

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Schedule 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 63)\*

VALHI, INC.  
(Name of Issuer)

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

918905 10 0  
(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)

July 7, 2000  
(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 that is the subject of this Schedule 13D, and is filing this schedule because of sections 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), 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. 918905 10 0

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  
BENEFICIALLY

8 SHARED VOTING POWER

OWNED BY  
EACH

93,739,554

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

93,739,554

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

93,739,554

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

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

81.7%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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  
BENEFICIALLY

8 SHARED VOTING POWER

OWNED BY  
EACH

104,630,563

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

104,630,563

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

104,630,563

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

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

91.2%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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

8 SHARED VOTING POWER

OWNED BY  
EACH

104,630,563

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

104,630,563

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

104,630,563

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

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

91.2%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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

93,739,554

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

93,739,554

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

93,739,554

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

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

81.7%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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

Dixie Rice Agricultural Corporation, Inc.

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

(a) [ ]

(b) [ ]

3 SEC USE ONLY

4 SOURCE OF FUNDS (SEE INSTRUCTIONS)

Not Applicable

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

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Louisiana

7 SOLE VOTING POWER

-0-

NUMBER OF

SHARES  
BENEFICIALLY

8 SHARED VOTING POWER

OWNED BY  
EACH

93,739,554

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

93,739,554

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

93,739,554

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

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

81.7%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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

8 SHARED VOTING POWER

OWNED BY  
EACH

104,630,563

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

104,630,563

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

104,630,563

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

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

91.2%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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

8 SHARED VOTING POWER

OWNED BY  
EACH

106,874,263

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

-0-

10 SHARED DISPOSITIVE POWER

106,874,263

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

106,874,263

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

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

93.2%

14 TYPE OF REPORTING PERSON(SEE INSTRUCTIONS)

CO

CUSIP No. 918905 10 0

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

653,383

NUMBER OF

SHARES  
BENEFICIALLY

8 SHARED VOTING POWER

OWNED BY  
EACH

107,666,263

REPORTING  
PERSON

9 SOLE DISPOSITIVE POWER

WITH

653,383

10 SHARED DISPOSITIVE POWER

107,666,263

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

653,383

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)

0.6%

14 TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

IN

AMENDMENT NO. 63  
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 81.7%, 9.5% and 1.6%, respectively, of the 114,680,014 Shares outstanding as of July 14, 2000 according to information furnished by the Company (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 direct holder of 100% of the outstanding common stock of Dixie Holding and may be deemed to control Dixie Holding. Contran is the holder of 100% of the outstanding common stock of Dixie Rice and may be deemed to control Dixie Rice. Contran is the holder of approximately 88.9% of the outstanding common stock of Southwest and may be deemed to control Southwest.

Substantially all of Contran's outstanding voting stock is held either by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (the "Trusts"), of which Mr. Simmons is the sole trustee, or by Mr. Simmons directly. 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 any shares of Contran stock that the Trusts hold.

The Harold Simmons Foundation, Inc. (the "Foundation") directly holds approximately 0.5% of the Outstanding Shares. The Foundation is a tax-exempt foundation organized for charitable purposes. Harold C. Simmons is the chairman of the board and chief executive officer of the Foundation and may be deemed to control the Foundation.

The Contran Deferred Compensation Trust No. 2 (the "CDCT No. 2") directly holds approximately 0.4% of the Outstanding Shares. Boston Safe Deposit and Trust Company serves as the trustee of the CDCT No. 2. Contran established the CDCT No. 2 as an irrevocable "rabbi trust" to assist Contran in meeting certain deferred compensation obligations that it owes to Harold C. Simmons. If the CDCT No. 2 assets are insufficient to satisfy such obligations, Contran is obligated to satisfy the balance of such obligations as they come due. Pursuant to the terms of the CDCT No. 2, Contran (i) retains the power to vote the Shares held directly by the CDCT No. 2, (ii) retains dispositive power over such shares and (iii) may be deemed the indirect beneficial owner of such shares.

The Combined Master Retirement Trust (the "CMRT") directly holds approximately 0.1% of the Outstanding Shares. The Company established the CMRT as a trust to permit the collective investment by master trusts that maintain

the assets of certain employee benefit plans the Company and related companies adopt. Mr. Simmons is the sole trustee of the CMRT and a 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. Harold C. Simmons is chairman of the board and chief executive officer of VGI, National, NOA, Dixie Holding, Dixie Rice, Southwest and Contran.

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 the Shares directly held by certain of such other entities. However, Mr. Simmons disclaims beneficial ownership of the Shares beneficially owned, directly or indirectly, by any of such entities, except to the extent of his vested beneficial interest in the Shares held by the CMRT and his interest as a beneficiary of the CDCT No. 2.

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 Company and Tremont Corporation ("Tremont") are the direct holders of approximately 59.6% and 20.2%, respectively, of the outstanding common stock of NL Industries, Inc. ("NL") and together may be deemed to control NL. The Company and NL are the direct holders of approximately 59.6% and 8.4%, respectively, of the outstanding common stock of Tremont. Together, the Company and NL may be deemed to control Tremont. The Company is the holder of 100% of the outstanding common stock of Valmont Insurance Company ("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 understand that Valmont and a subsidiary of NL directly hold 1,000,000 Shares and 1,186,200 Shares, respectively. 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 the Company, VGI, National, NOA, Dixie Holding 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 titanium dioxide pigments, component products (ergonomic computer support systems, precision ball bearing slides and security products), titanium metals products and waste management industries.

In addition to activities engaged in through the Company and its subsidiaries, and in addition to holding the securities described above, (i) VGI is engaged in holding notes receivable; (ii) National is engaged in holding notes receivable and, directly or through other companies, in real estate, oil and gas activities and the rental and sales of compressors and related products; (iii) Dixie Holding is engaged in holding preferred stock of Contran; (iv) NOA is engaged in real estate and holding notes receivable; (v) Dixie Rice is engaged in land management, agriculture and oil and gas activities; (vi) Southwest is engaged in land management, agriculture and oil and gas activities; and (vii) Contran is engaged through other companies in the activities described above and in the production of, among other things, steel rod, wire and wire

products.

(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 \$3,518,397.50 (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, National, Contran, the Foundation, the CDCT No. 2, the CMRT, Mr. Simmons' spouse and Mr. Simmons are the direct beneficial owners of 93,739,554, 10,891,009, 1,804,300, 600,000, 439,400, 115,000, 77,000 and 3,383 of the Shares, respectively. In addition, Harold C. Simmons holds stock options

exercisable for 650,000 Shares, some of which will not vest within 60 days of the filing of this Statement.

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

(1) VGI, Dixie Holding and Dixie Rice may each be deemed to be the beneficial owner of the 93,739,554 Shares (approximately 81.7% of the Outstanding Shares) that VGI directly holds;

(2) National, NOA and Southwest each may be deemed to be the beneficial owner of the 104,630,563 Shares (approximately 91.2% of the Outstanding Shares) that VGI and National directly hold;

(3) Contran may be deemed to be the beneficial owner of the 106,874,263 Shares (approximately 93.2% of the Outstanding Shares) that VGI, National, Contran and the CDCT No. 2 directly hold; and

(4) Harold C. Simmons may be deemed to be the beneficial owner of the 108,319,646 Shares (approximately 93.9% of the sum of the Outstanding Shares and the 650,000 Shares that Mr. Simmons can acquire by exercise of stock options) that VGI, National, Contran, the Foundation, the CDCT No. 2, the CMRT, Mr. Simmons' spouse and himself directly hold and including the 650,000 Shares that Mr. Simmons can acquire by exercise of stock options, some of which will not vest within 60 days of the filing of this Statement.

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 and his interest as a beneficiary of the CDCT No. 2, Mr. Simmons disclaims beneficial ownership of all Shares.

(b) By virtue of the relationships described in Item 2:

(1) VGI, Dixie Holding and Dixie Rice may each be deemed to share the power to vote and direct the disposition of the Shares that VGI directly holds;

(2) National, NOA and Southwest may each be deemed to share the power to vote and direct the disposition of the Shares that VGI and National directly hold;

(3) Contran may be deemed to share the power to vote and direct the disposition of the Shares that VGI, National, Contran and the CDCT No. 2 directly hold; and

(4) Harold C. Simmons may be deemed to share the power to vote and direct the disposition of the Shares that VGI, National, Contran, the Foundation, the CDCT No. 2, the CMRT, Mr. Simmons' spouse and himself directly hold and including the 650,000 Shares that Mr. Simmons can acquire by exercise of stock options, some of which will not vest within 60 days of the filing of this Statement.

