TYLER CORP.

1980 10K

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1980 | Commission file number 1-5409

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

Delaware
(State or other jurisdiction of incorporation or organization)

75-1225029
(I.R.S. Employer Identification No.)

3100 Southland Center, Dallas, Texas
(Address of principal executive offices)

75201
(Zip Code)

Registrant's telephone number, including area code: (214) 747-8251

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value	New York Stock Exchange Philadelphia Stock Exchange
10 1/2% Subordinated Debentures Due 1998	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

The aggregate market value of the voting stock held by non-affiliates of the registrant on February 23, 1981 was $178,448,000.

The number of shares of Common Stock of the registrant outstanding on February 23, 1981 was 9,362,006.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part I and Part III of this Annual Report is incorporated by reference from the registrant's definitive proxy statement for its annual meeting of stockholders to be held April 22, 1981.

Item 1. Business.

General

The principal products and services of Tyler Corporation ("Tyler") are manufactured pipe and fittings used primarily in residential, industrial and commercial construction and by municipalities; manufactured industrial explosives for the coal mining, quarrying, metal mining, construction and seismic industries; heavy hauling by motor truck; and general commodity hauling by motor truck. Tyler conducts business primarily through its four principal operating subsidiaries, Tyler Pipe Industries, Inc., Atlas Powder Company, C & H Transportation Co., Inc. and Thurston Motor Lines, Inc.

Net sales and operating revenues and operating profits of Tyler's industry segments are set forth below for the indicated calendar years. The following table should be read in conjunction with the financial statements and notes thereto appearing elsewhere herein.

	1978	1979 (In Thousands)	1980
INDUSTRY SEGMENTS			
Net sales and operating revenues			
Pipe and fittings	$171,863	$185,132	$171,861
Industrial explosives	105,256	121,775	138,323
Heavy hauling	113,754	138,101	151,483
General commodity carrier	---	74,234*	102,174
	$390,873	$519,242	$563,841
Operating profits			
Pipe and fittings	$ 24,735	$ 22,430	$ 24,267
Industrial explosives	13,185	15,335	15,481
Heavy hauling	12,984	16,682	15,370
General commodity carrier	---	2,438*	2,202
	50,904	56,885	57,320
Unallocated corporate expense			
Interest	(4,897)	(10,577)	(11,306)
Other	(3,696)	(3,978)	(4,197)
Income before income tax and extraordinary charge	$ 42,311	$ 42,330	$ 41,817

*For the last nine months

Identifiable assets of Tyler's industry segments as of December 31, 1978, 1979 and 1980 were as follows:

	Pipe and Fittings	Industrial Explosives	Heavy Hauling (In Thousands)	General Commodity Carrier	Corporate	Total
December 31, 1978	$90,117	$53,571	$45,383	$ —	$17,350	$206,921
December 31, 1979	96,286	56,515	52,291	62,243	5,242	272,577
December 31, 1980	95,260	59,385	41,781	60,075	8,147	264,648

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Principal Products and Services

Pipe and Fittings

Tyler, through Tyler Pipe Industries, Inc. and certain of its subsidiaries ("Tyler Pipe"), manufactures and distributes cast iron and plastic soil pipe, fittings and related building materials used primarily in drain, waste and vent ("DWV") applications and water and sewage fittings used in water supply and sewer systems. Tyler Pipe, which was founded in 1935, sells substantially all of its DWV products as finished products to wholesale plumbing supply houses in the United States for use primarily by construction contractors in the residential, industrial and commercial building industries. Water and sewage fittings are used primarily by municipalities. The pipe and fittings business is seasonal to the extent that the construction industry is affected by weather.

Tyler Pipe manufactures a complete line of cast iron and PVC plastic soil pipe and fittings. In the cast iron line, soil pipe is manufactured in lengths of five and ten feet, in diameters from 1 1/2 to 15 inches, and in wall thicknesses from "service" to "extra heavy" weight. Tyler Pipe also produces and sells approximately 10,000 different configurations of DWV fittings and related products. In addition, Tyler Pipe manufactures and sells more than 12,000 different water and sewage fittings for use in water supply and sewer systems by municipalities.

