

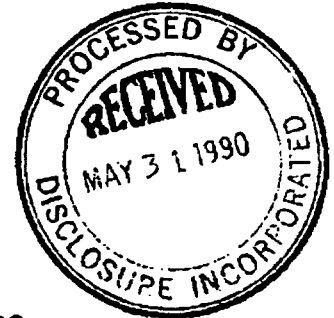
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FORM 8-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

CURRENT REPORT



Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

56

May 14, 1990

TYLER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-10485
(Commission
File Number)

75-2303920
(IRS Employer
Identification
No.)

3200 San Jacinto Tower, Dallas, Texas 75201
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:

(214) 754-7800

TYLER THREE, INC.
(Former name or former address, if changed since last report.)



Item 2. Acquisition or Disposition of Assets.

On May 14, 1990, the stockholders of Tyler Corporation ("Tyler Two") approved a tax-free transaction involving the spinoff of certain assets and liabilities of Tyler Two to a newly formed, wholly owned subsidiary, Tyler Three, Inc. ("Tyler Three"), and the subsequent merger of Tyler Two with a subsidiary of Imperial Chemical Industries PLC ("ICI"), an English public limited company (the "Transaction").

In the Transaction Tyler Two transferred all of its net assets, other than its investment in Atlas Powder Company ("Atlas") and \$64.5 million of bank debt to Tyler Three. In exchange for these assets the outstanding capital stock of Tyler Three was distributed to the stockholders of Tyler Two on a share-for-share basis (the "Spinoff"). Tyler Three assumed all liabilities of Tyler Two except \$64.5 million of bank debt and those liabilities arising out of the business of Atlas. Immediately after the Spinoff, ICI Acquisitions Corporation, a wholly owned subsidiary of ICI, was merged with Tyler Two (the "Merger") in accordance with an Agreement and Plan of Reorganization dated December 20, 1989, amended and restated as of April 3, 1990 (the "Merger Agreement"). Pursuant to the Merger Agreement, stockholders of Tyler Two are directly receiving one ICI ordinary share for each 3.1769 shares of Tyler common stock held on May 14, 1990. At the option of the stockholders, the ICI ordinary shares may be converted to ICI American Depositary Receipts ("ADRs"), each of which represents four ICI ordinary shares. An additional \$9.9 million equal to 558,413 ICI ordinary shares will be held by ICI until the expiration of certain tax indemnifications arising from the Transaction. Provided that no valid claims are made, these shares will be issued to Tyler shareholders of record on May 14, 1990 at the conclusion of the indemnification period. These matters are expected to be resolved within several years, and during the period, any dividends on the unissued shares will accumulate in additional ICI ordinary shares for the benefit of those stockholders.

Immediately after the Merger, Tyler Three changed its corporate name to "Tyler Corporation" and will continue to do business under that name; and Tyler Two changed its corporate name to ICI Explosives Holdings Inc.

Item 7(b). Financial Information.

The unaudited pro forma condensed consolidated balance sheet of Tyler Three has been derived from the historical consolidated balance sheet of Tyler Two adjusted for (i) the merger of the net assets of Atlas and the outstanding bank debt with a subsidiary of ICI and (ii) the accrual of certain costs and expenses to be incurred as a result of the Transaction. The pro forma condensed consolidated balance sheet of Tyler Three has been prepared assuming the Transaction occurred on March 31, 1990.

The unaudited pro forma condensed consolidated balance sheet is not necessarily indicative of the financial position of Tyler Three which would have actually been obtained had the Transaction been consummated on March 31, 1990.

Although Tyler Three is a newly created corporation, accounting conventions require that it be treated for accounting purposes as a continuing entity that has discontinued the operations of Atlas. The accompanying historical consolidated statements of income for the year ended December 31, 1989 and the three months ended March 31, 1990 include the operations of Atlas as discontinued operations. No pro forma income statements of Tyler Three are provided as the pro forma results of operations of Tyler Three would not differ materially from the results of operations reflected in the historical income statements for such periods included herein.

Item 7(b). Financial Information (cont).

TYLER CORPORATION
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
March 31, 1990
(in thousands)
(unaudited)

	Tyler Two Historical	Pro Forma Adjustments (Note 2)	Subtotal	Net Assets Retained by Tyler Two (Note 3)	Pro Forma Tyler Three
ASSETS					
Current assets:					
Cash.....	\$ 1,119	\$	\$ 1,119	\$	\$ 1,119
Accounts receivable, net.....	25,006		25,006		25,006
Inventories.....	28,068		28,068		28,068
Prepaid expense.....	<u>1,201</u>		<u>1,201</u>		<u>1,201</u>
Total current assets.....	55,394		55,394		55,394
Net assets of discontinued operations.....	65,569		65,569	(65,569)	--
Property, plant and equipment, net.....	46,054		46,054		46,054
Cost in excess of net assets of business acquired.....	30,374		30,374		30,374
Sundry.....	<u>7,233</u>		<u>7,233</u>		<u>7,233</u>
	<u>\$204,624</u>	<u>\$</u>	<u>\$204,624</u>	<u>\$(65,569)</u>	<u>\$139,055</u>

See accompanying notes.

Item 7(b). Financial Information (cont).

TYLER CORPORATION
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
March 31, 1990
(in thousands)
(unaudited)

	Tyler Two Historical	Pro Forma Adjustments (Note 2)	Subtotal	Net Assets Retained by Tyler Two (Note 3)	Pro Forma Tyler Three
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable.....	\$ 11,331	\$ (5,090)	\$ 11,331	\$	\$ 11,331
Accrued liabilities.....	15,118	300	10,028		10,028
Income taxes payable.....	2,302	(4,790)	2,602		2,602
Total current liabilities..	28,751		23,961		23,961
Deferred income tax.....	10,512		10,512		10,512
Debt associated with discontinued operations.....	48,000	3,400	51,400	(51,400)	
Shareholders' equity.....	117,361	1,390	118,751	(14,169)	104,582
	<u>\$204,624</u>	<u>\$</u>	<u>\$204,624</u>	<u>\$(65,569)</u>	<u>\$139,055</u>

See accompanying notes.

Item 7(b). Financial Information (cont).

TYLER CORPORATION
CONDENSED CONSOLIDATED INCOME STATEMENTS
(in thousands, except per share data)
(unaudited)

	Year Ended December 31, <u>1989</u>	Three Months Ended March 31, <u>1990</u>
Net sales.....	\$189,375	\$ 51,303
Costs and expenses:		
Cost of sales.....	163,960	43,221
Selling, administrative and general expenses.....	26,125	7,055
Interest expense, net.....	320	32
Restructuring charge (Note 4).. <u>2,200</u>	<u>2,200</u>	<u>--</u>
	<u>192,605</u>	<u>50,308</u>
Income (loss) from continuing operations before income tax...	(3,230)	995
Income tax (benefit).....	<u>(941)</u>	<u>378</u>
Income (loss) from continuing operations	(2,289)	617
Income (loss) from discontinued operations, net of income tax (benefit) (Note 2).....	<u>3,727</u>	<u>(352)</u>
Net income.....	<u>\$ 1,438</u>	<u>\$ 265</u>
Earnings (loss) per common share:		
Continuing operations.....	\$ (.11)	\$.03
Discontinued operations.....	<u>.18</u>	<u>(.02)</u>
	<u>\$.07</u>	<u>\$.01</u>
Average shares outstanding during the period.....	21,268	20,880

See accompanying notes.

Item 7(b). Financial Information (cont).

TYLER CORPORATION

NOTES TO PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
AND CONDENSED CONSOLIDATED INCOME STATEMENTS
(unaudited)

NOTE 1

On May 14, 1990, stockholders of Tyler Two approved the spinoff of Tyler Pipe and certain other assets and liabilities to Tyler Three, a newly formed subsidiary, and the merger of Tyler Two, which consisted of the investment in Atlas and outstanding bank debt, with a subsidiary of ICI pursuant to the Merger Agreement. (See Item 2 for a description of the Transaction.)

In a similar transaction (the "Reliance Transaction"), on August 24, 1989, the stockholders of Tyler One, predecessor to Tyler Two, approved the transfer of all of Tyler One's net assets other than its investment in Reliance Universal Inc. ("Reliance") and \$165,000,000 principal amount of debt to Tyler Two. In exchange for these assets, common stock of Tyler Two was distributed to Tyler One's shareholders on a share-for-share basis. Immediately after the spinoff, Tyler One, which consisted only of the assets and liabilities of Reliance and \$165,000,000 principal amount of debt, and a unit of Akzo N.V. ("Akzo") were merged. In the Reliance merger, stockholders of Tyler One directly received an aggregate of 1,553,014 common shares of Akzo evidenced by 3,106,028 Akzo American Depositary Receipts ("ADRs").

The foregoing unaudited pro forma condensed consolidated balance sheet reflects the pro forma condensed consolidated financial position of Tyler Three after giving effect to the Spinoff. Although Tyler Three is a newly created corporation, accounting conventions require that it be treated for accounting purposes as a continuing entity that has discontinued the operations of Atlas. The accompanying historical consolidated statements of income for the year ended December 31, 1989 and the three months ended March 31, 1990, therefore, report the operations of Atlas and Reliance as discontinued operations. No pro forma income statements of Tyler Three are provided as the pro forma results of operations of Tyler Three would not differ materially from the results of operations reflected in the historical statements of income for such periods included herein.

Item 7(b). Financial Information (cont).