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

Date	Number of Shares	Approximate Price Per Share (\$) (exclusive of commissions)
05/22/00	6,000	\$10.6250
05/23/00	300	\$10.6250
05/30/00	4,100	\$10.6250

05/31/00	500	\$10.6250
06/09/00	100,000	\$11.0000
07/03/00	20,000	\$10.7500
07/03/00	4,000	\$10.8125
07/03/00	9,800	\$10.8750
07/03/00	6,000	\$10.9375
07/03/00	101,200	\$11.0000
07/05/00	10,000	\$11.0000
07/06/00	1,800	\$10.8750
07/06/00	29,500	\$11.0000
07/07/00	9,100	\$11.0000
07/11/00	2,400	\$11.0000
07/12/00	5,000	\$11.0000
07/17/00	5,000	\$11.0000
07/17/00	5,000	\$10.8750

(d) Each of VGI, National, Contran, the Foundation, the CDCT No. 2, the CMRT, Harold C. Simmons' spouse and Harold C. Simmons 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 and National are parties to a \$25.0 million revolving credit and letter of credit facility dated as of September 3, 1998, as amended and supplemented through September 2, 1999 with U.S. Bank National Association (the "U.S. Bank Facility"). Borrowings under the U.S. Bank Facility bear interest at the rate announced publicly from time to time by each bank as its base rate or at a rate of 1.75% over the London interbank offered rate of interest ("LIBOR"), are due August 30, 2000 or such extended maturity date as may be mutually agreed to, and are collateralized by, among other things, certain Shares. On July 14, 2000, no money had been borrowed, no letters of credit were outstanding and National had pledged 6,000,000 Shares under the U.S. Bank Facility. The foregoing summary of the U.S. Bank Facility is qualified in its entirety by reference to Exhibits 1 through 5 to this Statement, which are 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. As of July 14, 2000, \$900,000 principal amount was outstanding under the SMU Facility and 300,000 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 6 and 7 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\* Loan Agreement dated as of September 3, 1998 among Contran Corporation, National City Lines, Inc. and U.S. Bank National Association.

- Exhibit 2\* Promissory Note dated September 3, 1998 in the original principal amount of \$25 million payable to the order of U.S. Bank National Association and executed by Contran Corporation.
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- Exhibit 7 Collateral Agreement, dated as of December 29, 1988, between Dixie Rice Agricultural Corporation, Inc. and Contran Corporation (incorporated by reference to Exhibit 12 to Amendment No. 59 to this Statement).
- Exhibit 8\* Contran Deferred Compensation Trust No. 2 (Amended and Restated), dated as of February 11, 1999, between Contran Corporation and Boston Safe Deposit and Trust Company.

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\* 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: July 17, 2000

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: July 17, 2000

/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 President or Executive 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 Holding Company ("Dixie Holding"), Dixie Rice Agricultural Corporation, Inc. ("Dixie Rice"), National City Lines, Inc. ("National"), NOA, Inc. ("NOA"), Southwest Louisiana Land Company, Inc. ("Southwest") and 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
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Eugene K. Anderson	Vice president of Contran, Dixie Holding, Dixie Rice, NOA, National, Southwest, VGI and the Company; and treasurer of the Harold Simmons Foundation, Inc. (the "Foundation").
F. Murlyn Broussard (1)	Treasurer of Southwest.
J. Mark Hollingsworth	Vice president and general counsel of Contran, Dixie Holding, Dixie Rice, NOA, National, Southwest, VGI and the Company; general counsel of the Foundation; general counsel of CompX International Inc., a manufacturer of computer support systems, drawer slides and security products that is affiliated with the Company ("CompX"); general counsel of The Combined Master Retirement Trust, a trust the Company formed to permit the collective investment by trusts that maintain the assets of certain employee benefit plans the Company and related companies adopt (the "CMRT").
William J. Lindquist	Director and senior vice president of Contran, Dixie Holding, NOA, National and VGI; senior vice president of Dixie Rice, Southwest and the Company.
A. Andrew R. Louis	Secretary of Contran, CompX, Dixie Holding, Dixie Rice, NOA, National, Southwest, VGI, and the Company.



Kelly D. Luttmer Tax director of Contran, CompX, Dixie Holding, Dixie Rice, NOA, National, Southwest, VGI and the Company.

Andrew McCollam, Jr. (1) President and director of Southwest; director of Dixie Rice; and a private investor.

Harold M. Mire (2) Vice president of Dixie Rice and Southwest.

Bobby D. O'Brien Vice president and treasurer of Contran, Dixie Holding, Dixie Rice, NOA, National, VGI and the Company; and vice president of Southwest.

Glenn R. Simmons Vice chairman of the board of Contran, Dixie Holding, NOA, National, VGI and the Company; chairman of the board of Keystone Consolidated Industries, Inc. ("Keystone"), a manufacturer of steel rod, wire and wire products that is affiliated with Contran; director and executive vice president of Southwest and Dixie Rice; director of NL Industries, Inc., a producer of titanium dioxide pigments and a subsidiary of the Company ("NL"); director of Tremont Corporation, a holding company that primarily holds an interest in NL and an interest in Titanium Metals Corporation, a producer of titanium metal products ("TIMET"); and a director of CompX and TIMET.

Harold C. Simmons Chairman of the board and chief executive officer of Contran, Dixie Holding, Dixie Rice, the Foundation, NOA, National, Southwest, VGI and the Company; chairman of the board of NL; director of Tremont; and trustee and member of the trust investment committee of the CMRT.

Richard A. Smith (2) Director and president of Dixie Rice.

Gregory M. Swalwell Vice president and controller of Contran, Dixie Holding, NOA, National, VGI and the Company; vice president of Dixie Rice and Southwest.

Steven L. Watson Director and president of Contran, Dixie Holding, NOA, National, VGI and the Company; director and executive vice president of Dixie Rice; director, vice president and secretary of the Foundation; executive vice president of Southwest; and a director of CompX, Keystone and TIMET.

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- (1) The principal business address for Messrs. Broussard and McCollam is 402 Canal Street, Houma, Louisiana 70360.
- (2) The principal business address for Messrs. Mire and Smith is 600 Pasquiere Street, Gueydan, Louisiana 70542-0010.

#### 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 own personally and beneficially Shares, as outlined below:

Name -----	Shares Held -----	Options Held (1) -----
Eugene K. Anderson (2)	1,446	22,000
F. Murlyn Broussard (3)	1,157	-0-
J. Mark Hollingsworth	-0-	86,000
William J. Lindquist	-0-	241,000
A. Andrew R. Louis	-0-	25,000
Kelly D. Luttmer	-0-	20,000
Andrew McCollam, Jr.	550	-0-
Harold M. Mire	1,137	-0-
Bobby D. O'Brien	-0-	138,000
Glenn R. Simmons(4)	3,183	420,000
Harold C. Simmons(5)	80,383	550,000
Richard A. Smith	2,610	-0-

Gregory M. Swalwell(6)	1,166	103,000
Steven L. Watson(7)	18,635	310,000

- (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 the Shares indicated as held by Glenn R. Simmons include 2,383 Shares held in his individual retirement account. The Reporting Persons further understand that the Shares indicated as held by Mr. Simmons also include 800 Shares held in his wife's retirement account, with respect to which Mr. Simmons disclaims beneficial ownership.
- (5) 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. Item 5 of this Statement reports all Shares issuable pursuant to the exercise of Mr. Simmons' stock options, regardless of vesting, while this Schedule C reports only those Shares that Mr. Simmons can receive within 60 days of the date of this Statement upon exercise of his stock options. Mr. Simmons disclaims beneficial ownership of all Shares 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 and his interest as a beneficiary of the CDCT No. 2.
- (6) The Reporting Persons understand that the Shares indicated as held by Gregory M. Swalwell include 1,166 Shares held in his individual retirement account.
- (7) 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

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|------------|--|
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\*              Filed herewith.

## LOAN AGREEMENT

This loan agreement (this "Agreement") is dated as of September 3, 1998, and is among Contran Corporation, a Delaware corporation ("Contran"), National City Lines, Inc. ("NCL"), a Delaware corporation, U.S. Bank National Association ("U.S. Bank"), and the Bank Group (as defined below).

### Recitals

A. Contran, NCL, 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 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 and the issuance of letters of credit under the Letter of Credit Subfacility;

"Agent" means U.S. Bank 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 U.S. Bank and any banks hereafter added to this Agreement by modification agreement;

"Bank Group Majority" initially means U.S. Bank. If other banks join the Bank Group following the date hereof, the term "Bank Group Majority" shall mean members of the Bank Group holding at least 51 percent of the total amount of Advances hereunder, but in any event not less than two banks;

"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 their banking activities (except for a Saturday, Sunday, or a bank holiday 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, equal to 37.5 basis points per annum (365/366 day year) multiplied by the difference between the Maximum Availability and the average outstanding principal balance of the advances and extensions

of credit (excluding standby letters of credit) during the Quarter, on a prorated basis;

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

"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;

"Event of Default" means those events, occurrences, or other matters identified in Section VI of this Agreement, that, if they occur or exist, cause Contran to be in default under this Agreement;

"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 in the form satisfactory to the Bank Group to be issued to each member of the Bank Group by NCL contemporaneously with the execution of this Agreement;

"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;

"Letter of Credit Fee" means a fee, which is payable quarterly in arrears as of the 10th Banking Day of each Quarter, equal to 1.75% per annum (360 day year) multiplied by the undrawn amount of outstanding letters of credit during the preceding Quarter, on a prorated basis.