Tyler Pipe has developed a number of products and manufacturing processes. It pioneered soil pipe in ten-foot lengths; developed the Ty-Seal gasket, a neoprene compression gasket used to connect cast iron pipe and fittings; and produces complete self-contained plumbing walls for use in modular construction. Tyler Pipe also was the first domestic manufacturer to use the unlined water-cooled cupola, to employ centrifugal casting machines for ten-foot lengths of soil pipe and to produce cast iron soil pipe fittings in permanent metal molds.

Tyler Pipe has its principal plants near Tyler, Texas, and in Macungie, Pennsylvania. The majority of sales is handled directly through offices maintained at the Tyler, Texas, plant. Sales are made both through Tyler Pipe's and manufacturers' representatives throughout the United States. Transportation costs, pricing, product quality and performance, and the ability to service customers promptly are material factors in effecting sales of Tyler Pipe's products, as are the general level and mix of spending in the construction industry.

Tyler Pipe obtains iron, the basic raw material used in its products, by melting and refining iron and steel scrap to the required analyses. Most of the scrap material is purchased directly from scrap dealers in areas where Tyler Pipe's trucks make deliveries and is returned to the plants by its trucks as "back haul." Other basic materials used include coke, limestone, fluorspar, resin, bentonite, silicon, sand and core oils, all of which have been generally available from multiple sources. Tyler Pipe experienced no problems in obtaining these materials during 1980. No shortages of basic raw materials used by it appear imminent or likely. Tyler Pipe has no material contractual arrangements with any of its suppliers of raw materials.

In the sale and distribution of pipe and fittings, Tyler Pipe competes with a number of companies, such as United States Pipe & Foundry Co. (a division of Jim Walter Corp.), Central Foundry Company, Charlotte Pipe, Robintech Incorporated, Nibco Inc., and several smaller companies whose sales are generally concentrated in various regions of the United States. In water and sewage fittings, Tyler Pipe competes with United States Pipe & Foundry Co., American Cast Iron Pipe Company, Clow Corporation and other smaller companies. In addition, Tyler Pipe's pipe and fittings products compete with those made of other materials, including vitrified clay, asbestos cement, steel, fiber and copper. Patent and trade mark protection, licenses, franchises and concessions are not materially significant to the pipe and fittings business. Tyler Pipe estimates that it is the largest manufacturer of cast iron soil pipe and fittings sold in the national market for DWV applications.

Industrial Explosives

Tyler, through Atlas Powder Company and its subsidiaries ("Atlas"), manufactures and distributes a complete line of industrial explosives. These products are used by a variety of end users whose demands and requirements differ widely according to industry, location, blasting conditions and technical sophistication. The major user of industrial explosives, on the basis of total tonnage, is the coal mining industry, followed by the quarrying, metal mining, construction and seismic industries.

At its production facilities in Tamaqua, Pennsylvania, and Joplin, Missouri, Atlas manufactures nitroglycerine-based explosives, gels, slurries, electric blasting caps, other blasting supplies and ammonium nitrate. Twelve mix plants at various locations throughout the country are used for mixing and storage of its ANFO (ammonium nitrate mixed with fuel oil) products. Atlas' products are sold by salesmen and distributors nationwide. In addition, Atlas has entered into exchange arrangements with a number of other producers and other users of ammonium nitrate to save shipping expenses. Atlas also sells anhydrous ammonia and certain other products to third parties for agricultural uses.

