereof except as disclosed to the Bank in writing before the date of the Loan Documents;
12. Solvency. No Contran Company is insolvent or the subject of any insolvency proceedings and each Contran Company has capital which is reasonably adequate to conduct its business in the manner in which it intends to conduct such business;
13. Investment Company Act. No Contran Company (which by definition

excludes Tremont) is an "investment company" as that term is defined by Section 3(a) of the Investment Company Act of 1940;

14. No Material Adverse Change. There has been no material adverse change in the business operations, financial position, or cash flows of the Contran Companies since the date of the lastest annual financial statement provided to the Bank Group before the date of this Agreement; and
15. Ownership of Pledged Securities. Each Contran Company owns the item or items of Pledged Securities that such organization purports to own and such property is free and clear of all liens, security interests, and claims except to the extent that a security interest is granted to the Bank Group in the Loan Documents.

B. Reaffirmation. The Contran Companies will be deemed to reaffirm the accuracy and completeness of the foregoing representations and warranties each time that an Advance is requested.

V. COVENANTS.

A. Affirmative Covenants. The Contran Companies promise and agree that until the Advances are repaid and all other Obligations are discharged by performance, each Contran Company will, unless the Agent otherwise consents in writing:

1. Preserving Existence. Preserve its legal status and material franchises and pay all material taxes and fees in connection therewith;
2. Compliance with Laws and Orders. Comply in all material respects with all statutory laws, regulations, and orders applicable to it or its property specifically including, but not limited to, environmental laws, if noncompliance would or is likely to have a material adverse effect on the financial condition or business prospects of such organization or its ability to perform the Obligations;
3. Insurance. Obtain and maintain with responsible carriers or through self-insurance such workers' compensation, fire with extended coverage endorsement, public liability and property damage and such other insurance in such coverage amounts, deductibles and terms as may be consistent with industry practices and will provide evidence of such insurance and payment of premiums to the Agent as and when required by the Agent;
4. Payment and Performance of Debts, Liabilities and Obligations. Pay and perform when due all material debts and obligations owed to all third persons, specifically including, but not limited to, its obligations under any "employee pension benefit plans" or "employee benefit plans" (as those terms are defined by Section 3 of the Employee Retirement Income Security Act of 1974, as amended) to which such person is a party or sponsor in any material respect or any other material agreement, instrument, undertaking, or other contract to which such person is a party or by which its property is bound;
5. Books and Records. Keep accurate and complete books and records relating to the Pledged Securities and its other assets and liabilities, management and employees, production, marketing, operations, performance and earnings;
6. Tax Returns. File all tax returns required by statute, regulations, and orders to be filed and pay all material taxes when due;
7. Financial Statements. Deliver to each member of the Bank Group (a) unaudited interim consolidated financial statements of Contran within 60 days following the end of each of the first three quarterly reporting periods of each fiscal year, (b) audited annual consolidated financial statements of Contran within 120 days following the end of each fiscal year, accompanied by a copy of an unqualified audit opinion issued by certified public accountants reasonably satisfactory to the Bank

Group and, if issued, copies of such auditor's "management letter," and (c) unaudited consolidating financial statements of VGI and NCL within 60 days following the end of each of the first three quarterly reporting periods and within 120 days of the end of each fiscal year, which unaudited consolidating financial statements of VGI and NCL may omit all footnote disclosures normally required in financial statements prepared in accordance with GAAP;

8. Auditor Certificates. Deliver to each member of the Bank Group with the audited annual consolidated financial statements of Contran the certificate of the auditors addressed to the Agent and certifying, based only on review of the annual audited financial statements and the Loan Documents, that the auditors are not aware of any event of Default or Prospective Default or, if such auditors are aware of such event, specifying such events with reasonable particularity; provided, however, that in connection therewith the auditors shall be under no obligation to go beyond the bounds of generally accepted auditing standards for the purpose of certifying such compliance or non-compliance;
9. Additional Information; Compliance Certificates. Provide to the Agent:
 - a) A Notice of Borrowing when and as Contran requests Advances;
 - b) Such additional information as and when reasonably requested by the Bank Group or the Agent as to the Pledged Securities and the business operations and financial condition of any one or more of the Contran Companies;
 - c) Notice of any material adverse change in the business operation or financial condition of any Contran Company; and
 - d) Within 10 Banking Days after any Contran Company receives written notice thereof, a report of each pending and overtly threatened claim, litigation, and governmental proceeding which, if adversely determined, probably would involve an aggregate liability of \$5,000,000 or more;
 - e) Quarterly and annual compliance certificates, to accompany the quarterly and annual financial statements, signed by a duly authorized representative of the Contran Companies which either (A) certifies that there is no event of Default or Prospective Default as of the date of the certificate to the knowledge of the representative or (B) specifies with reasonable particularity such events then existing and known to the representative and outlines its plan for cure thereof;
 - f) Copies of any filings or reports that any Contran Company files or makes with any federal or state government department, commission, or agency regulating investment securities as and when such filings or reports are filed or made to such government department, commission, or agency; and
 - g) If Contran becomes aware of any material event of Default or Prospective Default between quarterly and annual reporting dates, written notice of such event of Default or Prospective Default within 10 days after Contran's senior management learns of such event of Default or Prospective Default.
10. Inspection Rights. The Agent will have the right to discuss financial statements and other books and records with accounting employees and outside accountants of each Contran Company and the Contran Companies will ensure that the Agent may exercise and enjoy such rights subject to the obligation of the Agent to give reasonable advance notice to the Contran Companies under the circumstances. The Contran Companies will reimburse the Agent for all reasonable costs and expenses incurred by the Agent in connection with the foregoing. All employees and outside accountants are hereby authorized to discuss such matters with the Agent, to provide such additional books and records and

information as may be reasonably requested by the Agent in connection therewith, and to bill the Contran Companies for such services. The Agent also will give prior notice to the Contran Companies of the intention to discuss such matters with the outside accountants so as to provide the opportunity to the management of the Contran Companies to be present at such discussions.

11. Contest Rights. Notwithstanding the foregoing covenants, each Contran Company will have the right to contest its obligations under statutory laws, regulations, orders, and contracts (other than the Obligations) and for payment of taxes as long as (a) such contest is started and continued in good faith and by appropriate means, (b) adequate reserves are maintained by the Contran Company engaging in such contest for performance of the obligation in the event of an outcome of such contest that is adverse to the Contran Company involved and (c) the Bank Group is notified of any such contest where an adverse outcome probably would involve a payment of \$5,000,000 or more.
- B. Negative Covenants. Each Contran Company promises and agrees that until the Advances are repaid and all other Obligations have been discharged by performance, it will not, unless the Bank Group otherwise consents in writing:
1. Additional Debt. Directly or indirectly (by borrowing, deferred purchase, guarantee, or otherwise) incur more than \$25,000,000 as a group in funded debt in excess of that immediately available to the Contran Companies on the date of this Agreement except for loans occurring in the ordinary course of business from the Contran Companies to each Contran Company and/or Valhi;
 2. Asset Transfers. Transfer any material or essential part of or interest in their property to any third party except for sales of inventory and surplus or obsolete equipment, the collection of accounts, and sales and exchanges of other assets in the ordinary course of business;
 3. Transactions with Affiliates. Engage in any material business transaction with any affiliate or other third party on terms less favorable to the Contran Company than those which could be obtained at the time thereof in arm's-length dealings with a nonaffiliated person;
 4. Business Combinations. Engage in any merger, acquisition, or exchange of equity securities unless the Contran Company is the surviving corporation and the Contran Companies continue to be in compliance with all of the terms and conditions of the Loan Documents; or
 5. Use of Proceeds. Use the proceeds of any loan for any purpose not permitted by the Loan Documents.