NOTE 2

To record the reduction in current liabilities, the net increase in shareholders' equity and the increase in revolving lines of bank credit due to:

	(in thousands)
Reduction of Tyler Two's current liabilities for the estimated costs of:	
Settlement of stock options held by employees of Atlas (net of estimated income tax benefit of \$300).....	\$ 800
Reduction of deferred compensation liability and income tax for exercise of stock options by employees of Tyler Two.	1,890
Direct expenses related to the Transaction (legal and accounting fees \$250; investment banking fees \$1,850)...	<u>2,100</u>
Total reduction in current liabilities.....	<u>4,790</u>
Issuance of treasury shares upon exercise of stock options by employees of Tyler Two, including income tax benefit.....	(2,590)
Reduction of capital surplus of Tyler Two for redemption of preferred stock purchase rights by Tyler Two.....	200
Reduction of capital surplus of Tyler Three for estimated costs and expenses incurred in connection with the registration of the common stock of Tyler Three:	
Registration and exchange listing fees....	200
Legal, accounting and printing fees.....	<u>800</u>
Net increase in shareholders' equity.....	<u>(1,390)</u>
Total increase in revolving lines of bank credit.....	<u>\$ 3,400</u>

NOTE 3

After the Spinoff, Tyler Two consists of the investment in Atlas of \$65,569,000 and pro forma retained bank debt of \$51,400,000 at March 31, 1990. As the successor to Tyler Two and as a result of the Transaction, Tyler Three would record a decrease in shareholders' equity at March 31, 1990 of \$14,169,000 which amount equals the excess of the net assets of Atlas over the pro forma retained bank debt at March 31, 1990. At closing, retained bank debt was \$64,500,000. Most of the increase in the retained debt through closing on May 14, 1990 was used to fund working capital requirements at Tyler Pipe.

Item 7(b). Financial Information (cont).

Summarized balance sheet data as to the net assets of Atlas at March 31, 1990 are as follows:

	March 31, 1990 (in thousands)
Current assets.....	\$ 49,627
Current liabilities.....	(25,263)
Property, plant and equipment, net.....	40,559
Other noncurrent assets.....	5,168
Noncurrent liabilities.....	(4,522)
Net assets of discontinued operations..	<u>\$ 65,569</u>

The Merger Agreement provides that if the closing intercompany account balance is more than approximately \$7,827,000, ICI will pay the difference to Tyler Corporation. Tyler Corporation expects to receive approximately \$4,100,000 as a result of changes in the intercompany account balance through the closing date.

Summarized results of discontinued operations include both Atlas and Reliance for the year ended December 31, 1989, while the three months ended March 31, 1990 include only Atlas. The results are as follows:

	December 31, 1989 (in thousands)	March 31, 1990 (in thousands)
Net sales.....	\$412,215	\$ 52,262
Costs and expenses.....	<u>403,104</u>	<u>52,879</u>
Income (loss) before income tax (benefit).....	9,111	(617)
Income tax (benefit).....	<u>5,384</u>	<u>(265)</u>
Income (loss) from discontinued operations...	<u>\$ 3,727</u>	<u>\$ (352)</u>

Interest expense has been charged to discontinued operations based on debt retained by Tyler One, which was merged with Akzo in the Reliance Transaction and on debt to be retained by Tyler Two in the Merger at the average effective borrowing rate during each period. Interest expense included in costs and expenses charged to discontinued operations aggregated \$15,041,000 and \$1,019,000 for the year ended December 31, 1989 and the three months ended March 31, 1990, respectively.

The 1989 results of discontinued operations include transaction costs related to the Transaction and the Reliance Transaction aggregating approximately \$4,950,000, which includes investment banking fees of \$2,300,000, employee benefits of \$1,800,000 and professional fees of \$850,000.

Item 7(b). Financial Information (cont).

Income tax has been charged to discontinued operations based on the income tax resulting from inclusion of the discontinued segments in the consolidated federal income tax return.

NOTE 4

During the fourth quarter of 1989, the Company recorded a pretax restructuring charge of \$2,200,000. This charge relates to expected corporate restructuring and cost reduction programs to be implemented by Tyler Three subsequent to the Transaction and includes amounts related primarily to corporate personnel and space reductions.

Item 7(c). Exhibits.

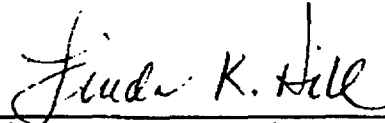
- 2.1 Agreement and Plan of Reorganization, dated as of December 20, 1989, amended and restated as of April 3, 1990, between Imperial Chemical Industries PLC, ICI Acquisitions Corporation, Tyler Corporation, and Tyler Three, Inc. (filed as Annex A to Tyler Three's Registration Statement No. 33-33505 and incorporated herein by reference).
- 2.2 Spinoff Agreement, dated as of December 20, 1989, amended and restated as of April 3, 1990, between Tyler Corporation and Tyler Three, Inc. (filed as Exhibit A to Annex A to Tyler Three's Registration Statement No. 33-33505 and incorporated herein by reference).
- 2.3 Indemnification Agreement, dated as of December 20, 1989, between Imperial Chemical Industries PLC, ICI Acquisitions Corporation, Tyler Corporation, Tyler Three, Inc., Tyler Pipe Industries, Inc. and Atlas Powder Company (filed as Exhibit B to Annex A to Tyler Three's Registration Statement No. 33-33505 and incorporated herein by reference).
- 28.1 Revolving Credit and Term Loan Agreement dated as of May 14, 1990 between Tyler Three, Inc. and NCB Texas National Bank.

SIGNATURE

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

TYLER CORPORATION

By:



Linda K. Hill, Vice President
and Controller - a principal
financial officer, principal
accounting officer and an
authorized signatory

Date: May 25, 1990

EXHIBIT 28.1

REVOLVING CREDIT AND TERM LOAN AGREEMENT

Dated as of May 14, 1990

TYLER CORPORATION, a corporation organized and existing under the laws of Delaware and formerly known as "Tyler Three, Inc." ("Company"), and NCNB Texas National Bank ("Bank"), hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. As used in this Agreement, unless the context otherwise requires:

"Advance" means a loan made to the Company pursuant to Section 2.01 hereof.

"Alternate Rate" means a rate quoted by the Bank in response to a Request and accepted or agreed to by the Company equal to (i) a rate (calculated on the basis of the actual days elapsed but computed as if each calendar year consisted of 360 days) agreed to by the Company and the Bank, at or before 10:00 a.m., Dallas time, on the date such Alternate Rate becomes effective, for the portion of the Advance and Interest Period covered by the Request therefor, (ii) the CD Rate, or (iii) the Libor Rate.

"Alternate Rate Loan" shall have the meaning given that term in Section 2.01.

"Base Rate" means the Base Rate described in Section 2.01.

"Business Day" means a day other than a Saturday, Sunday or legal banking holiday in the State of Texas.

"CD Rate" means a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days and adjusted by the Bank in its sole discretion for deposit insurance costs and reserve, special deposit, or other similar requirements, including, without limitation, reserve requirements imposed by the Board of Governors of the Federal Reserve System) equal to the sum of (a) the rate per annum determined by the Bank on the date such Alternate Rate

becomes effective as that quoted by two or more certificate of deposit dealers of recognized standing for the purchase at face value in the secondary market of certificates of deposit of the Bank in amounts comparable to the portion of the Advance, and having a maturity equal to the Interest Period, covered by the Request therefor, plus (b) 1/2 of 1% per annum.

"Committed Sum" means (a) from the date hereof through the Termination Date, \$20,000,000, and (b) after the Termination Date, the Principal Balance at the close of business on the Termination Date; provided that on the last day of each June, September, December, and March occurring after the Termination Date, the Committed Sum shall automatically be reduced by \$1,000,000.

"Consolidated Net Earnings" means consolidated gross revenues of the Company and its Subsidiaries less all operating and non-operating expenses of the Company and its Subsidiaries including all charges of a proper character (including current and deferred taxes on income, provision for taxes on unremitted foreign earnings included in Consolidated Net Earnings and current additions to reserves), but not including in gross revenues any gains (net of expenses and taxes applicable thereto) in excess of losses resulting from the sale, conversion or other disposition of capital assets (i.e., assets other than current assets), any gains resulting from the write-up of assets, any equity of the Company or any Subsidiary in the undistributed earnings of any corporation which is not a Subsidiary, any earnings of any person acquired by the Company or any Subsidiary through purchase, merger or consolidation or otherwise for any time prior to the date of acquisition (other than undistributed earnings for the year of acquisition of any corporation acquired in a pooling of interests), or any deferred credits representing the excess of equity in any Subsidiary at the date of acquisition over the cost of the investment in such Subsidiary, all determined in accordance with generally accepted accounting principals.

"Consolidated Net Income Available for Total Fixed Charges" means, with respect to any period for which such determination is made, the consolidated net income of the Company and its Subsidiaries determined in accordance with generally accepted accounting principles, but before (a) provision for taxes in respect of income, (b) depreciation

and amortization expenses of the Company and its Subsidiaries determined in accordance with generally accepted accounting principles, (c) the Company's and its Subsidiaries' consolidated annual interest expense on the aggregate principal amount of Debt (consolidated) of the Company and its Subsidiaries, (d) the aggregate annual amount of fixed rentals (i.e., the amount of rentals payable without "additional rent," however denominated, for insurance, ad valorem property taxes, common areas, maintenance charges, operating expenses and similar items), payable by the Company and its Subsidiaries under leases, all in accordance with generally accepted accounting principles and (e) restructuring charges in the amount of \$2,200,000 incurred by Old Tyler in its fiscal quarter ended December 31, 1989.

"Consolidated Tangible Net Worth" means the consolidated net worth of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles, minus goodwill.

"Contingent Liabilities" shall mean, for any Person:

(i) obligations under guarantees and endorsements (other than endorsements of negotiable instruments for collection in the ordinary course of business) and obligations under any repurchase agreement entered into in connection with the sale of assets; and

(ii) obligations under any contract providing for the making of loans, advances or capital contributions to any other Person, or for the purchase of any property from any other Person, in each case in order to enable such other Person primarily to maintain working capital, net worth or any other balance sheet condition or to pay debts, dividends or expenses; and

(iii) obligations under any contract to rent or lease (as lessee) any real or personal property if such contract (or any related document) provides that the obligation to make payments thereunder is absolute and unconditional under conditions not customarily found in commercial leases then in general use or requires that the lessee purchase or otherwise acquire securities or obligations of the lessor; and

(iv) obligations under so-called "take or pay" contracts;

(v) reimbursement obligations with respect to letters of credit;

(vi) obligations under any other contract which, in economic effect, is substantially equivalent to a guaranty, including but not limited to "keep well" or "capital maintenance" agreements.