"Letter of Credit Subfacility" means the facility under which U.S. Bank will issue one or more standby letters of credit to third parties aggregating no more than \$15,000,000 at any one time when Contran requests a letter of credit by executing a written application and reimbursement agreement in form satisfactory to U.S. Bank. All letters of credit will be subject to U.S. Bank's standard terms and conditions for letters of credit.

"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;

"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 value of the Pledged Shares (as determined by multiplying the number of Pledged Shares (initially 6,000,000) by the published closing price for the stock on the preceding trading day, as published in the Wall Street Journal or, if the prices are not published, as reasonably determined by the Agent);

"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 \$25,000,000 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 the Bank Group in a form acceptable to the Bank Group;

"Notice of Borrowing" means the notice of intention to borrow to be given by Contran to the Agent in a form acceptable to the Agent;

"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 6,000,000 shares of common stock that have been issued by Valhi and any investment securities that are pledged to the Bank Group under Section 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 Companies in a form acceptable to the Agent 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; and

"Valhi" means Valhi, 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, supplemented, 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 Companies 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) No Event of Default or Prospective Default exists 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 a 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 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. NCL promises and agrees 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 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 40%, the Contran Companies immediately will either (a) make a prepayment of principal so as to reduce the LTV to 40% 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 40% 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 Companies, return to the Contran Companies any of the additional pledged securities (including the Valhi shares pledged initially) which are not then necessary to maintain the LTV at 40% or less.

11. Waiver; Forbearance. Each Contran Company 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 Company 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.

C. Letters of Credit.

1. Commitment. Upon the written application of Contran and such terms and conditions as U.S. Bank may reasonably require, U.S. Bank will issue, until 30 days prior to the Expiry Date, standby letters of credit to beneficiaries designated by Contran for terms that expire no later than the Expiry Date. Contran will pay all Letter of Credit Fees associated with issuance of the letters of credit and the administrative charges normally charged by U.S. Bank in connection with such letters of credit and drawings thereon.
2. Participation. Each member of the Bank Group will participate, in accordance with its Percentage Interest, in U.S. Bank's risks and obligations under such letters of credit and in Contran's obligations for immediate reimbursement of the amount of any drawings made by the beneficiaries (which includes successors and transferees) under any letter of credit. This participation will be as a primary obligor to U.S. Bank and not as a surety for Contran. Each of the members of the Bank Group will pay to U.S. Bank such lender's Percentage Interest of any drawing made under any letter of credit within 24 hours of receipt of notice from U.S. Bank of such drawing regardless of the existence of an Event of Default or Prospective Default, or any offset, defense, or counterclaim of Contran.
3. Reduction in Availability. Upon issuance of a letter of credit under this subfacility, the amount of Availability will be reduced in an equivalent amount, but no interest or fees (except U.S. Bank's normal issuance and usage fees and charges and the letter of credit fees) will be payable on such amount until a drawing is made on such letter of credit.
4. Reimbursement. Contran promises and agrees to immediately reimburse U.S. Bank for the amount of any drawing made by any beneficiary under any letter of credit issued by U.S. Bank upon the application hereunder of Contran without offset, defense, or counterclaim against U.S. Bank other than payment resulting from gross negligence of U.S. Bank and without regard to any claims, offsets, defenses, or counterclaims that Contran has or may claim to have against its liability to the beneficiary of such letter of credit. If not reimbursed on the same Banking Day and if Contran is not then insolvent or the subject of any insolvency proceeding, the amount so paid by U.S. Bank will be deemed to be an Advance under the Credit Line in that amount to Contran as of the date when the draw is paid and will bear interest at the Prime Rate until repaid or renewed as a

LIBOR loan.

III. CONDITIONS PRECEDENT.

A. Conditions to First Borrowing. The following are conditions precedent which must be satisfied by the Contran Companies or waived by the Bank Group Majority prior to the first Advance:

1. Loan Documents. Contran has duly executed (signed, acknowledged where appropriate, and delivered) the Loan Documents;
2. Guaranties. NCL has executed the Guaranty and the Contran Companies have executed 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 Companies 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 Company 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 a validly existing Delaware corporation, (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. No Event of Default or Prospective Default exists 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 proceedings 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 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 if such breach or default would have a material adverse effect on the ability of the Contran Companies to repay the Advances and perform their Obligations to the Bank Group under the Loan Documents;

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/1/ The financial statements for NCL may omit footnote disclosures that would normally be required under GAAP.

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 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 latest annual financial statement provided to the Bank Group before the date of this Agreement;
  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; and
  16. Year 2000. The Contran Companies have reviewed and assessed their business operations and computer systems and applications to address the "year 2000 problem" (that is, that computer applications and equipment used by the Contran Companies, directly or indirectly through third parties, may be unable to properly perform date-sensitive functions before, during, and after January 1, 2000) and reasonably believe that the year 2000 problem will not result in a material adverse change in the Contran Companies' business condition (financial or otherwise), operations, properties, or prospects, or the Contran Companies' ability to repay the Advances and perform their Obligations to the Bank Group under 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 75 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 NCL within 75 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 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 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 or outstanding 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 and/or other affiliates of Contran;
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 40% 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 Company 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 makes 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 Event of 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 an Event of 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;
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 below 40%.

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 an Event of Default or Prospective Default to consent to any such assignment and delegation, each Contran Company covenants that its consent will not be unreasonably withheld. Any such sale or assignment shall be subject to the condition that the Bank Group member pay Agent an administrative fee in the amount of \$2,000 per participant or assignee.

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.

U.S. BANK NATIONAL ASSOCIATION  
for itself and as the Agent for  
the Bank Group

CONTRAN CORPORATION

By: /s/ Janice T. Thede  
-----  
Janice T. Thede  
Vice President

By: /s/ Bobby D. O'Brien  
-----  
Bobby D. O'Brien  
Vice President

NATIONAL CITY LINES, INC.

By: /s/ Bobby D. O'Brien  
-----  
Bobby D. O'Brien  
Vice President

U.S. BANK NATIONAL ASSOCIATION

Commitment Amount            \$25,000,000

By: /s/ Janice T. Thede  
-----  
Janice T. Thede  
Vice President

## NOTE

For value and pursuant to a loan agreement of even date (the "Loan Agreement"), CONTRAN CORPORATION, a Delaware corporation ("Contran"), promises and agrees to pay to the order or assigns of the Bank Group, c/o U.S. BANK NATIONAL ASSOCIATION (the "Agent"), National Corporate Banking, 555 S.W. Oak Street, Portland, Oregon 97204 (or at such other address as the Bank Group may hereafter specify in writing from time to time), the principal sum of \$25,000,000, or such lesser amount as Contran actually borrows from the Bank Group under the Loan Agreement and this Note, plus interest, fees, and costs, as provided for in this Note. All terms, which are not specifically defined in the Note, will have the meanings given to them in the Loan Agreement.

1. Use of Proceeds. Contran will use the money borrowed from the Bank Group under this Note only for the Allowed Uses.
2. Availability. As long as there is no event of Prospective Default and no uncured Event of Default, Contran will have the right to borrow from the Bank Group until the Expiry Date up to the amount Available.

Contran will have the right to borrow, repay, and reborrow from time to time under the Note subject only to Availability and LTV, payment of the breakage charge in the event of prepayment of a LIBOR Advance, and Contran's ability under the Loan Agreement to unilaterally make additional reductions in the aggregate commitment of the Bank Group.

3. Fees. Contran will pay the following fees to the Bank Group:
  - a) The Commitment Fee quarterly in arrears; and
  - b) If and when required by the Bank Group, a late payment fee equal to 5% of the amount of any interest or principal payment or cost reimbursement not paid within 5 days following the due date.
4. Repayment of Principal. Contran will repay without notice or demand the entire outstanding principal balance of the Note on the Expiry Date.
5. Prepayment; Breakage Charge. Contran will have the right to prepay principal at any time but will pay a breakage charge on prepayment of a LIBOR Advance. The breakage charge will include a processing fee and will be calculated by the Bank Group to enable it to recover reasonable redeployment costs and loss of income for the remainder of the Interest Period. Contran will pay the breakage charge whether the prepayment is voluntary or is paid after the Agent has accelerated the due date of this Note.
6. Interest. Before an Event of Default, interest will accrue at either the Prime Rate or, if properly selected by Contran as provided in the Loan Agreement, on LIBOR Advances (which must be in the minimum amount of \$1,000,000, and in multiples of \$500,000 in excess of the minimum amount) at the LIBOR for the Interest Period selected by Contran. The LIBOR is quoted by the Agent as of 8:30 a.m. each Banking Day. Once accepted, the LIBOR will be applicable for the entire Interest Period.

Contran will pay interest on LIBOR Loans as of the end of each Interest Period and, if the 6-month Interest Period is selected, as of the end of the first 90 days in such 6-month Interest Period and will pay interest on Prime Rate Loans monthly in arrears as of the end of each calendar month. The interest payment will be due within five days following receipt from the Agent of the Note holder's billing for such interest.