VI. DEFAULT.

TIME IS OF THE ESSENCE. Contran will be in default under the Loan Documents if:

- A. Payment Failure. The Contran Companies fail to make any payment of principal when due or fail to make any payment of interest, fees or costs within three Banking Days following the due date;
- B. LTV Compliance. The Contran Companies fail to prepay principal or pledge additional Pledged Securities within three Banking Days following receipt of written notice from the Agent that the LTV exceeds 50% if and when required by the Agent under the terms of this Agreement.
- C. Misrepresentation. Any Contran Company knowingly misrepresents any material fact to the Bank Group or the Agent or fails to disclose to the Bank Group or the Agent a material fact which is necessary to make the facts which have been disclosed not misleading in the circumstances under which they are made;
- D. Affirmative Covenants. The Contran Companies fail to comply with the

affirmative covenants contained in any of the Loan Documents within 30 days following the date such compliance is demanded by the Bank Group or, if such compliance cannot be completed within that 30-day period, fails to substantially commence compliance within that 30-day period and then to complete such compliance as soon as possible thereafter but in no event later than 60 days after such compliance is demanded;

- E. Negative Covenants. Any Contran Company breaches any negative covenant contained in the Loan Documents;
- F. Debt Default. Any Contran Company breaches or is in default under any agreement, instrument, or similar contractual undertaking for the repayment of funded debt in excess of \$5,000,000 or does not pay any trade account payables which is material or essential to its business, other than those where the amount or validity is being contested in good faith and by appropriate means, in the ordinary course of business;
- G. Guaranty. Any Contran Affiliate repudiates, breaches, or is in default under the Guaranty or the Security Documents;
- H. Insolvency. Any Contran Company becomes insolvent, the subject of any voluntary insolvency proceeding or, having become the subject of an involuntary insolvency proceeding, fails to have the involuntary proceeding dismissed within 90 days of commencement;
- I. Judgments. Any Contran Company becomes a judgment debtor for more than \$5,000,000 if such liability is not either covered by insurance or vacated, discharged, stayed, or bonded in connection with an appeal within 30 days of entry of the judgment; or
- J. Change in Control. Any person or group of persons, other than the current holders, hereafter directly or indirectly acquires control of any Contran Company and such change in control continues for 60 days.

VII. REMEDIES.

- A. Suspending Commitment. The members of the Bank Group may suspend their obligations to make Advances to Contran upon the occurrence of a Prospective Default or when the LTV is more than 40%.
- B. Canceling Commitments. The members of the Bank Group may cancel their obligations to make Advances to Contran and accelerate the due date of the Notes (make payment of all principal, interest, fees and costs immediately due and payable) without further notice or demand upon the occurrence of an event of Default and Contran's failure to cure such Default within applicable notice and grace periods.
- C. Collecting Payments; Order of Exercise of Remedies. The Bank Group may collect the overdue payments or the accelerated balance of the Notes at such times and in such order as the Bank Group selects. All rights and remedies provided by law, equity and contract are cumulative.
- D. Consent to Jurisdiction. Each Contran Company consents to the jurisdiction and venue of the circuit court of the state of Oregon for Multnomah County (Portland) and of any federal court located in the state of Oregon for any proceeding arising out of the Loan Documents, including offsets, defenses, and counterclaims arising in contract or tort.
- E. Offset. Without limiting the generality of the foregoing, each Contran Company expressly grants to each member of the Bank Group the right to offset the obligations of the Bank Group to the Contran Companies against the Obligations without notice or demand upon the occurrence and continuance of a Default.
- F. JURY TRIAL WAIVER. ON ADVICE OF COUNSEL AND IN LIEU OF AN ARBITRATION CLAUSE NORMALLY REQUIRED BY THE AGENT, EACH CONTRAN COMPANY WAIVES TRIAL BY JURY IN ANY CONTROVERSY (CLAIM, OFFSET, DEFENSE, COUNTERCLAIM, OR THIRD-PARTY CLAIM WHETHER ASSERTED IN TORT OR CONTRACT) ARISING OUT OF OR IN ANY WAY RELATED TO CONSTRUCTION, PERFORMANCE, AND/OR ENFORCEMENT OF THE LOAN DOCUMENTS.
- G. Costs. The prevailing party in the trial or appeal of any civil

action or other proceeding relating to the Loan Documents (including claims and adversary proceedings in the Bankruptcy Court) will be entitled to the award of a reasonable attorney fee in addition to costs and disbursements. If the Bank Group uses an attorney to enforce performance of the Obligations, the Contran Companies will reimburse the Bank Group for such costs reasonably incurred on demand whether or not a civil action or other proceeding is commenced.

VIII. INDEMNITY.

- A. Indemnity. The Contran Companies promise and agree to indemnify, defend and hold harmless each member of the Bank Group from and against all claims and causes of action (and any direct and reasonable loss, damage, liability, cost, and expense, including penalties, damages, liens and reasonable attorney fees and other defense costs resulting therefrom) of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against any of such member in connection with any investigation, litigation, or other proceeding, that arises from or relates to the Loan Documents or the failure of any of the Contran Companies to perform the Obligations, but the Contran Companies will not be responsible for any portion of such indemnified claims or causes of action that arise from or relate to the negligence or willful misconduct of any member of the Bank Group, any controversies or claims among the members of the Bank Group, or the failure of a member of the Bank Group to comply with any statute, regulation, or order applicable to such indemnified party.
- B. Durable Nature. This indemnity will survive the satisfaction or discharge of the Advances by payment, bankruptcy discharge, or otherwise.

IX. AGENCY PROVISIONS.

- A. Authorization and Action. Each member of the Bank Group hereby irrevocably appoints the Agent as its agent for administration of the Advances and Obligations and authorizes the Agent to take such action and exercise such powers under this Agreement as are granted to the Bank Group, subject to the voting/approval provisions of this Article, by the terms of this Agreement together with such additional actions and powers as are reasonably incidental thereto. The obligations of the Agent are mechanical and administrative in nature. Accordingly, the Agent is not by reason of its role under this Agreement a trustee or fiduciary for any member of the Bank Group. The Agent will have no obligations except those expressly stated in this Agreement. As to any matters not expressly provided for in this Agreement (including, but not limited to, enforcement or collection of the Notes), the Agent will not be required to exercise any discretion or take any action, but will be required to act or to refrain from acting upon the instructions of the Bank Group Majority, and such instructions will be binding on all members of the Bank Group; provided, however, that the Agent will not be required to take any action which exposes the Agent to personal liability or that is contrary to this Agreement or applicable laws, regulations, or orders.
- B. Liability of the Agent. The Agent (including its shareholders, directors, officers, agents, and employees) will not be liable for any action taken or inaction by it under or in connection with this Agreement in the absence of its own gross negligence or willful misconduct. Without thereby limiting the foregoing sentence, the Agent:
 - 1. May treat the payee of a Note as the holder thereof until the Agent receives written notice of a transfer thereof signed by such payee in a form reasonably satisfactory to the Agent;
 - 2. May consult with legal counsel, independent public accountants, and other experts selected by it and will not be liable for any action taken or inaction by it in good faith in accordance with the advice of such counsel, accountants, or experts;
 - 3. Makes no warranty or representation to any Bank and will not be liable or responsible for the statements, warranties, or representations made by the Contran Companies or any other person in connection with this Agreement,