Principal raw materials used in the manufacture of Atlas' products include natural gas, fuel oil, ethylene glycol, glycerine, nitromethane and ammonium nitrate. The price and allocation of natural gas are regulated by various federal and state agencies. The Federal Energy Regulatory Commission has placed natural gas, which is used as a feedstock in the manufacture of industrial explosives and agricultural products, in one of the highest priority categories. Although Atlas is generally able to produce or obtain most of the above materials, there can be no assurance that an adequate supply of these materials will continue to be available for use in the production of industrial explosives.

Atlas ranks second in sales among the three major manufacturers and distributors of industrial explosives products within the United States. Product reliability and performance, end user technical assistance, proximity of distributors to blasting operations and price are important in effecting sales of industrial explosives. Atlas' largest competitors are E. I. du Pont de Nemours and Company and Hercules Incorporated, in that order. Atlas also competes with Austin Powder Company, Trojan Division of IMC, Apache Powder Company, IRECO Chemicals, Monsanto Company, Gulf Oil Chemicals Co. and several smaller concerns. The top three manufacturers in the industry, including Atlas, have complete product lines.

Heavy Hauling

Tyler, through C & H Transportation Co., Inc. and its subsidiaries ("C & H"), provides heavy hauling services for heavy and cumbersome items by truck throughout the continental United States, Alaska and in certain parts of Canada and Mexico. The business was founded in 1950 and is operated under interstate authorities granted by the Interstate Commerce Commission ("ICC"), intrastate authorities granted by various states of the United States and authorities granted by Canadian provinces. These authorities permit C & H to transport commodities of unusual size or weight and other classes of commodities. C & H principally hauls oil field equipment, industrial machinery, contractors' equipment, building construction material, pipe, metal and metal products and many other specified commodities. C & H, as an irregular route carrier, generally has the right to use the highways, roads and routes within the territories covered by its authorities that are the most suitable and direct for the movement of a particular shipment.

The following table sets forth certain information about the operations of C & H during the past five years:

Year	Operating Revenues	Tonnage Carried	Miles Operated	Average Revenue per Mile	Load Ratio(1)	Operating Ratio(2)
1976	$ 91,078,237	1,500,535	103,102,255	$0.88	82.9	88.1
1977	102,625,257	1,643,957	103,056,652	1.00	83.7	88.1
1978	113,754,289	1,646,930	103,336,326	1.10	85.1	88.2
1979	138,100,464	1,705,906	116,516,266	1.19	85.4	87.7
1980	151,463,747	1,669,346	114,940,999	1.32	82.3	89.8

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(1) The load ratio is the ratio of miles traveled with revenue-producing freight to total miles traveled both loaded and empty.

(2) The operating ratio is the ratio of expenses, excluding interest, to operating revenue.

C & H is dependent upon its ability to obtain diesel fuel for its trucks. Although prices are expected to continue to increase, diesel fuel supplies have been sufficient and are expected to remain available.

C & H, like all other interstate common carriers by motor vehicle, is subject to regulation by the ICC and the Department of Transportation for all its interstate carrier activities. C & H also is subject to the regulatory authorities of the appropriate states for its intrastate carrier activities in those states. These agencies have broad jurisdiction generally governing such activities as the issuance of certificates and permits covering routes and commodities, establishment and revision of rates, operations, establishment of uniform accounting systems, approval or disapproval of mergers and consolidations and issuance of securities. Motor carriers are also subject to state and federal regulations with respect to weight, dimensions of equipment and safety regulations. Tyler, as the parent of C & H and Thurston Motor Lines, Inc., is also subject to certain provisions of the Interstate Commerce Act, including those relating to reports to the ICC, accounting practices, issuance of certain securities and acquisition of additional operating authorities. However, the ICC has exempted Tyler from substantially all of these regulations but has reserved the right in the future, on a showing of changed conditions, to subject Tyler to such regulations. Tyler is subject to the regulations relating to the acquisition of additional operating authorities.