Interest will accrue at the Default Rate as of the occurrence of any Event of Default and until such Default is cured or the Note is paid in full and will be payable at such rate on a weekly basis as of the last Banking Day of each calendar week.

7. Costs. The prevailing party in the trial or appeal of any civil action or insolvency (liquidation, reorganization or receivership) claim or proceeding on any claim (including setoffs, defenses, counterclaims and third-party claims) whether arising in tort or contract) arising from or related to this Note or the Bank Group's commitment will be entitled to reasonable attorney fees in addition to its costs and disbursements.
8. Waivers. Contran waives acceptance, presentment, dishonor, notice of dishonor, and defenses and claims in recoupment and based on suretyship (such as extensions, modifications, and impairment of recourse rights) and/or impairment of Collateral.
9. Default; Remedies. Contran will be in default under this Note if:
  - a) Contran fails to make any payment of principal when due under this Note or fails to make any payment of interest, fees or costs within three Banking Days following the due date under this Note; or
  - b) Contran is otherwise in default under the Loan Agreement.Upon the occurrence of an Event of Default and with the consent of the Bank Group Majority, the Agent will have the right to accelerate the due date of this Note and/or to exercise all other rights and remedies specified in the Loan Documents or otherwise available at law.
10. Governing Law. The substantive provisions of Oregon law (that is, without regard for any choice of law provisions which would make the law of another jurisdiction applicable) will govern the construction and enforcement of this Note.
11. 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 this instrument.
12. Successors and Assigns. This Note will bind and inure to the benefit of the respective successors and assigns of Contran, the Contran Companies, the Agent, and the Bank Group (including its participants), but Contran will not have the right by reason of this paragraph to assign its rights or delegate its Obligations under the Note or the other Loan Documents without the Bank Group's prior written consent.
13. Guaranty/Security. Payment of this Note and performance of the Obligations are:
  - a) Unconditionally guaranteed by the Contran Companies; and
  - b) Secured by first priority security interests in the Pledged Securities.
14. Statutory Warning. Under Oregon law, most agreements, promises and commitments made by a financial institution after October 3, 1989, concerning loans 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.

CONTRAN CORPORATION

By: /s/ Bobby D. O'Brien

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Bobby D. O'Brien  
Vice President

Three Lincoln Centre  
5430 LBJ Freeway, Suite 1700  
Dallas, Texas 75240-2697



September 3, 1998

PAYMENT GUARANTY

For value and pursuant to a loan agreement of even date (the "Loan Agreement") among Contran Corporation, a Delaware corporation ("Contran"), the undersigned corporation (the "Affiliate"), U.S. Bank National Association, a national bank ("U.S. Bank"), and certain other banks and financial institutions referred to therein as the "Bank Group," the Affiliate unconditionally guarantees that Contran and the Affiliate will promptly pay and perform the Obligations under the Loan Documents. All of the capitalized terms which are not defined in this guaranty (this "Guaranty") will have the meanings in this Guaranty that are given to such terms in the Loan Agreement.

1. Consideration. The Affiliate acknowledges that the members of the Bank Group are willing to make Advances only on the condition that the Affiliate executes this Guaranty and thereby promises and agrees to pay and perform the Obligations as a direct and primary obligation of the Affiliate. The Affiliate and Contran are part of an affiliated group of companies (the "Contran Companies") whose business operations are integrated and financial reporting is consolidated. The Affiliate is fully informed as to the business operations and financial affairs of Contran and the other members of the Contran Companies. The Affiliate acknowledges that the Affiliate has received and will receive benefit from the Advances.
2. Waivers. The Affiliate hereby waives:
  - 2.1. Acceptance, presentment (including notice of dishonor), and demand;
  - 2.2. Claims and defenses of subrogation, contribution, indemnity, exoneration, recourse, reimbursement, and substitution against Contran and its property to the full extent necessary to prevent any payments or other transfers from Contran to the Bank Group from being made for the benefit of an "insider" in determining whether such payments or other transfers constitute avoidable transfers or preferences under section 547 of the Bankruptcy Code;
  - 2.3. Claims and defenses that would require the Bank Group to (i) proceed first against Contran or the Pledged Securities before the Bank Group can proceed against the Affiliate, (ii) provide to the Affiliate any information in the possession or control of the Bank Group or the Agent relating to the status of the relationship between Contran and the Bank Group, the financial condition of Contran, the nature, status, location or estimated value of the Pledged Securities or any action, inaction, or forbearance by the Bank Group against Contran or the Pledged Securities;
  - 2.4. Claims and defenses based on recoupment or any other disability or defense of Contran other than repayment of the Loan and failure of consideration, including claims such as duress, lack of capacity, illegality, fraud, statute of limitations, accord and satisfaction, impairment of recourse, discharge of Contran through insolvency proceedings or otherwise, the manner, order, or timing of any foreclosure or disposition rights, election of remedies, or the forbearance by the Bank Group of or with respect to any right or remedy that the Bank Group may have against Contran or the Pledged Securities; and
  - 2.5. Claims and defenses based on suretyship, including extension of due dates, material modifications, and impairment of rights of recourse and/or of Pledged Securities. /1/
3. Consent. Without thereby limiting the generality of the foregoing waivers, the Affiliate consents to forbearance, material modification, extension of due dates, compromise, and discharge of the debts and obligations hereby guaranteed, and to partial or full releases, impairment, and abandonment of any item or items of the Pledged Securities without prior notice to or consent of the Affiliate and in such order and for such consideration as

the Bank Group may consider appropriate.

4. Insolvency Proceedings. In the event that Contran becomes the subject of any insolvency proceedings (bankruptcy, receivership, etc.), the Affiliate authorizes the Bank Group to make Advances (loans) and extend credit to such person as the debtor or debtor in possession and repayment of such Advances and/or extensions of credit will be covered by this Guaranty. This Guaranty specifically includes any amount that the Bank Group may be required to repay on account of an avoided transfer or preference. Regardless of the payment or performance of the debts and obligations hereby guaranteed, the liability of the Affiliate to the Bank Group will continue until 10 days after the expiration of the longest of any potentially applicable federal or state statute of limitations relating to preferences and fraudulent transfers.
5. Subordination of Claims and Equity Interests. Effective upon an uncured default by Contran under the Loan Documents and continuing only for so long as such default continues to exist, the Affiliate subordinates the Affiliate's claims against and equity security interests in Contran (including the rights to payment, collection, or enforcement of any present or future debt or obligation of Contran to the Affiliate) so as to provide, to the maximum extent practicable, that the debts and obligations of Contran to the Bank Group will be paid and performed before any debts or obligations of Contran to the Affiliate are paid or performed or any distribution is made on account of the equity securities of Contran that are owned or held by the Affiliate. The Affiliate agrees that any money that the Affiliate might receive on account of such debts, obligations, equity securities, or contribution rights will be deemed to be held in trust by the Affiliate for the benefit of the Bank Group and will be delivered immediately to the Agent upon receipt.

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/1/ If the Affiliate's liability under this Guaranty might be governed by California law, then the Affiliate also waives all suretyship rights and defenses that are provided by any subrogation, reimbursement, election of remedies, antideficiency, or other laws (statutory provisions and judicial decisions) of California, including, but not limited to, CCP sections 580a, 580b, 580d, and 726.

6. Representations and Warranties. The Affiliate represents and warrants to the Bank Group that:
  - 6.1. This Guaranty, and any accompanying Security Documents are enforceable against the Affiliate in accordance with its terms subject to the effect of insolvency (including bankruptcy, reorganization, and receivership), moratorium, and 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
  - 6.2. Neither the execution of this Guaranty and accompanying Security Documents nor performance by the Affiliate of the Obligations (a) is prohibited by, or will result in a fine, penalty, or similar sanction under, any applicable statutory law, regulation, or court or administrative order, (b) will violate any of its organization documents (articles, bylaws, etc.), or (c) will breach, or constitute an event of default under, any agreement, instrument, mortgage, indenture, or other contract to which the Affiliate is a party or by which it or its property is bound.
7. Organization Documents. The Affiliate will promptly provide the Bank Group with copies of its organization documents and the resolutions authorizing this Guaranty and any accompanying Security Documents.
8. Costs. The prevailing party in the trial or appeal of any civil action or insolvency proceeding to construe or enforce this Guaranty and/or to defend any claims, offsets, defenses, counterclaims, and third-party claims that are asserted under contract, tort, or other common law theories will be

entitled to recover reasonable attorney fees in addition to costs and disbursements and such fees, costs, and disbursements will bear interest at the default rate specified in the Note from the date when reimbursement is requested in writing until the date when such reimbursement is made.