"Current Debt" shall mean any obligations for borrowed money (and any notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money) payable on demand or within a period of one year from the date of the creation thereof; provided that any obligation shall be treated as Funded Debt, regardless of its term, if such obligation is renewable or reborrowable pursuant to the terms thereof or of a revolving credit or similar agreement effective for more than one year after the date of the creation of such obligation, or may be payable out of the proceeds of a similar obligation pursuant to the terms of such obligation or of any such agreement. Any obligation secured by a Lien on, or payable out of the proceeds of production from, property of the Company or any Subsidiary shall be deemed to be Funded or Current Debt, as the case may be, of the Company or such Subsidiary even though such obligation shall not be assumed by the Company or such Subsidiary.

"Current Ratio" means the ratio of (i) current assets of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principals, to (ii) current liabilities of the Company and its Subsidiaries, determined in accordance with generally accepted accounting principles.

"Debt" shall mean Funded and/or Current Debt, as the case may be.

"Event of Default" means any of the events described in Section 6.01 hereof.

"Funded Debt" shall mean any obligation payable more than one year from the date of the creation thereof including, without limitation, any obligation which is deemed to be Funded Debt pursuant to the definition of Current Debt, which under generally accepted accounting principles is shown on the balance sheet as a liability (excluding reserves for deferred income taxes and other reserves to the extent that such reserves do not constitute an obligation), plus (without duplication) amounts equal to the aggregate net rentals (after making allowance for any interest, taxes, maintenance or other expenses included therein) payable more than one year from the date of the creation thereof under any lease of real or personal property (whether or not such rentals accrue and become payable only on an annual or other periodic basis), which lease (i) constitutes the substantial equivalent of a purchase of the property subject to such lease, or (ii) has an initial term materially less than the useful life of such property and provides that the lessee has the option to renew such lease for the remaining useful life of such property at a rental which at the inception of such lease appears to be substantially less than the fair rental value of such property, or (iii) provides an option to the lessee to acquire the property subject to such lease at a price which, at the inception of such lease, appears to be substantially less than the probable fair value of such property at the time or times of permitted acquisition by the lessee, or (iv) otherwise meets the capitalization criteria under generally accepted accounting principles for leasing transactions entered into on or after January 1, 1977.

"Guaranties" means the unlimited, continuing guaranties of each Significant Subsidiary in the form of Exhibit B attached hereto.

"Highest Lawful Rate" means the maximum rate of interest which the Bank is allowed from time to time to contract for, charge, take, reserve, or receive under applicable law, now or hereafter in effect, after taking into account, to the extent required by applicable law, now or hereafter in effect, any and all relevant payments, fees, or charges under the Loan Papers; provided that, to the extent the usury laws of the State of Texas are applicable, "Highest Lawful Rate" shall mean the greater of (a) the maximum rate of interest from time to time permitted under applicable federal law, or (b) subject

to Section 8.07, the "indicated rate ceiling" as referred to and defined in Article 1.04(a)(1), Title 79, Revised Civil Statutes of Texas, 1925, as amended.

"Interest Period" means the period of time during which an Alternate Rate or the Base Rate (as either may be limited by the Highest Lawful Rate) is in effect with respect to all or any portion of an Advance in accordance with the terms hereof. The Interest Period for the portion of any Advance bearing interest at the Base Rate (as limited by the Highest Lawful Rate) shall end on the last day of the first March, June, September, or December occurring after the date of such Advance (or the first Business Day thereafter if such last day is not a Business Day), and shall also end on the Termination Date.

"Libor Rate" means a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days and adjusted by the Bank in its sole discretion for reserve, special deposit, or other similar requirements, including, without limitation, reserve requirements imposed by the Board of Governors of the Federal Reserve System) in effect on the date of determination of such Alternate Rate, equal to the sum of (a) the rate at which United States dollars are offered to the Bank in London, England, in the London interbank market at 11:00 a.m., London time, on the date which is two Business Days preceding the date the Alternate Rate becomes effective (or, if on such date the London interbank market is not open for business or if it is not practical, in the judgment of the Bank, to determine a rate on such date, on the next following date on or prior to the date such Alternate Rate becomes effective that may be agreed to by the Company and the Bank), for the portion of the Advance and Interest Period covered by the Request therefor, plus (b) $1/2$ of $1\frac{1}{2}$ per annum.

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction).

"Loan Papers" means this Agreement, the Note, the Guaranties, and any renewals, extensions, or restatements thereof, or amendments or supplements thereto.

"Note" means the promissory note of the Company shown as Exhibit A attached hereto.

"Officer's Certificate" shall mean a certificate signed in the name of the Company by its President, one of its Vice Presidents or its Treasurer.

"Old Tyler" means ICI Explosives Holdings, Inc., a Delaware corporation formerly known as Tyler Corporation.

"Person" shall mean and include an individual, a partnership, a corporation, a trust, a joint venture, an unincorporated organization and a government or any department or agency thereof.

"Principal Balance" means, as of any particular time, the aggregate principal amount then owing by the Company to the Bank in respect of all Advances previously made under this Agreement.

"Request" means an oral or written (at the option of the Company) request by the Company to the Bank for a quotation of an Alternate Rate, which contains the amount of an Advance proposed to be covered by the Alternate Rate (which must be at least \$1,000,000) and a proposed Interest Period during which the Alternate Rate would be in effect (which, in the case of a request for a quotation of an Alternate Rate described in clause (ii) of the definition of Alternate Rate in Section 1.01 hereof, must be 30, 60, 90, 180 or 360 days or, in the case of a request for a quotation of an Alternate Rate described in clause (iii) of the definition of Alternate Rate in Section 1.01 hereof, must be one, two, three, six, or twelve months, or such other period of time as may be proposed by the Company and be acceptable to the Bank, in either case as extended to the first Business Day occurring thereafter if any such Interest Period ends on a day other than a Business Day, and which, in the case of an Alternate Rate to be effective at any time prior to the Termination Date, does not extend beyond the Termination Date, or which, in the case of an Alternate Rate to be effective at any time after the

Termination Date, does not extend beyond the date on which the Committed Sum is reduced to zero), and which, in the case of a request for a quotation of an Alternate Rate described in clause (i) or (ii) of the definition of Alternate Rate in Section 1.01 hereof, is received by the Bank at or before 10:00 a.m., Dallas time, on the date on which such Alternate Rate is to become effective, or, in the case of a request for a quotation of an Alternate Rate described in clause (iii) of the definition of Alternate Rate in Section 1.01 hereof, is received by the Bank at or before 10:00 a.m., Dallas time, on the date which is two Business Days preceding the date on which such Alternate Rate is to become effective.

"Significant Subsidiary" means any corporation which constitutes a significant subsidiary as defined in Section 210.02(v) of Regulation S-X of the Securities and Exchange Commission; at the date hereof each of the following corporations is a Significant Subsidiary:

<u>Name</u>	<u>State of Incorporation</u>	<u>Percentage of Voting Securities Owned</u>
Tyler Pipe Industries, Inc.	Delaware	100%
Tyler Pipe Industries of Texas, Inc.	Texas	100%

"Subsidiary" shall mean any corporation organized under the laws of any state of the United States of America, Canada, or any province of Canada, which conducts the major portion of its business in the United States of America or Canada, and a majority of the stock of every class of which (except directors' qualifying shares) shall, at the time as of which any determination is being made, be owned by the Company either directly or through Subsidiaries.

"Termination Date" means the earlier of (i) February 1, 1992, or the February 1 in such subsequent year as may be specified in an agreement between the Company and the Bank entered into pursuant to the provisions of Section 2.05.

"Total Fixed Charges" means the sum of (a) the Company's and its Subsidiaries' consolidated annual interest expense on the aggregate principal amount of Debt (consolidated) of the Company and its Subsidiaries, (b) the aggregate annual amount of fixed rentals (i.e., the amount of rentals payable without "additional rent," however denominated, for insurance, ad valorem property taxes, common areas, maintenance charges, operating expenses and similar items), payable by the Company and its Subsidiaries under leases, (c) the current portion of the principal amount of Funded Debt (including sinking fund payments) of the Company and its Subsidiaries due and payable in the four-fiscal quarter period for which the determination is made, (d) cash dividends paid in the four-fiscal quarter period for which the determination is made with respect to all classes of the Company's stock, and (e) amounts paid by the Company and its Subsidiaries in connection with the purchase by it of plant, machinery, equipment or other similar expenditures (including leases of any of the foregoing) which would be required to be capitalized and shown on the consolidated balance sheet of the Company and its Subsidiaries in accordance with generally accepted accounting principles (excluding any such amount representing a capital expenditure for machinery and equipment associated with the acquisition of United States Pipe and Foundry Company).

"Total Liabilities" means total liabilities, determined in accordance with generally accepted accounting principles, plus, without duplication, Contingent Liabilities.