C & H, like all other interstate common carriers by motor vehicle, is required to publish and file tariffs with the ICC stating its rates and charges for transportation of interstate shipments and related services. Filings are made either directly by C & H or by regional tariff bureaus (made up of motor carriers in various geographical regions) to which C & H belongs. Proposed rates go into effect on the date designated in the filed tariff unless an interested party, including shippers, railroads and competing carriers, files a complaint or the ICC suspends the rates on its own motion. Upon the complaint of an interested party or upon its own initiative, the ICC may suspend the effectiveness of the proposed rates for up to seven months and institute proceedings to determine their lawfulness. Unless the ICC formally rejects the proposed rates during the seven-month suspension, they become effective upon the expiration of the suspension period.

The Motor Carrier Act of 1980 made substantial changes in the laws that govern the ICC's activities. Since the passage of the Act, the ICC has promulgated a number of new rules that have increased price competition and made it easier for new companies to enter the trucking business and for existing carriers to expand into new territories. C & H is processing applications with the ICC for additional authorities and to broaden the commodities it can transport.

C & H competes with motor common and contract carriers such as International Transport, Inc.; Tri-State Motor Transit Co.; F-B Truck Lines; Eagle Motor Lines, Inc.; Daily Express, Inc.; Dallas & Mavis Forwarding Co., Inc.; Superior Trucking Company; Ace Doran Hauling and Rigging; George Transfer and Rigging; H. J. Jeffries Truck Line; R. L. Jeffries Truck Line; J. H. Rose Truck Lines; and Home Transportation Company, as well as others. C & H also competes with railroads, freight forwarders, private carriers and waterway freight carriers. However, competition in the transportation business is, to some extent, regulated by the ICC and various state and local regulatory agencies, and the routes, the commodities permitted to be carried and the various tariffs are subject to regulation. Private carriers, such as manufacturers, distributors and other companies transporting goods primarily for their own use, are not required to obtain operating authority from the ICC. Based upon financial information filed with the ICC, C & H appears to be the largest heavy hauler in the United States, although larger trucking firms have heavy hauling divisions.

General Commodity Carrier

Tyler, through Thurston Motor Lines, Inc. ("Thurston"), operates as a motor vehicle common carrier of general commodities. The business was founded in 1932 and was acquired by Tyler in April 1979. See note 2 to Tyler's financial statements appearing elsewhere herein. Thurston transports predominantly less-than-truckload ("LTL") shipments, which are less than 10,000 pounds, of miscellaneous general freight. Thurston provides service along the Eastern Seaboard and to the Southeastern United States and has recently extended service to the Dallas-Fort Worth market under a temporary operating authority. LTL traffic commands higher rates than truckload shipments and is generally less vulnerable to competition from other forms of transportation, although the expense of handling LTL shipments is greater than that of handling truckload shipments. Shipments consist of general categories of commodities such as textiles and synthetic fibers, automobile and agricultural machinery parts, drugs and sundries, furniture, chemicals and paper products. Thurston maintains a special division for the transportation of commodities requiring special handling and equipment.

The following table sets forth various operating statistics of Thurston's trucking operations during the past five years.

Year	Operating Revenues	Tonnage Carried	Intercity Miles(1)	Number of Shipments	Operating Ratio (2)
1976	$55,790,000	1,285,000	40,604,000	1,434,000	86.7
1977	69,695,000	1,484,000	48,420,000	1,4[illegible]8,000	88.5
1978	82,707,000	1,667,000	54,864,000	1,468,000	89.6
1979(3)	85,895,000	1,535,000	51,765,000	1,338,000	95.9
1980	87,356,000	1,279,000	44,580,000	1,231,000	97.3

(1) "Intercity miles" is the ICC's term for revenue miles and does not include local pick-up and delivery mileage.

(2) The operating ratio is the ratio of expenses, excluding interest, to operating revenue.

(3) For the entire year.

Thurston is dependent upon its ability to obtain diesel fuel for its trucks. Although prices are expected to continue to increase, diesel fuel supplies have been sufficient and are expected to remain available.