9. Jury Trial Waiver. On advice of counsel and in lieu of an arbitration clause normally required by the agent, the Affiliate 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 this document.
10. Governing Law. This Guaranty is governed by the substantive provisions (that is, without regard for the rules for conflict of laws) of Oregon law.
11. Consent to Jurisdiction. The Affiliate irrevocably submits to the jurisdiction of any state and federal court sitting in Portland, Oregon, in any action or proceeding relating to this Guaranty and waives any and all claims that such forum is inconvenient or that there is a more convenient forum located elsewhere.
12. Miscellaneous.
  - 12.1. The Affiliate's liability and obligations under this Guaranty for performance of the Obligations are primary, are joint and several with Contran, and extend to each member of the Bank Group as well as to the Bank Group as a whole and to the Agent.
  - 12.2. This is an irrevocable, continuing guaranty and will remain in force until such time as all Obligations have been discharged in full.
  - 12.3. This Guaranty will bind and inure to the benefit of the Affiliate, the Agent, each member of the Bank Group, and their respective successors and assigns.
  - 12.4. In this Guaranty, single pronouns are gender and number neutral and can refer to men, women, entities, and multiple parties if and when the context so requires.
  - 12.5. A duplicate counterpart of this Guaranty will be executed for each Bank. This Guaranty may be delivered by facsimile signature. If the Affiliate delivers this Guaranty by facsimile, such delivery will constitute the promise of that person to deliver the manually-signed version of this Guaranty to the Agent as soon as reasonably possible.
  - 12.6. Statutory Warning. Under Oregon law, most agreements, promises and commitments made by a financial institution concerning Advances and other credit extensions which are not for personal, family or household purposes or secured solely by the borrower's principal residence must be in writing, express consideration and be teed by the financial institution to be enforceable.

NATIONAL CITY LINES, INC.

By: /s/ Bobby D. O'Brien

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Bobby D. O'Brien  
Vice President

SECURITIES PLEDGE AGREEMENT

This Securities Pledge Agreement dated as of September 3, 1998, is among Contran Corporation, a Delaware corporation ("Contran"), National City Lines, Inc., a Delaware corporation ("NCL"), and U.S. Bank National Association ("U.S. Bank"), as agent for certain banks and financial institutions (the "Bank Group"), and is executed pursuant to a loan agreement of even date (the "Loan Agreement").

Recitals

A. The Bank Group is providing loans and extensions of credit ("Advances") to Contran under the Loan Agreement. All capitalized words that are not specifically defined in this Securities Pledge Agreement are defined in the Loan Agreement.

B. One of the conditions precedent to the members of the Bank Group making any Advances to Contran is that the Contran Companies execute this Securities Pledge Agreement and perfect the security interest of the Bank Group created by this Securities Pledge Agreement by delivering to the Agent the certificates representing the Pledged Securities (as defined below) and stock powers executed in blank.

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

1. Pledge. The Contran Companies hereby pledge, assign, transfer, and grant a security interest to the Agent for the Bank Group in and to all of the following investment securities (including any certificates, voting rights, owner prerogatives, dividends, redemptions, and other cash and non-cash distributions, and other entitlements related thereto):

6,000,000 shares of Valhi, Inc., a Delaware corporation,

all profits, products and other proceeds thereof (the "Pledged Securities"), to secure performance of the Obligations. Without limiting the generality of the foregoing, the Loan Agreement requires the pledge of additional investment securities in certain circumstances. When pledged, such additional investment securities will immediately become part of the Pledged Securities and, therefore, be subject to the terms and conditions of this Securities Pledge Agreement.

2. Representations and Warranties. The Contran Companies represent and warrant to the Bank Group that:

- a) NCL is and will continue to be the sole legal and beneficial owner and holder of the Pledged Securities;
- b) Neither the execution nor the performance of this Securities Pledge Agreement violates any statutory law, regulation, rule or order applicable to any Contran Company or any agreement, instrument, or indenture to which any Contran Company is a party or by which such person's property is bound; and
- c) The Pledged Securities are not subject to any security interest, lien, or adverse claim other than the security interest granted in this Securities Pledge Agreement.

3. Perfection. The Contran Companies will promptly deliver the certificates representing the Pledged Securities to the Agent and will promptly issue any additional documents, such as stock powers, and to take any additional action, such as notification to intermediaries, that the Agent reasonably believes are necessary or appropriate to perfect the security interest created by this Securities Pledge Agreement.

4. Voting; Cash Proceeds. The Contran Companies will have the right before

an Event of Default to:

- a) Exercise all voting rights attendant to the Pledged Securities; and
- b) Receive and use all distributions (which includes any and all dividends) made on account of the Pledged Securities without accounting to the Bank Group for such distributions. Notwithstanding the foregoing, no Contran Company will, as the owner of the Pledged Securities, vote for or consent to any merger, share exchange, transfer (sale, lease, exchange, mortgage, pledge, dedication or other disposition) of assets outside of the ordinary course of business or other business combination involving the issuer(s) of the Pledged Securities or the dissolution of the issuer(s) of the Pledged Securities without the prior written consent of the Bank Group, which will not be unreasonably withheld or delayed.

Following an Event of Default, the Bank Group will have the exclusive right to vote and to receive, demand, sue for and use all distributions, proceeds, or other payments on account of the Pledged Securities. In the event any Contran Company receives any distribution or payment after an Event of Default, such person will hold such distribution or payment as the agent for the Bank Group in the form received and will comply with the orders of the Agent with respect thereto.

5. Custodial Matters. The Agent's only duty hereunder is to use reasonable care in the custody and preservation of the certificates.
6. Default. The Contran Companies will be in default under this Securities Pledge Agreement if:
  - a) An Event of Default occurs under the Loan Agreement;
  - b) Any representation or warranty made in this Securities Pledge Agreement is false or misleading in any material respect; or
  - c) The Contran Companies breach any promise or agreement made in this Securities Pledge Agreement.
7. Remedies. TIME IS OF THE ESSENCE. Upon Default, the Agent will have right to dispose of the Pledged Securities in one or more transactions in accordance with applicable federal and state securities laws and the Uniform Commercial Code. These rights are cumulative with the rights of the Bank Group at law and under the other agreements that the Bank Group has with the Contran Companies.

In the event the Agent is unable to dispose of the Pledged Securities by public sale because of limitations imposed by federal or state securities laws (or is unwilling to invest the time and money necessary to register the Pledged Securities or obtain an exemption from registration requirements), and the Agent desires to dispose of the Pledged Securities by private sale(s), then the Agent will give the Contran Companies and the issuers of the Pledged Securities at least 10 days' prior written notice of the Agent's intention to conduct a private sale and may at any time thereafter conduct a private sale or sales of all or portions of the Pledged Securities without further notice to the Contran Companies.

8. Costs and Expenses.
  - a) Each Contran Company promises and agrees to reimburse the Agent for all advances made by the Agent to protect and preserve the Pledged Securities and for all reasonable costs and expenses incurred by the Agent (including attorney and brokerage fees) in exercising its rights and remedies against the Pledged Securities, and to pay interest on such amounts at

the Default Rate from the date reimbursement is demanded until the amount is paid in immediately available funds.

b) The prevailing party in the trial or appeal of any civil action or insolvency proceeding to collect on or construe this Securities Pledge Agreement will be entitled to the award of a reasonable attorney fee in addition to its costs and disbursements. If the Agent uses an attorney to assist in enforcement of this Securities Pledge Agreement, the Contran Companies will reimburse the Agent on demand for that expense even if no action or proceeding is commenced.

9. Jurisdiction. The Contran Companies irrevocably submit to the jurisdiction of any state or federal court sitting in Portland, Oregon, in any action or proceeding relating to this Securities Pledge Agreement and waive any and all claims that such forum is inconvenient or that there is a more convenient forum located elsewhere.

10. Waiver of Jury Trial. On advice of counsel and in lieu of an arbitration clause normally required by the Agent, each Contran Company hereby waives trial by jury in any controversy (claim, defense, offset, 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 this Securities Pledge Agreement.

11. Miscellaneous.

a) This Securities Pledge Agreement will bind the successors and assigns of the Contran Companies and will inure to the benefit of the participants, successors, and assigns of the Agent, each member of the Bank Group and the Bank Group as a whole.

b) The substantive (but not conflicts) law of the state of Oregon will govern construction and enforcement of this Securities Pledge Agreement.

c) No provision of this Securities Pledge Agreement can or will be waived or modified by conduct or oral agreement either before or after this Securities Pledge Agreement is executed.

U.S. BANK NATIONAL ASSOCIATION  
for itself and as the Agent for  
the Bank Group

CONTRAN CORPORATION

By: /s/ Janice T. Thede  
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Janice T. Thede  
Vice President

By: /s/ Bobby D. O'Brien  
-----  
Bobby D. O'Brien  
Vice President

NATIONAL CITY LINES, INC.

By: /s/ Bobby D. O'Brien  
-----  
Bobby D. O'Brien  
Vice President

## EXTENSION AGREEMENT

This Extension Agreement ("Agreement") is entered into as of September 2, 1999, among Contran Corporation, a Delaware corporation ("Contran"), National City Lines, Inc., a Delaware corporation ("NCL"), and U.S. Bank National Association ("U.S. Bank").