ARTICLE II

Amount and Terms of the Credit

Section 2.01. The Bank agrees, upon and subject to the terms and conditions set forth in this Agreement, to make Advances to the Company from time to time; provided, however, that the principal amount of any such Advance shall not, when added to the Principal Balance, exceed the Committed Sum. Within the limits of the Bank's Committed Sum, the Company may borrow, prepay pursuant to Section 2.03 hereof and reborrow under this Section 2.01. The obligation of the Company to repay the Advances made by the Bank shall be evidenced by a single Note of the Company, dated as of the date hereof, payable to the order of the Bank and in the form shown in Exhibit A attached hereto. Each Advance shall bear interest on

the unpaid principal amount thereof from time to time outstanding from the date of advance thereof until paid in full at a rate per annum equal to the lesser of (i) the Highest Lawful Rate, or (ii) a rate (the "Base Rate") (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days) equal to a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the prime interest rate charged by the Bank as announced or published by it from time to time, and which may not be the lowest interest rate charged by the Bank, as the Highest Lawful Rate or the Base Rate shall change from time to time, each change in the Highest Lawful Rate or the Base Rate to become effective on the effective date of such change without notice to the Company, payable on the last day of each Interest Period; provided, however, that if at any time the Highest Lawful Rate prevails, any subsequent increases in the Highest Lawful Rate or reductions in the Base Rate shall not reduce the rate of interest which the portion of any Advance not subject to an Alternate Rate bears below the Highest Lawful Rate until the total amount of interest accrued on such portion of such Advance equals the amount of interest which would have accrued if the Base Rate had at all times been in effect, and in the event that on the last day of any Interest Period the total amount of interest paid or accrued on portions of Advances not subject to an Alternate Rate is less than the total amount of interest which would have accrued if the Base Rate had at all times been in effect with respect to such portions of such Advances, then the Company shall, to the fullest extent permitted by law, pay an additional amount equal to the difference between (A) the lesser of (a) the amount of interest which would have accrued on such portions of such Advances had the Highest Lawful Rate at all times been in effect, or (b) the amount of interest which would have accrued on such portions of such Advances if the Base Rate had at all times been in effect, and (B) the amount of interest otherwise paid or accrued on such portions of such Advances.

Notwithstanding the foregoing, upon acceptance or agreement by the Company of or with an Alternate Rate quoted by the Bank in response to a Request, the portion of the Advance covered by the Request shall bear interest at a rate per annum equal to the lesser of (i) the Highest Lawful Rate or (ii) the Alternate Rate for the Interest Period covered by the Request, each change in such rate to become effective on the effective date of each change in the Highest Lawful Rate without notice to the Company, payable on

the last day of such Interest Period (and, in the case of any Interest Period in excess of three months or ninety days, as the case may be, on the last day of each three-month or ninety day period, as the case may be, during such Interest Period); provided, however, that if at any time the Highest Lawful Rate prevails, any subsequent increases in the Highest Lawful Rate or reductions in the Alternate Rate, whether during or after the Interest Period during which such Alternate Rate is or would have been effective, shall not reduce the rate of interest which such portion of such Advance or the portion of any Advance used to repay such portion of such Advance bears below the Highest Lawful Rate until the total amount of interest accrued on such portion of such Advance or the portion of any Advance used to repay such portion of such Advance equals the amount of interest which would have accrued if the Alternate Rate had at all applicable times been in effect, and in the event that, at the end of any Interest Period during which the Alternate Rate is or would have been in effect, the total amount of interest paid or accrued on such portion of such Advance is less than the total amount of interest which would have accrued if the Alternate Rate had at all applicable times been in effect, then the Company shall, to the fullest extent permitted by law, pay an additional amount equal to the difference between (A) the lesser of (a) the amount of interest which would have accrued on such portion of such Advance had the Highest Lawful Rate been in effect at all applicable times, or (b) the amount of interest which would have accrued on such portion of such Advance if the Alternate Rate had been in effect at all applicable times, and (B) the amount of interest otherwise paid or accrued on such portion of such Advance. Except to the extent required in the last paragraph of this Section 2.01, no prepayment may be made of any portion (an "Alternate Rate Loan") of the Principal Balance which is at the time subject to the Highest Lawful Rate or an Alternate Rate in accordance with this Section.

If, during any period in which there is an Alternate Rate in existence, any change in applicable law or in the interpretation or administration thereof by any tribunal (whether or not having the force of law) shall impose, modify, or deem applicable any reserve requirement of the Board of Governors of the Federal Reserve System on any Alternate Rate Loan, or any other reserve, special deposit, or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Bank or shall impose on the Bank or the London interbank market any other condition (including, without limitation, any tax [other than

franchise or income taxes], fee or charge imposed on or with respect to any of the transactions contemplated by the Loan Papers) affecting this Agreement or such Alternate Rate Loan and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining such Alternate Rate Loan, then the Company shall pay to the Bank upon demand of the Bank as additional interest on such Alternate Rate Loan such additional amount or amounts as will compensate the Bank for such additional cost. In addition, if the Bank determines that either (i) the introduction of or any change in any law or regulation or in the interpretation or administration of any law or regulation by any governmental authority charged with the interpretation or administration thereof after the date hereof or (ii) compliance with any guideline or request of any such governmental authority (whether or not having the force of law) has or would have the effect of increasing the amount of capital required of or expected to be maintained by the Bank or any corporation controlling the Bank as a consequence of or with reference to the Bank's Committed Sum or its making or maintaining Advances, then the Company shall from time to time, upon demand of the Bank, pay to the Bank additional amounts sufficient to compensate the Bank or other corporation for such increase. A certificate as to such amounts or increase, submitted to the Company by the Bank, shall be conclusive and binding for all purposes, absent manifest error. The Bank agrees promptly to notify the Company of any circumstances that would cause the Company to pay additional amounts pursuant to this Section, provided that the failure to give such notice shall not affect the Company's obligation to pay such additional amounts hereunder.

In the event that it becomes unlawful for the Bank to make Alternate Rate Loans hereunder, then the obligation of the Bank to make Alternate Rate Loans shall be suspended until such unlawfulness no longer exists, and in the event it becomes unlawful for the Bank to maintain any Alternate Rate Loan, then the Bank shall promptly advise the Company thereof, and the Company shall promptly prepay the amount of such Alternate Rate Loan, together with such amount as will, in the judgment of the Bank (which judgment shall be conclusive in the absence of manifest error) compensate the Bank for any loss incurred in the prepayment of an Alternate Rate Loan prior to the last day of the Interest Period thereof, and the Bank shall, to the extent that it may lawfully do so, concurrently make an Advance to the Company which bears interest at a rate permitted hereunder.

Section 2.02. Each Advance to the Company shall be made on the date requested by the Company, if the Company shall make the request for an Advance at or prior to 10:00 a.m., Dallas time, on the date the Advance is requested (except that if the Advance is to bear interest at an Alternate Rate described in clause (iii) of the definition of Alternate Rate in Section 1.01 hereof, such request shall be made by the Company by 10:00 a.m., Dallas time, on the date which is two Business Days preceding the date on which such Advance is to be made). Each such request by the Company shall state the requested amount and day of such Advance and the use of the proceeds of such Advance. Upon satisfaction of the applicable conditions set forth in Article V hereof, the Bank will make available to the Company at the office of the Bank such Advance in immediately available funds.

Each request for an Advance by the Company may be oral, but shall be confirmed by the delivery by the Company to the Bank of a writing substantially in the form of Exhibit C, with appropriate blanks completed correctly, within three Business Days after such Advance.

No portion of any Advance shall bear interest at an Alternate Rate unless such Alternate Rate shall have been agreed upon in accordance with the terms of this Agreement.

Section 2.03. Except with respect to an Alternate Rate Loan (but without limiting the obligation of the Company to prepay Alternate Rate Loans in accordance with the last paragraph of Section 2.01), the Company shall have the right, from time to time, upon at least one Business Day's oral notice from the Company to the Bank (which shall be promptly confirmed in writing if requested by the Bank), to prepay the Principal Balance in whole or in part, without premium or penalty. Simultaneously with the making of any prepayment, the Company shall pay to the Bank the interest accrued on the amount prepaid to the date of prepayment.

Section 2.04. All payments and prepayments of principal and interest and commitment fees shall be made in immediately available funds. Any payments of principal, interest and commitment fees not made when due and as aforesaid shall bear interest at the Highest Lawful Rate from the date due until actually paid.

Section 2.05. The Company may advise the Bank in writing, by certified or registered mail, on or before any August 1 beginning

August 1, 1991, that it agrees, and requests the Bank to agree, that the Termination Date be extended by one year, by mailing to the Bank, by certified or registered mail, a writing in the form of Exhibit D attached hereto with blanks appropriately completed. If so advised, the Bank shall respond to the request of the Company within 30 days. If the Bank advises the Company in writing that it so agrees, the Termination Date shall, without the necessity of any further amendment to this Agreement, be extended by one year. If the Bank declines to agree, the Termination Date shall not be extended. The failure of the Bank to respond to the written request of the Company within 30 days shall be deemed the agreement of the Bank to extend the Termination Date by one year. If the Company does not advise the Bank of its agreement, as contemplated by this Section, the Termination Date shall not be extended.

Section 2.06. The Company agrees to pay to the Bank a commitment fee equal to $\frac{3}{8}$ of 1% per annum (calculated on the basis of actual days elapsed, but computed as if each calendar year consisted of 360 days). Such commitment fee shall commence to accrue as of the date of execution hereof and shall be calculated on the average daily difference between the amount of the Committed Sum and the Principal Balance and shall continue to accrue until the date on which the obligation of Lender to make Advances hereunder expires or terminates. The commitment fee shall be payable as it accrues on the last day of each March, June, September and December and on the date on which the obligation of Lender to make Advances hereunder expires or terminates.

Section 2.07. All obligations of the Company to the Bank under this Agreement, the Note, and the Other Loan Papers, shall be unconditionally guaranteed by each Significant Subsidiary pursuant to a written guaranty in the form of Exhibit B attached hereto.

Section 2.08. Borrower shall repay the principal amount of, and interest on, each Advance on the last day of each Interest Period therefor, but no such repayment shall discharge or otherwise affect any security interest or guaranty securing the obligation of the Company to the Bank under the Loan Papers.

Section 2.09. Optional Reduction of the Committed Sum. Borrower shall have the right, upon at least five (5) Business Day's written notice to Lender, to reduce in part or in whole, the amount of the Committed Sum; provided that (i) each partial reduction shall be in the aggregate amount of \$100,000 or an

integral multiple thereof and (ii) no reduction shall reduce the amount of the Committed Sum to an amount less than the outstanding principal balance of the Note.