4. Will not have any obligation to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement on the part of the Contran Companies or any other person or to inspect any Pledged Securities, books and records, or other property of the Contran Companies or any other person;
 5. Will not be responsible to any member of the Bank Group for the due execution, legality, validity, enforceability, genuineness, perfection, sufficiency, or value of this Agreement, the Notes, or any other certificate, instrument, or document furnished pursuant to this Agreement, and
 6. Will have no liability under this Agreement or otherwise by acting upon any notice, consent, certificate, or other instrument, document, or other writing (whether personally delivered or sent by mail, messenger, telegram, telex, or facsimile) believed by the Agent to be genuine and signed by the proper person.
- C. Rights of Agent as a Member of the Bank Group. With respect to its individual commitment, the Advances made by it, and the Note and Guaranty issued to it, the Agent will have the same rights, powers, and obligations under this Agreement as any other member of the Bank Group and may exercise and perform the same as though it were not also the Agent. The Agent and its affiliates may accept deposits from, lend money to, act as trustee for, and generally engage in any business with or own securities of the Contran Companies as if the Agent were not the Agent for the Bank Group and without any obligation to account therefor to the Bank Group.
- D. Independent Credit Decision. Each member of the Bank Group acknowledges that it has made its own credit analysis and decision before making its commitment on the basis of such documents and information that it deemed appropriate and without reliance on any information, analysis, or recommendation made by the Agent. Each member of the Bank Group also acknowledges that it will continue to make such independent credit analyses and decisions in taking or not taking action under this Agreement. Except for the notices, reports, and other documents and information that the Agent is specifically required to furnish to the members of the Bank Group under this Agreement, the Agent will have no obligation to provide to the members of the Bank Group any additional information concerning the financial condition, business operations, or property of the Contran Companies that may come into the possession of the Agent or its affiliates.
- E. Indemnification. Each member of the Bank Group agrees to indemnify and hold harmless the Agent from and against such member's Percentage Interest of all claims and causes of action (and any resulting loss, damage, liability, cost, and expense, including penalties, damages, liens and reasonable attorney fees and other defense costs) of any kind or nature whatsoever that (i) may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising from this Agreement, (ii) are not reimbursed to the Agent by the Contran Companies, and (iii) are not the result of the Agent's gross negligence or willful misconduct. Without limiting the generality of the foregoing, each member of the Bank Group agrees to reimburse the Agent for its Percentage Interest of any reasonable out-of-pocket expenses, including reasonable attorney fees, incurred by the Agent in connection with the preparation, administration, enforcement, or legal advice with respect to rights or duties under, the Loan Documents to the extent that such expenses are not reimbursed by the Contran Companies.
- F. Successor Agent. The Agent may resign at any time by giving at least 60 days' prior written notice to the Bank Group and to the Contran Companies. Upon resignation, the Bank Group Majority will appoint a successor Agent. If no successor Agent has been appointed and accepted its appointment within 30 days of receipt of the notice of resignation of the Agent, then the Agent may appoint its successor which shall be a national bank having combined capital and surplus of at least \$100 million. Upon acceptance by the successor of its appointment, such successor will succeed to and become vested with all of the rights, powers, privileges, and duties of the Agent and the retiring or removed Agent will be discharged from its obligations as the Agent under this Agreement.

- G. Sharing of Payments and Recoveries. If any member of the Bank Group obtains any payment (whether voluntary, involuntary, by way of offset, or otherwise) on account of the Note held by it and such payment is in excess of its Percentage Interest, such member will purchase from the other members of the Bank Group such participation in the Notes held by them as is necessary to cause such purchasing member of the Bank Group to share the excess payment ratably with the other members of the Bank Group. If such member is thereafter required to return all or any part of the excess payment, then the purchase of participation by such member of the Bank Group will be rescinded to the same extent and the purchase price of such participation (or so much thereof as is recovered) will be refunded.
- H. Modifications, Consents, and Waivers. Except as allowed or limited by the remainder of this section, the Bank Group Majority may in specific instances modify the terms and conditions of this Agreement, grant consents requested by the Contran Companies, waive compliance by the Contran Companies with the terms and conditions of this Agreement but any such modifications, consent, or waiver must be in writing to be effective.

Notwithstanding any other term or conditions of the Loan Documents, no modification, consent, or waiver may, unless such modification, consent, waiver, release, or termination is in writing and is signed by all members of the Bank Group:

1. Waive any of the conditions precedent specified in Article III of this Agreement;
2. Increase or decrease the individual commitment of any member of the Bank Group, or otherwise subject any member of the Bank Group to any additional obligations without such bank's consent
3. Reduce the amount payable on any Note (including principal, interest, or fees);
4. Extend the Expiry Date or the Maturity Date;
5. Change the definition of "Bank Group Majority" or modify this section; or
6. Authorize the release or termination of any Guaranty or the security interest of the Bank Group in any material or essential part of or interest in the Pledged Securities.

Notwithstanding the foregoing, the Bank Group Majority will have the right to authorize the Agent to release parts of and/or interests in Pledged Securities from time to time to accommodate ordinary course of business transactions by the Contran Companies and the Agent may release additional pledged securities as provided in 'II.B.10 of this Agreement as long as the LTV is maintained at or above 50%.

X. MISCELLANEOUS.

- A. Binding Successors. The Loan Documents will bind the successors and assigns of the Contran Companies and will bind and inure to the benefit of the successors and assigns of each member of the Bank Group and the Agent.
- B. Participants and Assignees. Each member of the Bank Group will be entitled to sell no more than 75% participation in its percentage interest in the Loan Documents (including the Advances made thereunder) and will be entitled to propose to the Contran Companies partial assignment of its rights and delegation of its duties to no more than two financial institutions. While the Contran Companies will have the right prior to a Default or Prospective Default to consent to any such assignment and delegation, each Contran Company covenants that its consent will not be unreasonably withheld.

Upon the sale of a participation or a partial assignment, the participant or assignee shall be entitled to receive directly from the Contran Companies copies of all reports, certificates and other

information, including the financial statements, as and when such information is provided to the member of the Bank Group participating or assigning such interest.

- C. Non-Waiver. No term or condition of the Loan Documents shall be deemed waived nor shall the grounds for the claim of estoppel be established by a course of performance, oral understanding or other circumstances. Terms and conditions may be waived or amended only in writing executed by the Bank Group or, in appropriate circumstances, the Bank Group Majority.
- D. Communications. Whenever any communication is required by the terms of the Loan Documents or by law, it will be deemed delivered when delivered personally or by facsimile machine or on the third Banking Day after it is mailed in a postage prepaid envelope addressed to the intended recipient at the address specified below or such other address as a party may hereafter specify by written notice to the other parties.
- E. Costs. The Contran Companies will pay on demand all reasonable direct costs and expenses, including reasonable attorney fees, incurred by the Agent in drafting, negotiating, modifying and reviewing the Loan Documents.
- F. Counterparts. The Loan Documents may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which, taken together shall constitute one and the same contract.
- G. Statutory Statement. Under Oregon Law, most agreements, promises and commitments made by a financial institution after October 3, 1989, concerning Advances and other credit extensions which are not for personal, family or household purposes or secured solely by the borrower's residence must be in writing, express consideration and be signed by the financial institution to be enforceable.

UNITED STATES NATIONAL BANK
OF OREGON, as the Agent

CONTRAN CORPORATION

By /s/ Janice T. Thede

By /s/ Steven L. Watson

Janice T. Thede
Vice President

Steven L. Watson
Vice President

NATIONAL CITY LINES, INC.

By /s/ Steven L. Watson

Steven L. Watson
Vice President

VALHI GROUP, INC.

By /s/ Steven L. Watson

Steven L. Watson
Vice President

UNITED STATES NATIONAL BANK
OF OREGON

Commitment Amount \$30,000,000

By /s/ Janice T. Thede

Janice T. Thede
Vice President

SOCIETE GENERALE,
SOUTHWEST AGENCY

Commitment Amount

\$10,000,000

By /s/ Richard M. Lewis

Richard M. Lewis

LOAN AND PLEDGE AGREEMENT

THIS LOAN AND PLEDGE AGREEMENT (hereinafter referred to as this "Agreement"), executed on the 18th day of August, 1986, by and between DIXIE RICE AGRICULTURAL CORPORATION, INC., a Louisiana corporation (hereinafter referred to as the "Borrower"), and SOUTHERN METHODIST UNIVERSITY, a Texas non-profit corporation (hereinafter referred to as "SMU").