### RECITALS

A. Contran, NCL (collectively, the "Contran Companies"), and U.S. Bank are parties to a loan agreement dated as of September 3, 1998 (the "1998 Loan Agreement"), and certain related note, guaranty, and pledge agreements (the "1998 Loan Documents").

B. Capitalized terms used in this Agreement that are not defined herein have the meaning assigned to those terms in the 1998 Loan Agreement.

C. The parties desire to extend the Expiry Date of the 1998 Loan Documents for an additional 364 days (to August 31, 2000).

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Contran Companies and U.S. Bank agree as follows:

### AGREEMENT

1. Each Contran Company represents and warrants to U.S. Bank that: (a) it is in good standing under the laws of the state of its formation, (b) it has been authorized to execute and perform its obligations under this Agreement and the 1998 Loan Documents (as modified by this Agreement), (c) the individual executing this Agreement on its behalf has been duly authorized to take such action, (d) the 1998 Loan Documents (as amended by this Agreement) are enforceable against it in accordance with their respective terms, subject only to the effect of insolvency and 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 general applicable rules of law, (e) all financial information previously provided to U.S. Bank presents fairly its financial position as of the date of such financial information and the results of its operations and changes in financial position for the period in question, (f) the representations and warranties made to U.S. Bank in the 1998 Loan Documents continue to be true and correct in all material respects, and (g) the Contran Companies are not in default in any material respect under the 1998 Loan Documents as of the date of this Agreement.

2. U.S. Bank hereby extends the Expiry Date, and therefore its commitment to make Advances to the Contran Companies on the terms and conditions of the 1998 Loan Documents, to August 31, 2000.

3. This Agreement will become effective only when each of the Contran Companies and U.S. Bank has signed it and has sent a copy of the signed document to the other parties to this Agreement (which may be accomplished by facsimile transmission). Each party to this Agreement will deliver manually signed counterparts of this Agreement to the other.

4. Except as specified in paragraph 2 of this Agreement, all of the terms and conditions of the 1998 Loan Agreement and the 1998 Loan Documents remain in full force and effect.

STATUTORY NOTICE: Under Oregon law, most agreements, promises, and commitments made by Lender after October 3, 1989, concerning loans 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 Lender to be enforceable.

By: /s/ Janice T. Thede

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Janice T. Thede  
Vice President

By: /s/ Bobby D. O'Brien

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Bobby D. O'Brien  
Vice President and Treasurer

NATIONAL CITY LINES, INC.

By: /s/ Bobby D. O'Brien

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Bobby D. O'Brien  
Vice President and Treasurer



AMENDED AND RESTATED  
CONTRAN DEFERRED COMPENSATION TRUST NO. 2

This Amended and Restated Agreement is made this 11th day of February, 1999 by and between Contran Corporation, a Delaware corporation ("Company") and Boston Safe Deposit and Trust Company, a Massachusetts business trust ("Trustee");

WHEREAS, Company and NationsBank of Texas, N.A. ("Former Trustee") have previously entered into the Contran Deferred Compensation Trust No. 2 dated October 1, 1995 (hereinafter called "Trust");

WHEREAS, NationsBank of Texas, N.A. requested to be removed as Trustee of the Trust effective January 2, 1998;

WHEREAS, Boston Safe Deposit and Trust Company accepted the appointment as trustee of the Trust effective January 2, 1998;

WHEREAS, the Company and Trustee amended and restated the Trust effective January 2, 1998 as the Contran Deferred Compensation Trust No. 2, Amended and Restated;

WHEREAS, the restated Trust was amended first on July 16, 1998;

WHEREAS, the Company and Trustee desire to further amend and restate the Trust as of January 1, 1999 as the Amended and Restated Contran Deferred Compensation Trust No. 2;

WHEREAS, Company has adopted the nonqualified deferred compensation Plan(s) as listed in Appendix A (the "Plans");

WHEREAS, Company has incurred or expects to incur liability under the terms of such Plan(s) with respect to the individuals participating in such Plan(s);

WHEREAS, Company has established a Trust and wishes to contribute to the Trust assets that shall be held therein, subject to the claims of Company's creditors in the event of Company's Insolvency, as herein defined, until paid to Plan participants and their beneficiaries in such manner and at such times as specified in the Plan(s);

WHEREAS, it is the intention of the parties that this Trust shall constitute an unfunded arrangement and shall not affect the status of the Plan(s) as an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974;

WHEREAS, it is the intention of Company to make contributions to the Trust to provide itself with a source of funds to assist it in the meeting of its liabilities under the Plan(s); and

WHEREAS, for purposes of this Trust Agreement, the term "subsidiary" of Company shall mean an entity that is controlled by Company directly or indirectly through one or more intermediaries;

NOW, THEREFORE, the parties do hereby establish the Trust and agree that the Trust shall be comprised, held and disposed of as follows:

Section 1. Establishment of Trust.

(a) Company deposited with Former Trustee in trust:

(i) 260,458 shares of the common stock, par value \$0.01 per share, of Valhi, Inc., a Delaware corporation and subsidiary of Company;

(ii) 97,065 shares of the common stock, par value \$1.00 per share, of Tremont Corporation, a Delaware corporation and subsidiary of Company; and

(iii) 134,720 shares of the common stock, par value \$1.00 per share, of Keystone Consolidated Industries, Inc., a Delaware corporation and subsidiary of Company;

all of which shares became the principal of the Trust to be held, administered and disposed of by Trustee as provided in this Trust Agreement.

(b) The Trust hereby established shall be irrevocable.

(c) The Trust is intended to be grantor trust, of which Company is the grantor, within the meaning of subpart E, part I, subchapter J, chapter 1, subtitle A of the Internal Revenue Code of 1986, as amended, and shall be construed accordingly.

(d) The principal of the Trust, and any earnings thereon shall be held separate and apart from other funds of Company and shall be used exclusively for the uses and purposes of Plan participants and general creditors as herein set forth. Plan participants and their beneficiaries shall have no preferred claim on, or any beneficial ownership interest in any assets of the Trust. Any rights created under the Plan(s) and this Trust Agreement shall be mere unsecured contractual rights of Plan participants and their beneficiaries against Company. Any assets held by the Trust will be subject to the claims of Company's general creditors under federal and state law in the event of Insolvency, as defined in Section 3(a) herein.

(e) Company, in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property in trust with Trustee to augment the principal to be held, administered and disposed of by Trustee as provided in this Trust Agreement. Neither Trustee nor any Plan participant or beneficiary shall have any right to compel such additional deposits. The foregoing shall not modify any obligation of Company under the Plan(s).

## Section 2. Payments to Plan Participants and Their Beneficiaries.

(a) Company shall deliver to Trustee a schedule (the "Payment Schedule") that indicates the amounts payable in respect of each Plan participant (and his or her beneficiaries), that provides a formula or other instructions acceptable to Trustee for determining the amounts so payable, the form in which such amount is to be paid (as provided for or available under the Plan(s)), and the time of commencement for payment of such amounts. Except as otherwise provided herein, Trustee shall make payments to the Plan participants and their beneficiaries in accordance with such Payment Schedule. The Trustee shall make provision for the reporting and withholding of any federal, state or local taxes as Company shall direct in writing to be withheld with respect to the payment of benefits pursuant to the terms of the Plan(s) and shall promptly pay to the Company in cash such amounts withheld. The Company shall pay such amounts withheld to the appropriate taxing authorities.

(b) The entitlement of a Plan participant or his or her beneficiaries to benefits under the Plan(s) shall be determined by Company or such party as it shall designate under the Plan(s), and any claim for such benefits shall be considered and reviewed under the procedures set out in the Plans(s).

(c) Company may make payment of benefits directly to Plan participants or their beneficiaries as they become due under the terms of the Plan(s). Company shall notify Trustee of its decision to make payment of benefits directly prior to the time amounts are payable to participants or their beneficiaries. In addition, if the principal of the Trust, and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Plan(s), Company shall make the balance of each such payment as it falls due. Trustee shall notify Company where principal and earnings are not sufficient but shall not have a duty to require that supplemental payments be made to Plan participants or supplemental contributions be made to the Trust.

(d) Company determination of Payment Schedules and a participant's entitlement to benefits shall be made annually by Company with respect to the deferred compensation accrued each year and may not thereafter be modified by Company without the participant's consent. For purposes of this Section 2(d) all Company actions with respect to a participant prior to the time of his death, disability, retirement or termination shall be by the members of its Board of Directors at such time, and all Company actions with respect to a participant following his death, disability, retirement or termination shall be by the members of its Board of Directors immediately prior to the participant's death, disability, retirement or termination.

(e) As soon as possible after the occurrence of a Change of Control, any real estate held in a real estate subtrust of this Trust shall be distributed to the Plan participants or beneficiaries for whom such assets are held under such subtrust, and within one hundred and eighty (180) days following such a Change of Control, the Trustee shall distribute any remaining benefits to which a Plan participant or beneficiary is entitled by a lump sum payment in cash.