ARTICLE III

Representations and Warranties

Section 3.01. The Company represents and warrants that:

(a) The Company is a corporation duly organized and existing in good standing under the laws of the State of Delaware, each Significant Subsidiary is duly organized and existing in good standing under the laws of the jurisdiction in which incorporated, and the Company and each Significant Subsidiary has the corporate power to execute, deliver and perform the Loan Papers to which it is a party and to own its respective property and to carry on its respective business as now being conducted, and the Company and each Significant Subsidiary is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the respective business conducted by it makes such qualification necessary, except where failure to so qualify would not have a material adverse effect on the consolidated financial condition, business or assets of the Company and its Subsidiaries.

(b) The execution, delivery and performance by each of the Company and the Significant Subsidiaries of the Loan Papers to which it is a party, including the borrowing hereunder, have been duly authorized by all necessary corporate and stockholder action, do not require the approval or consent of any governmental agency or instrumentality, and do not violate or contravene any legal, contractual or other restriction binding on the Company and any Significant Subsidiary.

(c) Each of the Loan Papers to which it is a party is the lawful, valid and binding obligation of each of the Company and the Significant Subsidiaries, enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally.

(d) There are no actions or proceedings pending or threatened before any court, administrative agency or other tribunal which could, in the reasonable opinion of the Company, materially adversely affect the financial condition or operations of the Company or any Significant Subsidiary other than as described in Old Tyler's Annual Report on Form 10-K for the year ended December 31, 1989, filed with the Securities and Exchange Commission.

(e) The consolidated balance sheet and statement of operations of Old Tyler and its subsidiaries for the year ended December 31, 1989, audited by Ernst & Young, correctly set forth the consolidated financial condition of Old Tyler and its subsidiaries as of such dates and the results of their operations for such periods and, since December 31, 1989, there has been no material adverse change in such condition or operations.

(f) Neither the Company nor any Significant Subsidiary is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and neither the Company nor any Significant Subsidiary is subject to any restriction under the Public Utility Holding Company Act, the Federal Power Act, the Interstate Commerce Act (as any of the preceding acts have been amended), or any other law (other than Regulation X of the Board of Governors of the Federal Reserve System) which regulates the incurring of indebtedness by the Company or any Significant Subsidiary.

(g) Neither the Company nor any Significant Subsidiary has incurred any material accumulated deficiency within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or has incurred any material liability to the Pension Benefit Guaranty Corporation, or any successor thereof ("PBGC"), established under such act in connection with any employee benefit plan established or maintained by the Company or any Significant Subsidiary, for which adequate reserves have not been established.

(h) The Company has and each of its Significant Subsidiaries has good and marketable title, subject only to such liens as are permitted by Section 4.05(a) hereof, to its respective properties and assets, including the capital stock

of the Significant Subsidiaries and the properties and assets, other than the capital stock of Atlas Powder Company, reflected in the balance sheet dated as of December 31, 1989 of Old Tyler hereinabove described, except properties and assets sold or otherwise disposed of since that date in the ordinary course of business, and such properties and assets are free and clear of Liens, other than Liens permitted by Section 4.05(a).

Each Significant Subsidiary is owned directly by the Company, except that Tyler Pipe Industries of Texas, Inc. is owned by Tyler Pipe Industries, Inc.

(i) The Company has and each of its Significant Subsidiaries has filed all Federal and State income tax returns which are required to be filed, and each has paid all taxes as shown on said returns and on all assessments received by it to the extent that such taxes have become due. The Federal income tax liabilities of the Company and all of its Subsidiaries have been examined and reported on by the Internal Revenue Service (or closed by applicable statutes) and satisfied for all fiscal years prior to and including the fiscal year ended December 31, 1986.

(j) Neither the Company nor any agent acting on its behalf has offered the Note or any similar securities of the Company for sale to, or solicited any offers to buy the Note or any similar securities of the Company from, any person, firm or corporation other than the Bank, and neither the Company nor any agent acting on its behalf will take any action which would subject the issuance or sale of the Note to the provisions of Section 5 of the Securities Act of 1933, as amended.

(k) All proceeds of the Advances will be used by the Company for working capital or other proper corporate purposes, including the purchase by the Company of any of its outstanding debt or securities, provided such purchase shall not violate Regulation U as amended, promulgated by the Board of Governors of the Federal Reserve System, and the Company will not other than as stated above use any portion of the proceeds for the purpose of purchasing or carrying, directly or indirectly, or extending credit to others for the purpose of purchasing or carrying, directly or indirectly, any "margin stock," as that term is defined in Regulation U.

(1) To its knowledge, without independent investigation, neither the Company nor any of its Subsidiaries is in violation of, and neither the Company nor any of its Subsidiaries has received any notice alleging that it is in violation of, any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including without limitation, those arising under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Superfund Amendments and Reauthorization Act of 1986, the Federal Water Pollution Control Act, the Toxic Substance Control Act, or any state or local statute, regulation, ordinance, order or decree relating to health, safety, or the environment, which violation could, in the reasonable opinion of the Company, have a material adverse effect on the business, assets, or financial condition of the Company and its Subsidiaries, taken as a whole.

Section 3.02. The Bank represents that it is the present intention of the Bank to acquire the Note for its own account and that such Note is being acquired for the purpose of investment and not with a view to distribution or resale thereof, subject, nevertheless, to the provisions of Article 7 and the necessity that the Bank remain in control at all times of the disposition of the property held by it for its own account. The Bank further represents that it has not relied upon any Common Stock of the Company now or hereafter owned by the Company or any other "margin stock" (as that term is defined in Regulation U) presently owned by the Company as collateral in extending or maintaining the obligations of the Company evidenced by the Note.

ARTICLE IV

Covenants of the Company

Section 4.01. From the date of this Agreement and so long as the Note shall be outstanding, the Company covenants that it will deliver to the Bank the following:

(a) as soon as practicable and in any event within 60 days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a consolidating and

consolidated profit and loss statement and reconciliation of surplus statement of the Company and its Subsidiaries for the period from the beginning of the current fiscal year to the end of such quarterly period, and a consolidating and consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period, setting forth in each case in comparative form corresponding consolidated figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company, subject to changes resulting from year-end adjustments;

(b) as soon as practicable and in any event within 90 days after the end of each fiscal year, a consolidating and consolidated profit and loss statement and reconciliation of surplus statement of the Company and its Subsidiaries for such year, a consolidating and consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit, all in reasonable detail and satisfactory in scope to the Bank and certified (as to consolidated figures) to the Company by independent public accountants of recognized standing selected by the Company whose certificate shall be in scope and substance satisfactory to the Bank;

(c) as soon as practicable, copies of all such financial statements and reports as it shall send to its stockholders and of all registration statements and all regular or periodic reports which it is or may be required to file with the Securities and Exchange Commission or any governmental body or agency succeeding to the functions of the Securities and Exchange Commission;

(d) within 90 days after the end of each fiscal year, and at such other time as Lender may reasonably request, a report describing all insurance coverage then in effect for the Company and its Significant Subsidiaries; and

(e) with reasonable promptness, such other financial data as the Bank may reasonably request.

Together with each delivery of financial statements required by clauses (a) and (b) above, the Company will deliver to the Bank an Officer's Certificate stating that there exists no Event of Default or, if any such Event of Default exists, specifying the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto and setting forth calculations which reflect the compliance or noncompliance by the Company with its covenants set forth in Sections 4.03, 4.04 and 4.05. Together with each delivery of financial statements required by clause (b) above, the Company will deliver to the Bank a certificate of said accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Event of Default, or if any such Event of Default exists, specifying the nature and period of existence thereof; and setting forth the amount of all liabilities for past services under pension plans and other employee benefit plans of the Company and its Subsidiaries which have not been funded by the Company and its Subsidiaries or for which appropriate reserves have not been established. The Company also covenants that forthwith upon the President or chief financial officer of the Company obtaining knowledge of an Event of Default under this Agreement, it will deliver to the Bank an Officer's Certificate specifying the nature thereof, the period of existence thereof, and what action the Company proposes to take with respect thereto. The Bank is hereby authorized to deliver a copy of any financial statement delivered to it pursuant to this Section 4.01 to any regulatory body having jurisdiction over the Bank.

Section 4.02. From the date of this Agreement and so long as the Note shall be outstanding, the Company covenants that it will permit any Person designated by the Bank in writing, at the Bank's expense, to visit and inspect any of the properties, corporate books and financial records of the Company and its Significant Subsidiaries, and to discuss the affairs, finances and accounts of any of such corporations with the principal officers of the Company, all at such reasonable times and as often as the Bank may reasonably request.

Section 4.03. From the date of this Agreement and so long as the Note shall be outstanding, the Company covenants that it will maintain (in each case computed for the four fiscal-quarter period of the Company or, prior to the date hereof, Old Tyler (excluding Reliance Universal, Inc. and Atlas Powder Company), ending on the last day of the fiscal quarter as of which such determination is

made), the ratio of (a) Consolidated Net Income Available for Total Fixed Charges to (b) Total Fixed Charges of not less than 0.75 to 1 through September 30, 1990, 1.0 to 1 from October 1, 1990 through December 31, 1990, and 1.1 to 1 after December 31, 1990.

Section 4.04. From the date of this Agreement and so long as the Note shall be outstanding, the Company covenants that it will maintain (a) a ratio of (i) Total Liabilities to (ii) Consolidated Tangible Net Worth of not more than 1.6 to 1; (b) a Consolidated Tangible Net Worth of not less than \$30,000,000 plus 50% of the sum of positive Consolidated Net Earnings for each fiscal quarter ending after the date hereof and on or prior to the date of determination (without any deduction for negative Consolidated Net Earnings for any such fiscal period); and (c) maintain a Current Ratio of not less than 1.5 to 1.