W I T N E S S E T H:

WHEREAS, Borrower has requested that SMU extend a revolving line of credit in the amount of \$1,500,000.00 to be secured by certain of Borrower's marketable securities and SMU is willing to extend such line of credit on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

1. COMMITMENT OF SMU. Subject to the terms and conditions hereinafter set forth, SMU agrees, at any time and from time to time during the period beginning on the date of this Agreement and continuing through and including June 30, 1996, to make one or more advances (hereinafter collectively referred to as the "Advances") to Borrower under a revolving line of credit (the "Commitment"). The aggregate amount of the Advances outstanding at any one time shall not exceed the sum of \$1,500,000.00. Each Advance under the Commitment shall be subject to satisfactory compliance by Borrower with all provisions of this Agreement including the procedure for requesting Advances set forth in Section 7 hereof. Within the limits of the Commitment, Borrower may borrow, repay and reborrow without penalty or premium. Notwithstanding any other provision of this Agreement, no Advance shall be required to be made hereunder if any Event of Default (as hereinafter defined) has occurred and is continuing, or if any event or condition has occurred that may, with notice or the passage of time, be an Event of Default.

2. NOTE EVIDENCING BORROWINGS. The Commitment shall be evidenced by a promissory note of Borrower, in form and substance satisfactory to SMU, such note bearing interest and being payable as set forth in Exhibit "A" attached hereto and made a part hereof by reference for all purposes, with appropriate insertions (hereinafter referred to as the "Note").

3. PLEDGE OF COLLATERAL. In consideration of the Commitment and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Borrower hereby grants, assigns, transfers and sets over to SMU a continuing security interest in and to the collateral described in this Agreement (hereinafter referred to as the "Collateral"), and the certificates representing the Collateral. Collateral includes, without limitation, (a) all money, instruments and property of Borrower this day delivered to and deposited with SMU, and all money, instruments and property of Borrower heretofore delivered or which shall hereafter be delivered to or come into the possession, custody or control of SMU in any manner or for any purpose whatever during the existence of this Agreement, (b) any additional Shares (defined herein) which may be delivered to SMU after the date hereof pursuant to the agreement contained herein, and (c) the proceeds of any and all such property.

4. SECURED INDEBTEDNESS. The security interest granted herein is given to ratably secure the performance and payment of Borrower's obligations, liabilities and indebtedness arising under or in connection with the Note and this Agreement (hereinafter referred to as the "Secured Indebtedness").

5. COLLATERAL. The, word "Shares," as used herein, shall mean collectively any and all shares of stock listed for trading and actively traded on the New York Stock Exchange or American Stock Exchange or real-time reported NASDAQ securities or such other securities as may be acceptable to SMU, which Borrower has deposited with SMU contemporaneously with, or prior to, the execution of this Agreement, and such additional shares of stock that Borrower may from time to time in the future deposit with SMU pursuant to the terms of this Agreement. SMU may, at its option, give written or telegraphic notice to any and all parties issuing the Shares or having in their possession any Collateral for which they or others are accountable to Borrower, to hold and dispose of such Collateral for the account of SMU and to send such Collateral directly to SMU at its address shown herein, and to thereafter treat and regard SMU as the assignee

and transferee of Borrower and entitled in its place and stead to receive any and all Collateral. Without in any way limiting the effectiveness of the authorization and direction in the next preceding sentence, if Borrower shall receive any such Collateral which is hereby receivable by SMU, Borrower shall hold the same in trust and shall remit and deliver, or cause to be remitted and delivered, such Collateral immediately and forthwith, to SMU. SMU shall have no responsibility whatsoever to obtain the deposit of such Collateral. The inclusion of proceeds in this Agreement does not authorize Borrower to sell, transfer, dispose of or otherwise use the Collateral in any manner not specifically authorized herein.

Borrower covenants and agrees with SMU that so long as any Secured Indebtedness is outstanding, it will deposit and maintain on deposit with SMU Shares which at all times are valued at not less than two hundred percent (200%) of the outstanding principal balance of the Note (the "Minimum Value"), as determined by daily closing market price quotations (either last trade or average of last bid and asked prices) from the New York Stock Exchange, American Stock Exchange, NASDAQ or other regularly published source. Any Shares not traded on a particular day shall be valued as of such day at the average (weighted by days elapsed) of the values of such Shares on the next preceding and next following days on which such Shares are traded. In the event on the last day of any March, June, September or December (hereinafter referred to as a "Determination Date"), commencing September 30, 1986, the value of the Shares deposited with SMU as so determined falls below the Minimum Value, Borrower covenants and agrees to deposit with SMU within ten (10) days following such Determination Date additional Shares sufficient to increase the value of the Shares to at least the Minimum Value. In the event, on any Determination Date, the value of the Shares deposited with SMU exceeds two hundred ten percent (210%) of the outstanding principal balance of the Note (the "Maximum Value"), SMU agrees to promptly deliver to Borrower sufficient Shares selected by SMU in its sole discretion to reduce the value of the Shares to below the Maximum Value.

6. REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to SMU that:

(a) Corporate Existence. Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated and is duly qualified as a foreign corporation in all jurisdictions wherein the property owned or to the best of its knowledge the business transacted by it makes such qualification necessary;

(b) Corporate Power and Authorization. Borrower is duly authorized and empowered to execute and deliver this Agreement, and to create and issue the Note, and all corporate and other action on the part of Borrower for the due creation and issuance of the Note and for the due execution, delivery and performance of this Agreement has been duly and effectively taken;

(c) Binding Obligations. This Agreement does, and the Note upon its creation, issuance, execution and delivery will, constitute valid and binding obligations of Borrower, enforceable in accordance with their terms (except that enforcement may be subject to any applicable bankruptcy, insolvency or similar laws generally affecting the enforcement of creditors' rights and subject to availability of equitable remedies);

(d) No Legal Bar or Resultant Lien. This Agreement and the Note do not and will not violate any provisions of any contract, agreement, law, regulation, order, injunction, judgment, decree or writ to which Borrower is subject, or result in the creation or imposition of any lien or other encumbrance upon any assets or properties of Borrower, other than those contemplated by this Agreement;

(e) No Consent. Borrower's delivery and performance of this Agreement and the Note do not require the consent or approval of any other person or entity, including without limitation any regulatory authority or governmental body of the United States or any state thereof or any political subdivision of the United States or any state thereof;

(f) Investments and Guaranties. Borrower has made no investments in, advances to or guaranties of the obligations of any person or entity, except as reflected in its most recent Financial Statements (defined herein) delivered to SMU. As used herein, the term "Financial Statements" shall mean balance sheets, income statements and appropriate footnotes and schedules, prepared in accordance with generally accepted accounting

principles and consistent with prior periods.

(g) Liabilities. Except for liabilities incurred in the normal course of business, Borrower has no material (individually or in the aggregate) liabilities, direct or contingent, except as disclosed or referred to in the Financial Statements. Except as described in the Financial Statements, there is no litigation, legal or administrative proceeding, investigation or other action of any nature pending or, to the knowledge of Borrower, threatened against or affecting Borrower which involves the possibility of any judgment or liability not fully covered by insurance, and which might be reasonably expected to have a Material Adverse Effect (defined herein). As used herein, the term "Material Adverse Effect" shall mean any material and adverse effect on (i) the assets or properties, liabilities, financial condition, business, operations, affairs or circumstances of Borrower from those reflected in the Financial Statements or from the facts represented or warranted in this Agreement, or (ii) the ability of Borrower to carry out its business as at the date of this Agreement or as proposed at the date of this Agreement to be conducted or to meet its obligations under the Note or this Agreement on a timely basis. No unusual or unduly burdensome restrictions, restraint, or hazard exists by contract, law or governmental regulation or otherwise relative to the business, assets or properties of Borrower, except as known to affect its industry generally, which might reasonably be expected to have a Material Adverse Effect;

(h) Taxes: Governmental Charges. Borrower has filed all tax returns and reports required to be filed and has paid taxes, assessments, fees and other governmental charges levied upon it or upon any of its assets, properties or income which are due and payable, including interest and penalties, or has provided adequate reserves, if required, in accordance with generally accepted accounting principles for the payment thereof, except such as are being contested in good faith by appropriate proceedings and for which adequate reserves for the payment thereof as required by generally accepted accounting principles have been provided;

(i) Titles, etc. Borrower has good and marketable legal and beneficial title to the Collateral and to its assets and properties, free and clear of all liens or other encumbrances except those referred to in the Financial Statements, and those heretofore disclosed to SMU in writing, and has the right to transfer any and all interests therein;