Section 3. Trustee Responsibility Regarding Payments to Trust Beneficiary When Company Is Insolvent.

(a) Trustee shall cease payment of benefits to Plan participants and their beneficiaries if the Company is insolvent. Company shall be considered "Insolvent" for purposes of this Trust Agreement if (i) Company is unable to pay its debts as they become due, or (ii) Company is subject to a pending proceeding as a debtor under the United States Bankruptcy Code.

(b) At all times during the continuance of this Trust, as provided in Section 1(d) hereof, the principal and income of the Trust shall be subject to claims of general creditors of Company under federal and state law as set forth below.

(1) The Board of Directors and the Chief Executive Officer of Company shall have the duty to inform the Trustee in writing of Company's Insolvency. If a person claiming to be a creditor of Company alleges in writing to Trustee that Company has become Insolvent, Trustee shall determine whether Company is Insolvent and, pending such determination, Trustee shall discontinue payment of benefits to Plan participants or their beneficiaries. In all cases, Trustee shall be entitled to conclusively rely upon the written certification of the continuing Directors of the Company when determining whether Company is insolvent.

(2) Unless Trustee has actual knowledge of Company's Insolvency, or has received notice from Company or a person claiming to be a creditor alleging that Company is Insolvent, Trustee shall have no duty to inquire whether Company is Insolvent. Trustee may in all events rely on such evidence concerning Company's solvency as may be furnished to Trustee and that provides Trustee with a reasonable basis for making a determination concerning Company's solvency.

(3) If at any time Trustee has determined that Company is Insolvent, Trustee shall discontinue payments to Plan participants or their beneficiaries and shall hold the assets of the Trust for the benefit of Company's general creditors. Nothing in this Trust Agreement shall in any way diminish any rights of Plan participants or their beneficiaries to pursue their rights as general creditors of Company with respect to benefits due under the Plan(s) or otherwise.

(4) Trustee shall resume the payment of benefits to Plan participants or their beneficiaries in accordance with Section 2 of this Trust Agreement only after Trustee has determined that Company is not Insolvent (or is no longer Insolvent).

(c) Provided that there are sufficient assets, if Trustee discontinues the payment of benefits from the Trust pursuant to Section 3(b) hereof and subsequently resumes such payments, the first payment following such

discontinuance shall include the aggregate amount of all payments due to Plan participants or their beneficiaries under the terms of the Plan(s) (as certified by Company) for the period of such discontinuance, less the aggregate amount of any payments made to Plan participants or their beneficiaries by Company in lieu of the payments provided for hereunder during any such period of discontinuance.

Section 4. Payments to Company.

Except as provided in Sections 2(a), 3 or 5(c) hereof, or as provided in Section 7 of the Plan, after the Trust has become irrevocable, Company shall have no right or power to direct Trustee to return to Company or to divert to others any of the Trust assets before all payment of benefits have been made to Plan participants and their beneficiaries pursuant to the terms of the Plan(s).

Section 5. Investment Authority.

(a) Except as limited by Section 5(b), the Trustee shall have the powers, rights and duties in addition to those provided elsewhere in this agreement or by law to be exercised only pursuant to the direction of the Company or an investment manager appointed by the Company: to invest and reinvest part or all of the trust fund in any real property, securities (including stock or rights to acquire stock) or obligations issued by Company or subsidiaries of the Company, stocks, mutual fund shares (including proprietary funds of the Trustee or its affiliates), partnership interests, venture capital investments, bonds, debentures, notes, commercial paper, treasury bills, any common, commingled or collective trust funds (including proprietary funds of the Trustee or its affiliates), or pooled investment funds, any deposit accounts or funds maintained by a legal reserve life insurance company in accordance with an agreement between the Trustee and such insurance company or a group annuity contract issued by such insurance company to the Trustee as contractholder, any interest-bearing deposits held by any bank or similar financial institution (including Trustee or its affiliates), and to diversify such investments so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so. In no event shall the Trust invest directly in real estate. Trust assets shall be limited to domestic United States assets or securities which may be held through the Depository Trust Company.

(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 the Company 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.

(c) Company shall have the right at anytime, and from time to time in its sole discretion, to substitute assets of equal fair market value for any asset held by the Trust. This right is exercisable by Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity.

(d) To settle, compromise or submit to arbitration any claims, debt or damages due or owing to or from the Trust; to commence or defend suits or legal proceedings to protect any interest of the Trust; and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal;

(e) To take all action necessary to pay for authorized transactions, including borrowing or raising monies from any lender, including Trustee, in its corporate capacity in conjunction with its duties under this Agreement and upon such terms and conditions as Trustee may deem advisable to settle security purchases and/or foreign exchange or contracts for foreign exchange, and securing the repayments thereof by pledging all or any part of the Trust. Trustee shall be entitled to collect from the Trust sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Trust to the extent necessary to obtain reimbursement.

(f) To appoint with prior written approval of Company custodians, subcustodians or subtrustees, domestic or foreign (including affiliates of

Trustee), as to part or all of the Trust; provided, however, that Trustee shall not be liable for the acts or omissions of any subcustodian appointed under this Section 5.

(g) To hold property in nominee name, in bearer form, or in book entry form, in a clearinghouse corporation or in a depository (including an affiliate of Trustee), so long as Trustee's records clearly indicate that the assets held are a part of the Trust; provided, however, that Trustee shall not be responsible for any losses resulting from the deposit or maintenance of securities or other property (in accordance with market practice, custom, or regulation) with any recognized foreign or domestic clearing facility, book-entry system, centralized custodial depository, or similar organization; and

(h) To settle indirect investments in Real Estate (the "Real Estate") and exercise such other powers as may be required in connection with the Fund's investments in Real Estate. The Trustee shall have no responsibility or discretion with respect to the ownership, management, administration, operation or control of any Real Estate. To the extent permitted by law, the Trustee shall be indemnified by the Company, to the extent not paid by the Fund, from all claims, liabilities, losses, damages and expenses, including reasonable attorneys' fees and expenses, arising from or in connection with any matter relating to any Real Estate held in the Trust and which give rise to: (i) any violation of any applicable environmental or health or safety law, ordinance, regulation or ruling; or (ii) the presence, use, generation, storage, release, threatened release, or containment, treatment or disposal of any petroleum, including crude oil or any fraction thereof, hazardous substances, pollutants or contaminants as defined in the Comprehensive Environmental Response Compensation and Liability Act, as amended (CERCLA) or hazardous, toxic or dangerous substances or materials as many of these terms may be defined under any federal or state law in the broadest sense from time to time. This indemnification shall survive the sale or other disposition of any Real Estate investment of the Fund or the termination of this Agreement.

(i) Generally to do all acts, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the protection of the Trust.

Notwithstanding anything to the contrary contained in this Trust Agreement, in the event of a Change in Control as defined in Section 14(d), the Trustee shall have and exercise investment discretion with respect to all assets of the Trust.

#### Section 6. Disposition of Income.

During the term of this Trust, all income received by the Trust, net of expenses and taxes, shall be accumulated and reinvested.

#### Section 7. Accounting by Trustee.

Trustee shall keep accurate and detailed records of all investments, receipts, disbursements, and all other transactions required to be made, including such specific records as shall be agreed upon in writing between Company and Trustee. Within 30 days following the close of each calendar year and within 30 days after the removal or resignation of Trustee, Trustee shall deliver to Company a written account of its administration of the Trust during such year or during the period from the close of the last preceding year to the date of such removal or resignation, setting forth all investments, receipts, disbursements and other transactions effected by it, including a description of all securities and investments purchased and sold with the cost or net proceeds of such purchases or sales (accrued interest paid or receivable being shown separately), and showing all cash, securities and other property held in the Trust at the end of such year or as of the date of such removal or resignation, as the case may be.

#### Section 8. Responsibility of Trustee.

(a) Trustee shall act with the care, skill, prudence and diligence

under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, provided, however, that Trustee shall incur no liability to any person for any action taken pursuant to a direction, request or approval given by Company which is contemplated by, and in conformity with, the terms of the Plan(s) (as certified to the Trustee by the Company) or this Trust and is given in writing by Company. In the event of a dispute between Company and a party, Trustee may apply to a court of competent jurisdiction to resolve the dispute. Company agrees to indemnify Trustee against Trustee's costs, expenses and liabilities (including without limitation, reasonable attorney's fees and expenses) arising out of or relating to any action or inaction taken by Trustee in reliance upon direction, request or approval given by the Company.

(b) If Trustee undertakes or defends any litigation arising in connection with this Trust, Company agrees to indemnify Trustee against Trustee's costs, expenses and liabilities (including, without limitation, attorneys' fees and expenses) relating thereto and to be primarily liable for such payments. If Company does not pay such costs, expenses and liabilities in a reasonably timely manner, Trustee may obtain payment from the Trust.

(c) Trustee may consult with legal counsel (who may also be counsel for Company generally) with respect to any of its duties or obligations hereunder.

(d) Trustee may hire agents, accountants, actuaries, investment advisors, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder.