Section 4.05. From the date of this Agreement and so long as the Note shall be outstanding, the Company covenants that it will not and will not permit any Subsidiary to:

(a) Create, assume or suffer to exist, or agree under any circumstances to create, assume, or suffer to exist, or agree under any circumstances not to create, assume, or suffer to exist, any Lien upon any of its property or assets, whether now owned or hereafter acquired, except the Company or any Subsidiary may create, assume, or suffer to exist:

(i) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings,

(ii) other Liens incidental to the conduct of its business or the ownership of its property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and which do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business,

(iii) Liens on property or assets of a Subsidiary to secure obligations of such Subsidiary to the Company or another Subsidiary,

(iv) any Lien existing on any property of any corporation at the time it hereafter becomes a Subsidiary, or existing prior to the time of acquisition upon any property

hereafter acquired by the Company or any Subsidiary through purchase, merger or consolidation or otherwise, whether or not assumed by the Company or such Subsidiary, or hereafter placed upon property at the time of acquisition of such property by the Company or any Subsidiary to secure a portion of the purchase price thereof, provided, however, that the indebtedness incurred in connection therewith is permitted hereby and any such Lien shall not encumber any other property of the Company or such Subsidiary,

(v) any Lien renewing, extending or refunding any Lien permitted by clause (iv) above, provided, however, that the principal amount secured is not increased, and the Lien is not extended to other property, and

(vi) Liens on life insurance policies owned by the Company and any of its Subsidiaries securing Debt of the Company and such Subsidiaries evidencing premium loans on said policies.

(b) Permit the aggregate Funded Debt of the Subsidiaries to exceed \$5,000,000.

(c) Sell or otherwise dispose of any shares of stock or Funded or Current Debt of any Subsidiary, except to the Company or a Subsidiary (provided that the stock of a Significant Subsidiary may not be sold by the Company to a Subsidiary that is not a Significant Subsidiary), and except that all shares of stock and Debt of any Subsidiary at the time owned by or owed to the Company and all Subsidiaries may be sold as an entirety for a consideration which represents the fair value (as determined in good faith by the Board of Directors of the Company) at the time of the sale of the shares and Debt so sold, provided that such Subsidiary is not a Significant Subsidiary and further provided that, at the time of such sale, such Subsidiary shall not own, directly or indirectly, any shares of stock or Debt of any other Subsidiary (unless all of the shares of stock and Debt of such other Subsidiary owned, directly or indirectly, by the Company and all Subsidiaries are simultaneously being sold as permitted by this Section 4.05(c)) or of the Company;

(d) Merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets, or assets which shall have

contributed 10% or more of Consolidated Net Earnings for any of the three fiscal years then most recently ended, to any Person, except that

(i) any Subsidiary may merge or consolidate with the Company (provided that the Company shall be the continuing or surviving corporation) or with any one or more other Subsidiaries (provided that a Significant Subsidiary may not be merged with a Subsidiary that is not a Significant Subsidiary unless the Significant Subsidiary is the surviving corporation),

(ii) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or another Subsidiary (except that a Significant Subsidiary may not sell, lease, transfer or otherwise dispose of any of its assets to a Subsidiary that is not a Significant Subsidiary),

(iii) any Subsidiary may sell or otherwise dispose of all or substantially all of its assets subject to the conditions specified in Section 4.05(e) with respect to a sale of the stock of such Subsidiary (provided a Significant Subsidiary may not sell or otherwise dispose of substantially all of its assets to a Subsidiary that is not a Significant Subsidiary),

(iv) the Company may merge or consolidate with any other corporation, provided that (a) the Company shall be the continuing or surviving corporation, (b) the previously outstanding stock of the Company shall not be changed into or exchanged for the stock or other securities of any Person other than the Company in connection with such merger or consolidation, and (c) the Company as the continuing or surviving corporation shall not, immediately after such merger or consolidation, be in default (whether or not such default has matured into an Event of Default) under any of the obligations of the Company under this Agreement, including all covenants herein contained, and

(v) the Company may sell or otherwise dispose of any shares of Common Stock of the Company and any other "margin stock" that may be owned by the Company.

Section 4.06. From the date of this Agreement and so long as the Note shall be outstanding, the Company covenants that it will not permit any Subsidiary to issue, sell or dispose of any shares of its stock of any class (other than directors' qualifying shares)

except to the Company or another Subsidiary, provided that stock of Significant Subsidiaries may be issued and sold only to the Company.

Section 4.07. From the date of this Agreement and so long as the Note shall be outstanding, the Company will not terminate, nor permit any Significant Subsidiary to terminate, any employee benefit plan so as to result in any material liability to PBGC or permit to exist any Reportable Event (as defined in ERISA) with respect to any such benefit plan that could result in any material liability.

Section 4.08. From the date of this Agreement and so long as the Note shall be outstanding, the Company agrees to give prompt written notice to the Bank of the following:

(a) Any event which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse; and

(b) Any other matter which has resulted in, or might, in the reasonable opinion of the Company, result in, a materially adverse change in the consolidated financial condition or operations of the Company and its Subsidiaries.

ARTICLE V

Conditions Precedent to the Advances

Section 5.01. The obligation of the Bank to make its initial Advance is subject to the condition that, prior to or simultaneous with the making of such Advance, the Bank shall have received on or before the day of the Advance all of the following, in form and substance satisfactory to the Bank:

(a) The duly executed Note of the Company;

(b) The Guaranties, duly executed by the respective Significant Subsidiaries;

(c) A copy, certified by a duly authorized officer, of all documents evidencing corporate action taken by the Company and the Significant Subsidiaries relative to the Loan Papers;

(d) All documents the Bank may reasonably request relating to the corporate existence of the Company and its Significant Subsidiaries and to the authorization, execution and delivery of this Agreement and other matters relevant hereto;

(e) A favorable opinion of legal counsel to the Company, dated the date of such initial Advance, as to each of the matters set forth in Section 3.01 hereof (except that such counsel need express no opinion relating to the qualification or good standing of any Significant Subsidiary in any jurisdiction other than the jurisdictions of its incorporation and in which it is actually qualified to do business as a foreign corporation or the matters contained in paragraphs (d), (e), (g), (h), (i), (j) and (k) thereof), and such other matters as the Bank may reasonably request; it being understood that such opinion may be qualified that it is to the best of such counsel's knowledge insofar as it relates to the existence of legal, contractual or other restrictions binding on the Company;

(f) A signed copy of a certificate of the Secretary or an Assistant Secretary of the Company and the Significant Subsidiaries which shall certify the names of the officers of the Company authorized to sign the Note, together with the true signatures of such officers; and

(g) A signed copy of a certificate of the President, any Vice President or the Treasurer of the Company which shall certify that (i) the representations and warranties contained in Section 3.01 are true and correct in all material respects at and as of the date of such certificate, and (ii) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse, which certificate shall be true in all respects at and as of the date of the initial Advance.

Section 5.02. Within three (3) Business Days after any Advance, the Company shall deliver to the Bank a signed certificate, which may be a writing in the form of Exhibit C (which shall be true in all respects), of the President, any Vice President or the Treasurer of the Company which shall certify that

on the date of such Advance (a) the representations and warranties contained in Section 3.01 were true and correct in all material respects, and (b) no event had occurred and was continuing which constituted an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse. The obligation of the Bank to make each requested Advance shall be subject to the condition that (i) the certifications to be contained in such certificate shall be true on the date the Advance is made and (ii) no Significant Subsidiary has given the Bank written notice that it will not be liable under its Guaranty for any indebtedness of the Company incurred after the giving of such notice.

Any such condition may be waived by the Bank, but any such waiver may be subject to such conditions and limitations as the Bank may specify and shall not extend to any subsequent similar condition unless expressly provided.

ARTICLE VI

Events of Default

Section 6.01. If any one or more of the following Events of Default shall occur and be continuing, to-wit:

(a) The Company shall default in the payment of any interest or principal on the Note or the commitment fee when due and payable;

(b) Any representation or warranty made by the Company in this Agreement, or incorporated herein by reference, or in any certificate delivered pursuant hereto shall prove to be untrue or incorrect in any material respect;

(c) The Company shall fail to perform or observe any agreement or covenant contained in Section 4.03, 4.04, 4.05, 4.06 or 4.07;

(d) The Company shall fail to perform or observe any other term, covenant or agreement contained herein, or incorporated herein by reference, and such failure shall continue unremedied for 15 days after written notice thereof shall have been given by the Bank to the Company;

(e) The non-payment when due, after the passage of any applicable grace period, of any obligation in excess of \$250,000 of the Company or any Significant Subsidiary for the payment of Debt (including, without limitation, the obligation of the Company for money borrowed under the Other Loan Agreements), or the deferred purchase price of property, whether such obligation becomes due by acceleration or otherwise;

(f) The non-payment when due of any obligation of the Company or any Significant Subsidiary to the Bank;

(g) The default by the Company or any Significant Subsidiary under the terms of any agreement or instrument pursuant to which such corporation has borrowed money unless such default shall have been cured or waived in writing by the party or parties entitled to give such waiver under the terms of such agreement or instrument; provided, however, that if such default is cured or waived subsequent to the holder of the Note exercising its right to accelerate payment of the Note, such curing or waiving will not rescind or terminate such right of acceleration already exercised;

(h) The insolvency or bankruptcy of the Company or any Significant Subsidiary or the cessation by the Company or any Significant Subsidiary of the payment of its debts as they mature or the making of an assignment for the benefit of the creditors of the Company or any Significant Subsidiary, or the appointment of a trustee or receiver or liquidator for the Company or any Significant Subsidiary or for a substantial part of the property of any of them, or the institution of bankruptcy, reorganization, arrangement, insolvency or similar proceedings by or against the Company or any Significant Subsidiary under the laws of any jurisdiction and, in the case of involuntary proceedings brought against the Company or any Significant Subsidiary, not dismissed or stayed within 90 days of the date such proceedings are commenced; or

(i) Any Person or group of Persons acting in concert, other than the Tyler Corporation Savings and Investment Plan, acquires the right, directly or indirectly, to exercise 30% or more of the votes entitled to be cast in the election of directors of the Company.

then the obligation of the Bank to make Advances hereunder shall terminate and the Bank may declare by notice to the Company the Note, together with accrued interest thereon, to be immediately due and payable, and in any such case the same shall become and be immediately due and payable without further notice or demand of any kind, all of which are hereby expressly waived by the Company, and the Bank shall have the right to exercise all rights and remedies which it may have under the Loan Papers, at law, in equity, or otherwise.