(j) Defaults. Borrower is not in default and no event or circumstance has occurred which, but for the passage of time or the giving of notice, or both, would constitute a default under any loan or credit agreement, indenture, mortgage, deed of trust, security agreement or other agreement or instrument in any respect that might be reasonably expected to have a Material Adverse Effect. No Event of Default hereunder has occurred and is continuing;

(k) Casualties; Taking of Properties. Since the dates of the Financial Statements neither the business nor the assets or properties of Borrower has been materially and adversely affected as a result of any fire, explosion, earthquake, flood, drought, windstorm, accident, strike or other labor disturbance, embargo, requisition or taking of property or cancellation of contracts, permits or concessions by any domestic or foreign government or any agency thereof, riot, activities of armed forces or acts of God or of any public enemy;

(l) Use of Proceeds; Margin Stock. The proceeds of the Note will be used by Borrower solely (i) to provide funds for working capital, (ii) to provide funds for repayment of existing loans, or (iii) other general corporate purposes. Borrower will not use any part of the proceeds of the Note for the purpose of "purchasing" or "carrying" any "margin stock" as such terms are defined in Regulations U, G, T or X of the Board of Governors of the Federal Reserve System, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry a margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of said Regulation U. Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock. Neither Borrower nor any person or entity acting on behalf of Borrower has taken or will take any action which might cause the loans hereunder to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934 or any rule or regulation thereunder, in each case as now in effect or as the same may hereafter be in effect;

(m) Compliance with the Law. Borrower:

(i) is not in violation of any law, judgment, decree, order, ordinance, or governmental rule or regulation to which Borrower or any of its assets or properties is subject; or

(ii) has not failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of any of its assets or properties or the conduct of its business;

which violation or failure might reasonably be expected to have a Material Adverse Effect;

(n) No Material Misstatements. No information, exhibit or report furnished by Borrower to SMU in connection with the negotiation of this Agreement contains any material misstatement of fact or omits to state a material fact or any fact necessary to make the statement contained therein not misleading;

(o) Subsidiaries. Borrower has no subsidiaries other than Dixie Equipment Leasing, Inc.;

(p) Investment Company Act. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended;

(q) Public Utility Holding Company Act. Borrower is not a "holding company", or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended;

(r) Shares Freely Transferable. The Shares described herein and delivered to SMU as Collateral (i) are genuine, free from adverse liens, claims, mortgages, pledges, encumbrances, or restrictions on transfer whatsoever (including restrictions imposed under federal and state securities laws), other security interests, default, prepayment or any legal or equitable defenses, and (ii) comply with applicable laws concerning form, content and manner of preparation and execution; and

(s) Warranty. The Collateral is not subject to the interests of any third person, and Borrower will defend the Collateral and its proceeds against the claims and demands of all third persons.

7. CONDITIONS OF LENDING. The obligation of SMU to make Advances hereunder shall be subject to the conditions precedent that:

(a) Requests for Advances. At the time of requesting any Advance hereunder, Borrower shall comply with the following procedure:

(i) Borrower shall deliver to SMU a certificate in form and substance satisfactory to SMU, and substantially in the form of Exhibit "B" attached hereto, stating the amount of the requested Advance, the date of the requested Advance, and describing the Collateral in sufficient detail to permit SMU to determine the market value of such Collateral at such date;

(ii) SMU shall, as promptly as practicable, evaluate the proposed Collateral to determine if, in its sole discretion, it is willing to accept such Collateral as security for the Commitment;

(iii) In the event SMU determines that the proposed Collateral has a market value at such date of at least two hundred percent (200%) of the amount of the requested Advance and if SMU is otherwise willing to accept such Collateral, SMU shall advise Borrower of its decision, and shall make the Advance no later than thirty (30) days thereafter, and

(iv) Borrower shall deposit with SMU the original certificates evidencing its ownership of the Collateral together with stock powers properly executed in favor of SMU.

(b) Representations and Warranties. The representations and warranties of Borrower under this Agreement shall be true and correct in

all material respects as of each such date, as if then made (except to the extent that such representations and warranties relate solely to an earlier date);

(c) No Event of Default. No Event of Default shall have occurred and be continuing nor shall any event have occurred or fail to occur which, with the passage of time or service of notice, or both, would constitute an Event of Default;

(d) Other Documents. SMU shall have received such other instruments and documents incidental and appropriate to the transaction provided for herein as SMU or its counsel may reasonably request, and all such documents shall be in form and substance satisfactory to SMU;

(e) Corporate Resolutions. On or before the closing of the transaction contemplated by this Agreement, SMU shall have received appropriate corporate authorizations and evidence of existence and good standing for Borrower to enter into this Agreement and the Note and to perform its obligations hereunder; and

(f) Legal matters satisfactory. On or before the closing of the transaction contemplated by this Agreement, Borrower shall have delivered to SMU an opinion of counsel from Borrower's counsel in form and substance satisfactory to SMU (i) as to the matters (as of the date of such opinion) set forth in Subsections 6(a), (b), (c), (d), (e), (g) and (m) hereof, and (ii) as to such other matters as SMU or its counsel may reasonably request. All legal matters incident to the consummation of the transactions contemplated hereby shall be satisfactory to counsel for SMU.

8. AFFIRMATIVE COVENANTS. Without the prior written consent of SMU, Borrower will at all times comply with the following affirmative covenants from the date hereof and for 30 long as any part of the Note is outstanding.

(a) Annual Financial Statements and Certificates of Compliance. Within 120 days after the end of each fiscal year of Borrower, Borrower will furnish or cause to be furnished to SMU (1) annual unaudited Financial Statements of Borrower, prepared in accordance with generally accepted accounting principles, consistent with prior periods, and (2) a certificate signed by Borrower (i) stating that Borrower has fulfilled in all material respects its obligations under this Agreement and the Note and that all representations and warranties made herein continue to be true and correct in all material respects (or specifying the nature of any change) or if an Event of Default has occurred, specifying the Event of Default and the nature and status thereof; (ii) to the extent requested from time to time by SMU, specifically affirming compliance of Borrower in all material respects with any of the representations or obligations under said instruments; and (iii) containing or accompanied by such financial or other details, information and material as SMU may reasonably request to evidence such compliance;

(b) Taxes and Other Liens. Borrower will pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon Borrower or upon the income or any assets or property of Borrower as well as all claims of any kind (including claims for labor, materials, supplies and rent) which, if unpaid, might become a lien or other encumbrance upon any or all of the assets or property of Borrower, provided, however, that Borrower shall not be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted and if Borrower shall have set up reserves therefor adequate, if required, under generally accepted accounting principles;

(c) Further Assurances. Borrower will cure promptly any defects in the creation and issuance of the Note and the execution and delivery of this Agreement. Borrower, at its expense will promptly execute and deliver to SMU upon request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements in this Agreement, or to correct any omissions in the Note or more fully to state the obligations set out herein;

(d) Performance of Obligations. Borrower will pay the Note and other obligations incurred by it hereunder according to the reading, tenor and effect thereof and hereof; and Borrower will do and perform every act and discharge all of the obligations provided to be performed and discharged by Borrower hereunder, at the time or times and in the manner specified;

(e) Reimbursement of Expenses. Borrower will, upon request, promptly reimburse SMU for all amounts expended, advanced or incurred by SMU to satisfy any obligation of Borrower under this Agreement, or to protect the assets or business of Borrower or to collect the loans made hereunder, or to enforce the rights of SMU under this Agreement, which amounts will include all court costs, attorneys' fees, fees of auditors and accountants, and investigation expenses reasonably incurred by SMU in connection with any such matters, together with interest at either (i) the highest lawful rate permitted by law on each such amount from the date that the same is expended, advanced or Incurred by SMU until the date of reimbursement to SMU, or (ii) if no Event of Default shall have occurred and be continuing, the pre-maturity rate specified in the Note on each such amount from the date that the same is expended, advanced or incurred by SMU until ten (10) days following the earlier of the date of mailing or delivery of written demand or request by SMU for the reimbursement of same, and thereafter at the rate specified in clause (i) above until the date of reimbursement to SMU. In the event SMU elects to pay such amounts and Borrower fails to reimburse SMU therefor as provided in this Subsection, SMU may make advances at its own initiation for the account of Borrower on the Note to provide for such reimbursement, without the necessity of a request for advance from Borrower, and such advances shall be a part of the indebtedness of Borrower under this Agreement;