(e) Trustee shall have, without exclusion, all powers conferred on Trustees by applicable law, unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.

(f) Notwithstanding any powers granted to Trustee pursuant to this Trust Agreement or to applicable law, Trustee shall not have any power that could give this Trust the objective of carrying on a business and dividing the gains therefrom, within the meaning of section 301.7701-2 of the Procedure and Administrative Regulations promulgated pursuant to the Internal Revenue Code.

(g) Notwithstanding anything in this Agreement to the contrary, the Trustee shall not be responsible or liable for any losses to the Trust resulting from any event beyond the reasonable control of the Trustee, its agents, or subcustodians, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, or similar action by any governmental authority, de facto, or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Trust's property; or the breakdown, failure or malfunction of any utilities or telecommunications systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar or third-party event. This Section shall survive the termination of this Trust Agreement.

#### Section 9. Contractual Income and Settlement.

(a) Trustee shall credit the Trust Fund with income and maturity proceeds on securities on contractual payment date net of any taxes or upon actual receipt as agreed between Trustee and Company. To the extent Company and Trustee have agreed to credit income on contractual payment date, Trustee may reverse such accounting entries with back value to the contractual payment date if Trustee reasonable believes that such amount will not be received by it within a reasonable time but in no event later than two weeks following contractual payment date.

(b) Trustee will attend to the settlement of securities transactions on the basis of either contractual settlement day accounting or actual settlement day accounting as agreed between Company and Trustee. To the extent Company and Trustee have agreed to settle certain securities transactions on the basis of contractual settlement date accounting, Trustee may reverse with back value to the contractual settlement day an entry relating to such contractual settlement where the related transactions remain unsettled but in no event later than two weeks following contractual settlement date.

(c) Settlements of transactions may be effected in trading and processing practices customary in the jurisdiction or market where the transaction occurs. The Company acknowledges that this may, in certain circumstances, require the delivery of cash or securities (or other property) without the concurrent receipt of securities (or other property) or cash and in such circumstances, the Company shall have sole responsibility for nonreceipt of payment (or late payment) by the counterparty.

Section 10. Compensation and Expense of Trustee.

(a) Company shall pay all administrative and Trustee's fees and expenses. If not so paid, the fees and expenses shall be paid from the Trust.

(b) If Trustee advances cash or securities for any purpose, including the purchase or sale of foreign exchange or of contracts for foreign exchange, or in the event that Trustee shall incur or be assessed taxes, interest, charges, expenses, assessments, or other liabilities in connection with the performance of this Agreement, except such as may arise from its own negligent action, negligent failure to act or willful misconduct, any property at any time held for the Trust Fund under this agreement shall be security therefor and Trustee shall be entitled to collect from the Trust Fund sufficient cash for reimbursement, and if such cash is insufficient, dispose of the assets of the Trust Fund held under this Agreement to the extent necessary to obtain reimbursement. To the extent Trustee advances funds to the Trust for disbursement or to effect the settlement of purchase transactions, Trustee shall be entitled to collect from the Trust Fund any amount equal to what would have been earned on the sums advanced (an amount approximating the "federal funds" interest rate) and with respect to foreign assets, the rate applicable to the appropriate foreign market.

Section 11. Resignation and Removal of Trustee.

(a) Trustee may resign at any time by written notice to Company, which shall be effective thirty (30) days after receipt of such notice unless Company and Trustee agree otherwise.

(b) Prior to a Change of Control, Trustee may be removed by Company on thirty (30) days notice or upon shorter notice accepted by Trustee.

(c) Upon Change of Control, as defined herein, Trustee may not be removed by Company for one year.

(d) If Trustee resigns within one year of a Change of Control, as defined herein, Trustee shall select a successor trustee in accordance with the provisions of Section 12(b) hereof prior to the effective date of Trustee's resignation or removal.

Section 12. Appointment of Successor.

(a) If Trustee resigns or is removed in accordance with Section 11(a) or (b) hereof, Company may appoint any third party, such as a bank trust department or other party that may be granted corporate trustee powers under state law, as a successor to replace Trustee upon resignation or removal. The appointment shall be effective when accepted in writing by the new Trustee, who shall have all of the rights and powers of the former Trustee, including ownership rights in the Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by Company or the successor Trustee to evidence the transfer.

(b) If Trustee resigns or is removed pursuant to the provisions of Section 11(d) hereof and selects a successor trustee, Trustee may appoint any third party such as a bank trust department or other party that may be granted corporate trustee powers under state law. The appointment of a successor trustee shall be effective when accepted in writing by the new trustee. The new trustee shall have all the rights and powers of the former Trustee, including ownership rights in Trust assets. The former Trustee shall execute any instrument necessary or reasonably requested by the successor trustee to evidence the transfer.

(c) The successor Trustee need not examine the records and acts of any prior Trustee and may retain or dispose of existing Trust assets, subject to Sections 6 and 7 hereof. The successor Trustee shall not be responsible for and Company shall indemnify and defend the successor Trustee from any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

#### Section 13. Amendment or Termination.

(a) This Trust Agreement may be amended by a written instrument executed by Trustee and Company. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Plan(s) or shall make the Trust revocable after it has become irrevocable in accordance with Section 1(b) hereof.

(b) The Trust shall not terminate until the date on which Plan participants and their beneficiaries are no longer entitled to benefits pursuant to the terms of the Plan(s). Upon termination of the Trust any assets remaining in the Trust shall be returned to Company.

(c) Upon written approval of participants or beneficiaries entitled to payment of benefits pursuant to the terms of the Plan(s), Company may terminate this Trust prior to the time all benefit payments under the Plan(s) have been made. All assets in the Trust at termination shall be returned to Company.

(d) Notwithstanding any other provision in this Trust Agreement, this Trust Agreement may not be amended within one year of the occurrence of a Change of Control.

#### Section 14. Miscellaneous.

(a) Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.

(b) Benefits payable to Plan participants and their beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.

(c) This Trust Agreement shall be governed by and construed in accordance with the laws of Texas.

(d) For purposes of this Trust, Change of Control shall mean either (1) the purchase or other acquisition by any person, entity or group of persons, within the meaning of section 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 30 percent or more of either the outstanding shares of common stock or the combined voting power of Company's then outstanding voting securities entitled to vote generally, or the approval by the stockholders of Company of a reorganization, merger, or consolidation, in each case, with respect to which persons who were stockholders of Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50 percent of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated Company's then outstanding securities, or a liquidation or dissolution of Company or of the sale of all or



substantially all of Company's assets; or (2) the cessation to serve for any reason of Harold C. Simmons as Trustee of the Harold C. Simmons Family Trust No. 1, u/a January 1, 1964 and/or the Harold C. Simmons Family Trust No. 2 u/a January 1, 1964.

The Trustee shall have no independent duty of inquiry with respect to the occurrence of a Change in Control. Company shall furnish the Trustee with written notice of the occurrence of a Change in Control. Absent such notice, if any Plan participant shall provide the Trustee with written notice of a possible Change of Control, the Trustee may request that the Company furnish evidence to determine whether a Change of Control has occurred. In performing any of its obligations or taking any discretionary action under this Trust Agreement which is dependent upon a Change of Control having occurred, the Trustee may rely on its determination, including any determination based upon an opinion of counsel (who may be counsel to the Company or the Trustee) or upon information provided by the continuing Directors of the Company or otherwise available to the Trustee, that a Change of Control has occurred. For this purpose, the continuing Directors of the Company as of the time of a possible change of control or insolvency are the persons who were directors immediately prior to such possible change of control or insolvency.

(e) Under no circumstances shall Trustee be liable for any indirect, consequential, or special damages with respect to its role as Trustee.

(f) Notwithstanding anything to the contrary contained elsewhere in this Trust Agreement, any reference to the Plan or Plan provisions which require knowledge or interpretation of the Plan shall impose a duty upon the Company to communicate such knowledge or interpretation to the Trustee. The Trustee shall have no obligation to know or interpret any portion of the Plan and shall in no way be liable for any proper action taken contrary to the Plan.

(g) Company and Trustee hereby each represent and warrant to the other that it has full authority to enter into this Agreement upon the terms and conditions hereof and that the individual executing this Agreement on their behalf has the requisite authority to bind Company or Trustee to this Agreement.

Section 15. Effective Date.

The effective date of this Amended and Restated Contran Deferred Compensation Trust No. 2 Agreement shall be January 1, 1999.

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CONTRAN CORPORATION

BOSTON SAFE DEPOSIT AND TRUST COMPANY

By: /s/ Steven L. Watson

By: /s/ John F. McCarrick

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Steven L. Watson

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Printed Name: John F. McCarrick

President

Title: Vice President

APPENDIX A

List of Nonqualified Deferred Compensation Plan(s)

1. Amended and Restated Deferred Compensation Agreement, As Of January 1, 1999 (Originally Established October 31, 1984) between Contran Corporation, a Delaware corporation, and Harold C. Simmons, a resident of Dallas, Texas.