ARTICLE VII

Participations and Transfer

Section 7.01. The Bank may invite others to participate in the Advances arising hereunder, or in the Committed Sum or the Note, provided that:

(a) Every such participation shall be subject to the terms of the form of participation certificate or agreement customarily utilized by the Bank with such changes therein as may be necessary or appropriate or convenient and proper to reflect the transactions contemplated hereby, and provided that nothing contained herein shall authorize the Bank to execute on behalf of the Company any instrument whatsoever which shall impose or purport to impose upon the Company obligations to any participant.

(b) The minimum face amount of a Participation Certificate or Agreement shall be \$100,000.

(c) The Bank may not sell, deliver, or bargain away to any participant the Bank's right to waive or amend, without the consent of the participant, any provision of this Agreement, except that, without the consent of the Company, the Bank may grant to any participant the right to approve (i) an increase in the Committed Sum, (ii) a reduction in the interest rate or amount of the commitment fee payable to the Bank, (iii) an extension of the due date, or a reduction in the amount, of any payment of principal or interest due on the Note, and (iv) any release, substitution or modification of any collateral securing the performance by the Company of its

obligations under the Loan Papers, or any agreement related to such collateral; provided, however, that the Bank shall not sell, deliver or bargain away to any Person or Persons the right, in the aggregate, to exercise 49% or more of any vote with respect to any such release, substitution or modification.

(d) No such participation shall diminish or otherwise affect the obligation of the Bank to make Advances, or any other obligation of the Bank hereunder, and the Company shall look solely to the Bank for the performance of such obligations.

(e) The Company shall not be affected in any way with any participation so granted; and the Company shall be bound to regard the Bank as exclusively entitled to the benefit of this Agreement and all payments to be made by the Company hereunder.

Section 7.02. Except as provided in Section 7.01, the Bank shall not, without the prior consent in writing of the Company, which consent shall not be unreasonably withheld or delayed, make any transfer or assignment of the whole or any part of its interest in indebtedness arising hereunder or under the Note or part with physical possession of the Note until surrender to the Company on final maturity and payment thereof.

ARTICLE VIII

Miscellaneous

Section 8.01. No failure or delay on the part of the Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power preclude any other or further exercise thereof or the exercise of any other right or power hereunder. No amendment, modification or waiver of any provision of the Loan Papers nor consent to any departure by the Company therefrom shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Such departure by the Company when properly consented to by the Bank as set out in the preceding sentence shall not constitute an Event of Default. No notice to or demand on the Company in any

case shall, of itself, entitle the Company to any other or further notice or demand in similar or other circumstances. All rights and remedies existing under the Loan Papers shall be cumulative and are in addition to those otherwise provided by law.

The offset and banker's lien rights of the Bank shall not be prejudiced or impaired by permitting the Company or any Significant Subsidiary to draw upon any of its funds or other property on deposit with the Bank, nor waived with respect to all funds and other property of the Company or any Significant Subsidiary remaining on deposit.

Section 8.02. Whenever any payment to be made hereunder or under the Note shall be stated to be due on any day which is not a Business Day, such payment may be made on the next succeeding Business Day, but interest shall continue to accrue on each principal payment until it is, in fact, made.

Section 8.03. All communications and notices provided for hereunder shall be in writing and, if to the Bank, mailed or delivered to it, addressed to it at NCNB Bank Plaza, 901 Main Street, 67th Floor, Dallas, Texas 75202; except that any notice given pursuant to Section 2.05 shall be by certified or registered mail.

Section 8.04. The Company agrees to pay all costs and expenses of the Bank, including the counsel fees of Johnson & Gibbs, a Professional Corporation, incurred in connection with the preparation, execution and delivery of the Loan Papers (and any amendment thereto or waiver of any provision thereof) and the costs and expenses, including counsel fees, if any, in connection with the enforcement of the Loan Papers.

SECTION 8.05. THE LOAN PAPERS SHALL BE DEEMED TO BE CONTRACTS UNDER THE LAWS OF THE STATE OF TEXAS AND FOR ALL PURPOSES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF SAID STATE EXCEPT TO THE EXTENT FEDERAL LAWS PERTAINING IN ANY WAY TO NATIONAL BANKING ASSOCIATIONS OTHERWISE GOVERN THE VALIDITY, CONSTRUCTION, ENFORCEMENT AND INTERPRETATION OF ALL OR ANY PART OF THE LOAN PAPERS.

Section 8.06. This Agreement shall be binding upon and inure to the benefit of the Company and the Bank, and their respective successors and assigns, except that the Company may not assign or transfer its rights hereunder without the prior written consent of the Bank.

Section 8.07. Regardless of any provision contained in the Loan Papers, the Bank shall never be entitled to receive, collect or apply, as interest on the indebtedness arising hereunder or under the Note, any amount in excess of the Highest Lawful Rate, and, in the event the Bank ever receives, collects, or applies as interest, any such excess, such amount which would be excessive interest shall be deemed a partial prepayment of principal and treated hereunder as such; and, if the Principal Balance is paid in full, any remaining excess shall forthwith be paid to the Company. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Highest Lawful Rate, the Company and the Bank shall, to the maximum extent permitted under applicable law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof and (c) amortize, prorate, allocate and spread the total amount of interest throughout the entire contemplated term of the Note; provided that if the indebtedness under the Note is paid in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Highest Lawful Rate, the Bank shall refund to the Company the amount of such excess, and, in such event, the Bank shall not be subject to any penalties provided by any law for contracting for, charging or receiving interest in excess of the Highest Lawful Rate. To the extent the usury laws of the State of Texas are applicable to the Note, so that the proviso to the definition of "Highest Lawful Rate" is effective, then the Company agrees, if and to the extent permissible, pursuant to Article 1.04(h)(1), Title 79, Revised Civil Statutes of Texas, 1925, as amended, that the Bank may, from time to time, upon the giving of the notices therein provided, and effective upon the giving of such notices, further revise the definition of "Highest Lawful Rate" as to the Note by substituting either the "annualized ceiling" or the "quarterly ceiling" (as such terms are defined and referred to in, respectively, Article 1.04(a)(2) and Article 1.04(a)(2), Title 79, Revised Civil Statutes of Texas, 1925, as amended) for the "indicated rate ceiling" as used in such proviso, such substitution to have the effect provided for in Article 1.04(h)(1), Title 79, Revised Civil Statutes of

Texas, 1925, as amended, and to be automatically renewable without further notice to the Company as provided therein. Except for Article 5069-15.10(b) thereof, the Bank and the Company agree that Chapter 15, Title 79, Revised Civil Statutes of Texas, 1925, as amended, shall not apply to the Loan Papers.

Section 8.08. If any provision of the Loan Papers is held to be illegal, invalid or unenforceable under present or future laws effective during their term, such provision shall be fully enforced as if such illegal, invalid or unenforceable provision had never comprised a part thereof; and the remaining provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance therefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of such Loan Paper a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

Section 8.09. This Agreement may be executed by the parties hereto individually or in several, separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

Section 8.10. The Company agrees to indemnify and hold the Bank harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses, and disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against Bank in any way relating to or arising out of this Agreement, the Note, any other document or instrument executed and delivered in connection herewith or therewith, or any of the transactions contemplated hereby or thereby, to the extent that any such liabilities result, directly or indirectly, from any claims made or actions, suits, or proceeds commenced by or on behalf of any person or entity other than Bank or the Company, or any person to whom Bank has assigned, outright or as a participation, all or part its interest in the Note and this Agreement; provided that Bank shall not have the right to be indemnified for its own gross negligence or willful misconduct.

THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

TYLER CORPORATION

By

W. Michael Kipphut
W. Michael Kipphut
Treasurer

NCNB TEXAS NATIONAL BANK

By

Beth Sorensen
Name: Beth Sorensen
Title: Vice President

23958:01

EXHIBIT A

PROMISSORY NOTE

\$20,000,000

Dallas, Texas
May 14, 1990

On the last day of the Interest Period for each Advance [as defined in the Revolving Credit and Term Loan Agreement (hereinafter defined)] and at such other times as provided in the Revolving Credit and Term Loan Agreement, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of NCNB TEXAS NATIONAL BANK ("Bank") the principal sum of Twenty Million Dollars (\$20,000,000), or, if less, the aggregate unpaid principal amount of each Advance made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement, together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date of advance until payment in full, at the applicable rate set forth in the Revolving Credit and Term Loan Agreement. Both principal and interest are payable in lawful money of the United States of America at the principal office of Bank.

This Note is the Note referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement (herein so called) dated as of May 14, 1990, between the Company and Bank.

Company shall be entitled to prepay the principal of this Note from time to time and at any time, in whole or in part, except for portions subject to an Alternate Rate (as defined in the Revolving Credit and Term Loan Agreement), without premium or penalty.

Upon the occurrence of an Event of Default, as that term is defined in, and upon the conditions stated in, the Revolving Credit and Term Loan Agreement, the holder hereof may, at its option, declare the entire unpaid principal of and interest on this Note immediately due and payable, without notice, demand or presentment, all of which are hereby waived, and the holder hereof shall have the right to offset against this Note any sum or sums owed by the holder hereof to the Company or any of its subsidiaries.

TYLER CORPORATION

By _____
W. Michael Kipphut
Treasurer

EXHIBIT B

GUARANTY

This GUARANTY ("Guaranty") is dated as of May 14, 1990 and is from the undersigned (collectively, the "Guarantors") in favor of NCNB Texas National Bank ("Bank").