(f) Accounts and Records. Borrower will keep books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities, prepared in a manner consistent with prior years;

(g) Right of Inspection. Borrower will permit any officer, employee or agent of SMU to examine Borrower's books of record and accounts, and take copies and extracts therefrom, all at such reasonable times and as often as SMU may request; and

(h) Notice of Certain Events. Borrower shall promptly notify SMU if Borrower learns of the occurrence of (i) any event which constitutes an Event of Default, together with a detailed statement by Borrower of the steps being taken to cure the Event of Default; or (ii) the receipt of any notice from, or the taking of any other action by the holder of any promissory note, or other evidence of indebtedness of Borrower with respect to a claimed default, together with a detailed statement by Borrower specifying the notice given or other action taken by such holder and the nature of the claimed default and what action Borrower is taking or proposes to take with respect thereto; or (iii) any legal, judicial or regulatory proceedings affecting Borrower or any of the assets or properties of Borrower in which the amount involved is material and is not covered by insurance or which, if adversely determined, could reasonably be expected to have a Material Adverse Effect; or (iv) any dispute between Borrower and any governmental or regulatory body or any other person or entity which, if adversely determined, might reasonably be expected to cause a Material Adverse Effect, except as known to affect the oil and gas industry generally.

9. NEGATIVE COVENANTS. Without the prior written consent of SMU, Borrower will at all times comply with the following negative covenants from the date hereof and for so long as any part of the Note is outstanding;

(a) Proceeds of Note. Borrower will not permit the proceeds of the Note to be used for any purpose other than as provided in subsection 6(1) above;

(b) Nature of Business. Borrower will not permit any material change to be made in the character of its business as carried on at the date hereof; and

(c) Mergers, Etc. Borrower will not merge or consolidate with or sell, assign, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets or properties (whether now owned or hereafter acquired) to, any person or entity (i) unless the stockholders' equity of the successor entity (whether or not Borrower) is equal to or greater than the stockholders' equity of Borrower immediately before such transaction and the successor entity becomes or remains liable for all of Borrower's obligations hereunder, and (ii) except that Borrower may sell its output in the ordinary course of business.

10. EVENTS OF DEFAULT.

(a) Any one or more of the following events shall be considered an "Event of Default" as that term is used herein:

(i) Borrower shall fail to pay when due the principal of or interest on the Note or any other indebtedness of Borrower incurred pursuant to this Agreement;

(ii) Any representation or warranty made herein or in any certificate or statement furnished or made to SMU pursuant hereto, or in connection herewith, or in connection with any document furnished hereunder, shall prove to be untrue in any material respect as of the date on which such representation or warranty is made, or any representation, statement (including financial statements), certificate, report or other data furnished or made by Borrower hereunder proves to have been untrue in any material respect, as of the date of which the facts therein set forth were stated or certified;

(iii) Default shall be made in the due observance or performance of any of the covenants or agreements of Borrower contained herein and such default shall continue for more than thirty (30) days;

(iv) Default shall be made in respect of any obligation for borrowed money, other than the Note, for which Borrower is liable (directly, by assumption, as guarantor or otherwise), or any obligations secured by any mortgage, pledge or other security interest, lien, charge or encumbrance with respect thereto, on any asset or property of Borrower or in respect of any agreement relating to any such obligation, and such default shall continue for more than thirty (30) days;

(v) Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, intervenor or liquidator of itself, or of an or a substantial part of its assets or (b) be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy, or admit in writing that it is unable to pay its debts as they become due, or (c) make a general assignment for the benefit of creditors, or (d) file petition or answer seeking reorganization or an arrangement with creditors, or to take advantage of any bankruptcy, reorganization or insolvency proceedings;

(vi) An order, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority appointing a receiver, trustee, intervenor or liquidator of Borrower or of all or substantially all of Borrower's assets, and such order shall not be discharged within a sixty (60) day period;

(vii) Borrower discontinues its usual business;

(viii) A judgment for the payment of money in excess of \$25,000 is rendered by any court or other governmental body against Borrower and Borrower does not discharge the judgment or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within thirty (30) days from the date of entry thereof, and within said period of thirty (30) days from the date of entry thereof or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefor as may be required under generally accepted accounting principles;

(ix) Any event shall occur which could, with the passage of thirty (30) days, mature into an Event of Default hereunder (upon the occurrence of which, Borrower shall give SMU written notice thereof);

(x) The value of the Shares described herein, on any Determination Date, as determined pursuant to Section 5 hereof, shall be less than the Minimum Value, and Borrower shall fail to provide additional Shares pursuant to its agreement herein within ten (10) days thereafter sufficient to increase the value of the Shares to at least the Minimum Value; or

(xi) Legal or beneficial ownership of more than fifty percent (50%) of the outstanding voting shares of capital stock of Borrower or any successor entity permitted under Subsection 9(c) is transferred to or otherwise acquired by persons or entities other than the persons or entities now legally and beneficially owning such shares.

(b) Upon the occurrence of any Event of Default specified in subparagraphs(a)(v) or (a)(vi) the entire principal amount due under the Note and all interest then accrued thereon, and any other liabilities of Borrower hereunder, shall become immediately due and payable all without notice and without presentment, demand, protest, notice of protest or dishonor or any other notice of default of any kind, all of which are hereby expressly waived by Borrower. In any other Event of Default, SMU may declare the principal of, and all interest then accrued on, the Note and any other liabilities hereunder to be forthwith due and payable, whereupon the same shall forthwith become due and payable without presentment, demand, protest or other notice of any kind, all of which Borrower hereby expressly waives, anything contained herein or in the Note to the contrary notwithstanding. Nothing contained herein shall be construed to limit or amend in any way the Events of Default enumerated in the Note, or any other documents executed in connection with the transaction contemplated herein.

(c) Upon the occurrence of an Event of Default, and at anytime thereafter SMU shall have, then or at any time thereafter, all of the rights and remedies of a secured party under the Texas Uniform Commercial Code in force on the date of execution of this Agreement; and SMU may, in its sole discretion, sell, transfer, assign and deliver all or any part of the Collateral at public or private sale, and thereafter, SMU may bring suit for any deficiency remaining after any public or private sale of the Collateral.

(d) This Agreement, SMU's rights hereunder and/or the Secured Indebtedness, or any part thereof, may be assigned from time to time by SMU. SMU may at any time following the occurrence of an Event of Default hereunder (i) transfer the Collateral to SMU or its nominee, pursuant to the applicable provisions of the Texas Uniform Commercial Code, and/or (ii) receive income, including money, thereon and hold the income as Collateral or apply the income to the payment of the Secured Indebtedness, or any part thereof; the manner and distribution of the application to be in the sole and absolute discretion of SMU. SMU may delay or refrain from exercising any right or remedy under this Agreement without waiving that or any other right or remedy of hereunder.

11. EXERCISE OF RIGHTS. No failure to exercise, and no delay in exercising, on the part of SMU, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right. The rights of SMU hereunder shall be in addition to all other rights provided by law. No modification or waiver hereof or of any provision of the Note, nor consent to departure therefrom, shall be effective unless in writing, and no such consent or waiver shall extend beyond the particular case and purpose involved. No notice or demand given in any case shall constitute a waiver of the right to take other action in the same, similar or other instances without such notice or demand.

12. NOTICES. If notice to Borrower of the public sale or private sale or other disposition of the Collateral is required by the Texas Uniform Commercial Code, such notice shall be sufficient If SMU gives written notice to Borrower five (5) days prior to the date of any public sale of the Collateral or five (5). days prior to the date after which any private sale or other disposition of the Collateral will be made. Any notices or other communications required or permitted to be given by this Agreement or any other documents and instruments referred to herein must be given in writing and must be personally delivered or mailed by prepaid certified or registered mail to the party to whom such notice or communication is directed at the address of such party as follows: (a) BORROWER: 4835 LBJ Freeway, Suite 600, Dallas, Texas 75244, Attention: Chief Executive Officer; or (b) SMU: P.O. Box 193, SMU Station, Southern Methodist University, Dallas, Texas 75275, Attention: Vice President for Finance and Administration. Any such notice or other communication shall be deemed to have been given (whether actually received or not) on the day it is personally delivered as aforesaid or, if mailed, on the day after it is mailed as aforesaid. Any party may change its address for purposes of this Agreement by giving notice of such change to all other parties pursuant to this Section.

13. GOVERNING LAW. This Agreement is being executed and delivered, and is intended to be performed, in Dallas, Texas, and the substantive laws of such state shall govern the validity, construction, enforcement and interpretation of this Agreement and all other documents and instruments referred to herein, unless otherwise specified therein or unless the laws of another state require the application of the laws of such state.

14. INVALID PROVISIONS. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provisions shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement.

15. MAXIMUM INTEREST RATE.

(a) Regardless of any provisions contained in this Agreement or in any other documents and instruments referred to herein or any other instrument or agreement entered into in connection with or as security for the Note, SMU shall never be deemed to have contracted for or be entitled to receive, collect or apply as interest on the principal amount evidenced by the Note, any amount in excess of an amount which would result in exceeding the maximum rate of interest permitted to be charged by applicable law. In the event the maturity of the Note is accelerated by reason of an election of the holders thereof resulting from any Event of Default under this Agreement, or otherwise, or in the event of any required or permitted prepayment, then such consideration that constitutes interest under applicable law may never include more than the maximum amount allowed by such applicable law, and excess interest, if any, provided for in this Agreement, the Note or otherwise shall be cancelled automatically as of the date of such acceleration and if theretofore paid shall be applied to the reduction of the unpaid principal balance of the Note and if the principal balance of the Note is paid in full, any remaining excess shall forthwith be paid to Borrower. In determining whether or not the amount of interest paid or payable under any specific contingency exceeds an amount which would result in exceeding the maximum rate of interest permitted under applicable law, SMU and Borrower shall, to the extent permitted under applicable law (i) characterize any non-principal payment as an expense, fee or premium rather than as interest; and (ii) exclude voluntary prepayments and the effect thereof; and (iii) compare the total amount of interest contracted for, charged or received throughout the entire contemplated term of the Note at the maximum lawful rate under applicable law.

(b) If at any time and from time to time SMU is prevented from collecting the rate of interest and the fees specified in the Note, by applicable law or governmental regulation, it shall be entitled to recoup the amount it would have otherwise been able to collect when such recoupment will not violate such applicable law or governmental regulation. Such recoupment shall be accomplished by Borrower paying interest at the highest lawful rate until such time as SMU shall have fully recouped the interest it would have otherwise been able to collect from Borrower in the absence of such applicable law or governmental regulation. During any such period of recoupment, interest collected by SMU shall first be credited to payment of current interest due at the rate specified in the Note, then any remaining interest collected shall be applied to recoupment. When SMU shall have recouped all such interest, the interest rate payable by Borrower shall revert to the rate specified in the Note. In no event, however, shall the interest rate charged hereunder ever exceed the maximum rate of interest permitted by law.

16. ENTIRETY AND AMENDMENTS. This Agreement, the Note, and/or any other documents and instruments referred to herein, embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof and thereof, and any provision hereof or of the Note, may be amended or waived only by an instrument in writing executed by Borrower and SMU.

17. MULTIPLE COUNTERPARTS: APPROVAL. This Agreement may be executed in a number of identical separate counterparts, each of which for all purposes is to be deemed an original, but, all of which shall constitute, collectively, one agreement. No party to this Agreement shall be bound hereby until (a) a

counterpart of this Agreement has been executed and delivered by all parties hereto, and (b) the terms and provisions of this Agreement, and the execution and delivery thereof by SMU, shall have been duly approved by the Investment Committee of the Board of Governors of SMU.

18. SURVIVAL. All covenants, agreements, undertakings, representations and warranties made herein, in the Notes or other documents and instruments referred to herein, shall survive all closings hereunder and shall not be affected by any investigation made by any party.

19. PARTIES BOUND. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs, legal representatives and estates; provided, however, that Borrower may not, without the prior written consent of SMU, assign any rights, powers, duties or obligations hereunder.

EXECUTED on the 18th day of August, 1986.

DEBTOR: DIXIE RICE AGRICULTURAL
CORPORATION, INC.
a Louisiana corporation

By: /s/ Michael Snetzer

Its: Vice President

SECURED PARTY: SOUTHERN METHODIST UNIVERSITY,
a Texas non-profit corporation

By: /s/ Laurence L. Laundry

Its: Vice President

EXHIBIT "A"
PROMISSORY NOTE

\$1,500,000.00 Dallas, Texas August 18, 1986

FOR VALUE RECEIVED, the undersigned, DIXIE RICE AGRICULTURAL CORPORATION, INC., a Louisiana corporation (the "Maker"), hereby unconditionally promises to pay to the order of SOUTHERN METHODIST UNIVERSITY, a Texas nonprofit corporation ("SMU"), at its offices in University Park, Dallas County, Texas, the principal sum of ONE MILLION FIVE HUNDRED THOUSAND and NO/100 DOLLARS (\$1,500,000.00) or, if less, the aggregate unpaid balance of all amounts advanced to Borrower pursuant to that certain Loan and Pledge Agreement of even date herewith by and between Maker and SMU (the "Loan Agreement"), in lawful money of the United States of America, together with interest at the lesser of (a) the Maximum Rate (defined herein) or (b) as follows (the "Contract Rate"):

(i) from the date of this Note and continuing until June 30, 1988, this Note shall bear interest at the rate of seven and one-half percent (7-1/2%) per annum;

(ii) From and after June 30, 1988 and continuing until maturity, this Note shall bear interest at a rate to be determined annually on each June 30 (the "Interest Determination Date"), beginning June 30, 1988. The rate of interest for the twelve (12) month period immediately following each Interest Determination Date shall be equal to the greater of (a) seven and one-half percent (7-1/2%) per annum, or (b) seventy-six percent (.76) multiplied times the Index (defined herein) for the month including such Interest Determination Date. As used herein, the term "Index" shall mean the Shearson Lehman Brothers Inc. Bond Market Report - Corporate Bond Index - Long Term (Average) Yield (which Index for June 1986 was 9.90 %) or if same is no longer published, the successor index, if any, or if none is available, a substantially equivalent index for obligations of the same

maturity and quality as designated by SMU with the consent of Maker, which consent shall not be unreasonably withheld.

The term "Maximum Rate" as used herein includes, as to Article 5069-1.04, Vernon's Texas Civil Statutes (and as the same may be incorporated by reference in other Texas statutes), but otherwise without limitation, the rate based upon the "indicated rate ceiling." All past due principal and interest of this Note shall bear interest at the highest lawful rate until paid.

Interest on this Note is due and payable quarterly as it accrues, on the last day of each September, December, March and June, commencing September 30, 1986. The principal balance of this Note outstanding on June 30, 1996 (the "Conversion Date"), together with all accrued but unpaid interest, is due and payable in thirty-nine (39) consecutive quarterly installments, each in the amount of 1/40th of the principal balance of this Note outstanding on the Conversion Date, commencing September 30, 1996 and continuing on the last day of each December, March, June and September thereafter, with one (1) final installment being due and payable, on June 30, 2006 in an amount equal to the outstanding principal balance of this Note, plus all accrued but unpaid interest. All installments of principal and interest are payable at SMU's office in University Park, Dallas County, Texas.