Background

Bank and Tyler Corporation, a Delaware corporation ("Borrower"), have entered into that certain Revolving Credit and Term Loan Agreement dated as of May 14, 1990 (the "Credit Agreement"). Capitalized terms not otherwise defined herein have the meaning specified in the Credit Agreement. Guarantor is a Significant Subsidiary of Borrower. It is a condition to Bank's execution and performance of the Credit Agreement that Guarantors have executed and delivered this Guaranty.

Agreement

NOW, THEREFORE, for a valuable consideration, receipt of which is hereby acknowledged, Guarantors hereby jointly and severally guarantee to Bank the prompt payment at maturity of the Obligations, as that term is herein defined, this Guaranty being effective upon the following terms and conditions:

1. "Obligations" means all indebtedness of every kind and character, whether now existing or hereafter arising, of Borrower to Bank pursuant to the Credit Agreement, the Note and each of the other Loan Papers, together with any renewals, rearrangements, restatements, extensions or modifications thereof, and without limit as to amount (together with any interest accruing thereon, as well as any expenses attendant thereto, including attorneys' fees and court costs).

2. This Guaranty is a continuing guaranty of payment and not of collection, and the circumstance that any time or from time to time the Obligations may be paid in full shall not affect the obligation of Guarantors with respect to indebtedness of Borrower to Bank thereafter incurred, provided that Guarantors, or any of them, may give to the Cashier of Bank written notice that such Guarantor or Guarantors will not be liable hereunder for any indebtedness of Borrower incurred after the giving of such notice (which notice shall not be deemed to have been given until actually received and acknowledged in writing by said Cashier), and in such

event such Guarantors shall remain liable on the Obligations until the payment in full of the Obligations as they exist at the date of the giving of such notice.

3. If any Guarantor is or becomes liable for any indebtedness owing by Borrower to Bank by endorsement or otherwise than under this Guaranty, such liability shall not be in any manner impaired or affected hereby, and the rights of Bank hereunder shall be cumulative of any and all other rights that Bank may ever have against such Guarantor. The exercise by Bank of any right or remedy hereunder or under any other instrument, or at law or in equity, shall not preclude the concurrent or subsequent exercise of any other right or remedy.

4. Upon the occurrence and continuance of any Event of Default and the Obligations, or any part thereof, have become due, either by their terms or as the result of the exercise of any power to accelerate, Guarantors shall, on demand and without further notice of dishonor and without any notice having been given to Guarantors previous to such demand of the acceptance by Bank of this Guaranty and without any notice having been given to Guarantors previous to such demand of the creating or incurring of any Obligations, pay the amount due thereon to Bank, including principal, interest and attorney's fees, court costs and all other legal expense incurred by Bank in enforcing its rights against Borrower, Guarantors or any other guarantor or other person or entity liable for any of the Obligations ("Obligor"), if any, at its office in Dallas, Texas, in such manner as Bank may direct and it shall not be necessary for Bank, in order to enforce such payment by Guarantors, first, to institute suit or exhaust its remedies against Borrower or any other Obligor, or to enforce its rights against any security which shall ever have been given to secure such indebtedness.

5. Notice to Guarantors of the acceptance of this Guaranty and of the making, renewing or assignment of the Obligations and each item thereof, are hereby expressly waived by Guarantors.

6. Each payment on the Obligations shall be deemed to have been made by Borrower unless express written notice is given to Bank at the time of such payment that such payment is made by Guarantors, or any of them, as specified in such notice.

7. If all or any part of the Obligations at any time is secured, Guarantors agree that Bank may at any time and from time to time, at its discretion and with or without valuable consideration, allow substitution or withdrawal of collateral or other security and release collateral or other security without impairing or diminishing the obligations of Guarantors hereunder. Guarantors further agree that if Borrower, any Guarantor or any other Obligor executes in favor of Bank any security agreement, deed of trust or other security instrument, the exercise by Bank of any right or remedy thereby conferred on Bank shall be wholly discretionary with Bank, and that the exercise or failure to exercise any of such right or remedy shall in no way impair or diminish the obligation of Guarantors hereunder. Guarantors further agree that Bank shall not be liable for its failure to use diligence in the collection of the Obligations or in preserving the liability of Borrower or any other Obligor.

8. Guarantors agree that Bank, in its discretion, may (a) bring suit against Borrower, any Guarantor and any other Obligor jointly and severally or against any one or more of them, (b) compound or settle with Borrower or any other Obligor for such action shall impair the rights of Bank to collect the Obligations (or the unpaid balance thereof) from Guarantors.

9. To the extent any Guarantor makes any payment hereunder which, when added to all preceding payments made by such Guarantor hereunder, would result in the aggregate payments by such Guarantor hereunder exceeding its Percentage (as defined below) of all payments then or theretofore made by all Guarantors hereunder, such Guarantor shall have a right of contribution against each other Guarantor whose aggregate payments hereunder at any time of determination are less than its Percentage of all payments made by all Guarantors hereunder, in an amount such that, after giving effect to any such contribution rights, each Guarantor will have paid its Percentage of all payments made by Guarantors hereunder. As used herein, a Guarantor's Percentage shall mean the percentage obtained by dividing (i) the amount by which the present fair saleable value of the assets of such Guarantor on the date of determination exceeds its liabilities (without giving effect to this Guaranty) on such date (such excess for such Guarantor defined as its "Guarantor Net Worth") by (ii) the sum of the Guarantor Net Worth of all Guarantors. Each Guarantor agrees that its right to contribution from any other Guarantor is subordinated in right of payment to the prior payment in full of the Obligations and may not

be enforced until the Obligations are paid in full. Each Guarantor also agrees that any subrogation rights which it might have against Borrower arising out of any payment by it hereunder are subordinated in right of payment to the prior payment in full of the Obligations and may not be enforced until the Obligations are paid in full.

10. Each Guarantor hereby represents and warrants to Bank that, both before and after giving effect to this Guaranty and its rights and liabilities hereunder and under applicable law (including its subrogation and contribution rights), it is solvent, has assets having a present fair saleable value in excess of the amount required to pay its probable liability on its existing debts as they become absolute and matured, and has adequate capital for the conduct of its business and the ability to pay its debts as they mature. Each Guarantor also represents and warrants to Bank that the consideration which it has received or expects to receive arising out of Advances under the Credit Agreement is and will be reasonably equivalent to the amount of its probable liability hereunder.

11. This Guaranty is for the benefit of Bank, its successors and assigns, and in the event of an assignment by Bank, its successors or assigns, of the Obligations, or any part thereof, the rights and benefits hereunder, to the extent applicable to the indebtedness so assigned may be transferred with such indebtedness. This Guaranty is binding, not only on each Guarantor, but on its successors and assigns.

12. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

EXECUTED effective as of the date first written above.

TYLER PIPE INDUSTRIES, INC.

By: _____
W. Michael Kipphut
Assistant Secretary

TYLER PIPE INDUSTRIES OF TEXAS, INC.

By: _____
W. Michael Kipphut
Assistant Secretary

Z3846:01

EXHIBIT C

CONFIRMATION OF ADVANCE

[Dated the Date of Advance]

NCNB Texas National Bank
901 Main Street
11th Floor
Multi-National Department
Dallas, Texas 75202

Attention: Beth Sorensen

Re: Revolving Credit and Term Loan Agreement
dated as of _____, 1990

Gentlemen:

Reference is made to the Revolving Credit and Term Loan Agreement, dated as of _____, 1990, between you and the undersigned, the definitions of terms of which are incorporated herein by reference. This is to confirm that on _____, the undersigned requested an Advance to be made on this date in the amount of \$ _____ and agreed that \$ _____ of such Advance would bear interest at the lesser of (i) the Highest Lawful Rate, or (ii) the Base Rate, and that \$ _____ of such Advance would bear interest at the lesser of (iii) the Highest Lawful Rate, or (iv) _____ % from _____ to _____ [period during which Alternate Base is to be effective].

The proceeds of such Advance have been and will be used for _____.

This is to further confirm that, on the date of such Advance, (i) the representations and warranties contained in Section 3.01 of the Loan Agreement were true and correct in all material respects, and (ii) no event had occurred and was continuing which constituted an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse.

Very truly yours,

TYLER CORPORATION

By _____
[President, any Vice President
or Treasurer]

GM01/walga/23850

EXHIBIT D

FORM OF EXTENSION LETTER

[Dated on or before _____, 19__]

VIA CERTIFIED MAIL

NCNB Texas National Bank
901 Main Street
11th Floor
Multi-National Department
Dallas, Texas 75202

Attention: Beth Sorensen

Re: Revolving Credit and Term Loan Agreement
dated as of _____, 1990

Gentlemen:

Reference is made to the Revolving Credit and Term Loan Agreement dated as of _____, 1990 (the "Loan Agreement"), between you and the undersigned, the definitions of terms of which are incorporated herein by reference. Pursuant to Section 2.05 of the Loan Agreement, the undersigned hereby requests that, by executing this letter in the appropriate space provided below and returning a copy of this letter to the undersigned within 30 days of the date of your receipt hereof, you agree that the Termination Date shall be extended to _____, 19__ [one year beyond the then current Termination Date].

Please be aware that, if you do not expressly decline to agree that the Termination Date shall be so extended by executing this letter in the appropriate space provided below and returning a copy of this letter to the undersigned within 30 days of the date of your receipt hereof, the Termination Date shall so be extended.

Very truly yours,

TYLER CORPORATION

By: _____
Title

The undersigned agrees that the Termination Date shall be extended as provided in the foregoing letter.

NCNB TEXAS NATIONAL BANK

By: _____
Title

or

The undersigned declines to agree that the Termination Date shall be extended as provided in the foregoing letter.

NCNB TEXAS NATIONAL BANK

By: _____
Title

GM01/wslga/23853

The undersigned agrees that the Termination Date shall be extended as provided in the foregoing letter.

NCNB TEXAS NATIONAL BANK

By: _____
Title

OR

The undersigned declines to agree that the Termination Date shall be extended as provided in the foregoing letter.

NCNB TEXAS NATIONAL BANK

By: _____
Title

GA01/welga/23853

END