This Note is executed and delivered pursuant to the Loan Agreement and is the Note referred to therein, and is secured by capital stock in certain publicly traded corporations. Reference is made to the Loan Agreement for a description of the properties pledged and assigned, the nature and extent of the security and the rights of the parties under the Loan Agreement in respect of such security. Upon the occurrence of any Event of Default (as such term is defined in the Loan Agreement), the principal balance hereof and the interest accrued hereon may be declared to be forthwith due and payable, whereupon the holder will have the remedies provided in the Loan Agreement.

Regardless of any provision contained in this Note, no holder of this Note shall ever be entitled to receive, collect or apply, as interest on any amount owing, hereunder, any amount in excess of the highest lawful rate of interest permitted to be charged by applicable law, and in the event any holder of this Note ever receives, collects or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial prepayment of principal and treated hereunder as such; and if the principal amount of this Note is paid in full, any remaining excess shall forthwith be paid to the Maker. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the highest lawful rate permitted by law, the undersigned and any holder of this Note shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment as an expense, fee or premium rather than as interest, (ii) exclude voluntary prepayments and the effect thereof, and (iii) compare the total amount of interest contracted for, charged or received with the total amount of interest which could be contracted for, charged or received throughout the entire contemplated term of this Note at the maximum lawful rate under applicable law; provided that if this Note is paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence hereof exceeds the highest lawful rate permitted by law, the holder of this Note shall refund to the undersigned the amount of such excess or credit the amount of such excess against the principal amount of this Note, and in such event, no holder of this Note shall be subject to any penalties provided by any laws for contracting for, charging or receiving interest in excess of the highest lawful rate permitted by law.

If at any time and from time to time SMU is prevented from collecting the Contract Rate and the fees specified in this Note, by applicable law or governmental regulation, it shall be entitled to recoup the amount it would have otherwise been able to collect when such recoupment will not violate such applicable law or governmental regulation. Such recoupment shall be accomplished by the Maker paying interest at the highest lawful rate until such time as SMU shall have fully recouped the interest it would have otherwise been able to collect from Maker in the absence of such applicable law or governmental regulation. During any such period of recoupment, interest collected by SMU shall first be credited to payment of current interest due at the Contract Rate, then any remaining interest collected shall be applied to recoupment. When SMU shall have recouped all such interest, the interest rate payable by Maker shall revert to the Contract Rate. In no event, however, shall the interest rate charged hereunder ever exceed the maximum rate of interest permitted by law.

If this Note is placed in the hands of an attorney for collection, or if it is collected through any legal proceeding at law or in equity or in bankruptcy,

receivership or other court proceedings, Maker agrees to pay all costs of collection, including but not limited to court costs and reasonable attorneys' fees.

Maker and each surety, endorser, guarantor and other party ever liable for payment of any sums of money payable on this Note, jointly and severally waive presentment and demand for payment, notice of intention to accelerate the maturity, acceleration, protest, notice of protest and nonpayment, as to this Note and as to each and all installments hereof, and agree that their liability under this Note shall not be affected by any renewal or extension in the time of payment hereof, or in any indulgences, or by any release or change in any security for the payment of this Note.

MAKER:

DIXIE RICE AGRICULTURAL CORPORATION, INC.,
a Louisiana corporation

By:

Its:

EXHIBIT "B"

BORROWING CERTIFICATE

This Borrowing Certificate is executed by the undersigned pursuant to that certain Loan and Pledge Agreement dated August , 1986 (the "Loan Agreement")

between Dixie Rice Agricultural Corporation, Inc. (the "Borrower") and Southern Methodist University (the "Agreement"); and the undersigned hereby certifies and affirms the accuracy of the following information:

1. Amount of requested Advance: ;

2. Proposed Collateral:

Capital stock of the following corporations, represented by certificates for the number of shares set forth opposite the name of the respective corporations, and being listed and actively traded on the exchange or market set forth opposite the name of the respective corporations:

Corporation Certificate No. No. of Shares Exchange/Market

3. Price per share at date of execution of Certificate and total market value of such shares based on such price:

Corporation Price per Share Total Market Value

The undersigned, the duly elected and acting -----of the Borrower, hereby certifies that the conditions set forth in Subsections 7(b) and 7(c) of the Loan Agreement are met as of the date hereof and has this ----- day of --- - ---, 19--, executed this Borrowing Certificate for the purpose of obtaining an Advance under the Agreement.

COLLATERAL AGREEMENT

This Collateral Agreement (the "Agreement") is made by and between Dixie Rice Agricultural Corporation, Inc., Louisiana corporation ("Dixie"), and Contran Corporation, Delaware corporation ("Contran"), as of the 20th day of December, 1988.

W I T N E S S E T H

WHEREAS, Dixie and Southern Methodist University ("SMU") have entered into that certain Loan and Pledge Agreement dated August 18, 1986 (the "Loan Agreement"), pursuant to which SMU has agreed to advance Dixie up to \$1,500,000.00 in loans; and

WHEREAS, SMU requires, among other things, that Dixie pledge shares of stock with a market value of not less than two hundred percent (200%) of the outstanding principal balance of the loans advanced under the Loan Agreement; and

WHEREAS, Dixie does not currently hold securities which will qualify as collateral under the Loan Agreement; and

WHEREAS, Contran has agreed to pledge shares of Valhi, Inc. common stock owned by Contran, as collateral under the Loan Agreement.

NOW, THEREFORE, in consideration of the mutual premises, representations and covenants herein contained, the parties hereto mutually agree as follows:

1) Contran agrees to pledge, as collateral under the Loan Agreement, 300,000 shares of Valhi, Inc. common stock owned by Contran, or such greater number of shares which of at least shall have from time to time a market value of at least \$3,000,000.00 (the "Shares").

2) As consideration for pledging the Shares, Dixie shall pay to Contran a fee equal to an annual rate of .5% of the average daily principal loan balance outstanding, during periods in which any portion of the Shares are pledged, under the Loan Agreement [payable quarterly on each March 31, June 30, September 30 and December 31].

3) Dixie agrees to indemnify Contran against any loss or incremental cost resulting from the pledge of the Shares under the Loan Agreement.

4) This Agreement may be terminated by either party hereto by giving the other party thirty (30) days written notice of such termination.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

DIXIE RICE AGRICULTURAL CORPORATION, INC.

By: /s/ Harold C. Simmons

Harold C. Simmons
Chairman of the Board

CONTRAN CORPORATION

By: /s/ Michael A. Snetzer

Michael A. Snetzer

AMENDMENT ONE
TO THE
CONTRAN DEFERRED COMPENSATION TRUST NO. 2

This Amendment, dated this 18th day of December, 1996, by and between Contran Corporation, a Delaware corporation ("Company") and NationsBank of Texas, N.A., a national banking association ("Trustee").

WITNESSETH:

WHEREAS, Company and Trustee have previously entered into the Contran Deferred Compensation Trust No. 2 dated October 1, 1995 ("Trust");

WHEREAS, Company and Trustee desire to amend the Trust in certain respects;

NOW, THEREFORE, the parties hereby amend the Trust as follows:

1. By adding "or Section 5(c)" after "Section 3" in the first line of Section 4 of the Trust.

2. Section 5(a) is amended to delete the words "may be" from the first line thereof and to insert the words "real property, securities (including stock or rights to acquire stock) or obligations issued by Company or subsidiaries of the Company (provided such securities or obligations are publicly traded)," between the words "any" and "stocks" in the third line thereof.

3. Section 5(b) is amended in its entirety to read as follows:

"(b) Trustee shall not have any investment discretion with respect to the assets of the Trust and shall not sell or otherwise dispose of any assets that are deposited by Contran with the Trust unless it is directed to do so by Company in writing. All rights associated with assets of the Trust shall be exercised by Company or the person designated by Company, and shall in no event be exercisable by or rest with Plan participants. Voting rights with respect to Trust assets will be exercised by the Company."

4. In all other respects, the provisions of the Trust are hereby ratified and confirmed.

CONTRAN CORPORATION

NATIONSBANK OF TEXAS, N.A.

By: /s/ Steven L. Watson

By: /s/ Unreadable

Title: Vice President

Title: Vice President