Thurston participates in interline agreements with other motor carriers and arrangements with railroad, air and water carriers, which allow freight to be moved to and from points beyond those it serves directly. Existing trailer interchange agreements with other motor carriers permit shipments of freight to and from points throughout the United States without the physical transfer of freight to another carrier's trailer.

Thurston and all similar regular route motor common carriers use basically the same type of equipment in the transportation of freight. The ability of a carrier to obtain new customers and to maintain its business with existing customers is dependent upon price, the quality of its service and its sales and marketing efforts. Like all other interstate common carriers, Thurston's operations are subject to the federal and state regulations governing the trucking industry, as well as changes in those regulations and their effect on competition. See pages 5 and 6 above.

Competitors of Thurston include Overnite Transportation Co.; Southeastern Freight Lines; Bowman Transportation, Inc.; Carolina Freight Carriers Corporation; Old Dominion Freight Lines, Inc.; Pilot Freight Carriers, Inc.; Estes Express Lines; The Mason and Dixon Lines, Inc.; and McLean Trucking Company, as well as others. Thurston also competes with railroads, freight forwarders, private carriers and waterway freight carriers.

Employees

At December 31, 1980, Tyler had 7,878 employees, of whom 3,018 were employed by Tyler Pipe, 1,679 by Atlas, 920 by C & H and 2,230 by Thurston. In addition, at that date C & H and Thurston had lease agreements with owners of tractors, under which the owners provided 1,515 drivers at C & H and 151 drivers at Thurston for the leased tractors. There were 838 employees covered by collective bargaining agreements with various unions. In July 1980, the employees of Thurston voted by more than two to one to reject representation by the International Brotherhood of Teamsters. Tyler has experienced no significant work stoppages or strikes and considers that its relations with its employees generally have been good.

Item 2. Properties.

Tyler occupies buildings (including, with respect to C & H, the Dallas terminal only), office and maintenance facilities and sales offices which contain approximately 2,971,000 square feet of floor space. The principal plants, warehouses, freight terminals and offices, all of which are owned (except as otherwise indicated in the column captioned "Expiration Date of Lease"), are described as follows:

Location	Approximate Square Feet of Floor Space	Expiration Date of Lease	Primary Use
Dallas, Texas	17,000	December 31, 1984	Corporate offices of Tyler
Swan (Tyler), Texas	882,000	--	Offices, foundries, shops and warehouses used in the pipe and fittings business
Macungie, Pennsylvania	134,000	--	Offices, foundry and warehouse used in the pipe and fittings business
Franklin Park, Illinois	40,000	--	Warehouse used in the pipe and fittings business

Location	Approximate Square Feet of Floor Space	Expiration Date of Lease	Primary Use
Dallas, Texas	177,000	--	Offices, terminal, garage and warehouse used in the heavy hauling business
Dallas, Texas	25,000	February 28, 1985	Offices used in the industrial explosives business
Joplin, Missouri	*	--	Ammonia and ammonium nitrate production facility used in the industrial explosives business
Tamaqua, Pennsylvania	326,000	--	Research and production facility and truck terminal used in the industrial explosives business
Port Bienville, Mississippi	25,000	--	Office and storage facility used in the industrial explosives business
Joplin, Missouri	280,000	--	Production facility used in the industrial explosives business
Charlotte, North Carolina	180,000	--	Administrative offices and terminal used in the general commodity carrier business
Memphis, Tennessee	66,000	--	Freight terminal used in the general commodity carrier business
Lenoir, North Carolina	58,000	--	Freight terminal used in the general commodity carrier business
Atlanta, Georgia	55,000	--	Freight terminal used in the general commodity carrier business
Wilson, North Carolina	52,000	--	Freight terminal used in the general commodity carrier business
Greensboro, North Carolina	44,000	--	Freight terminal used in the general commodity carrier business
Raleigh, North Carolina	38,000	--	Freight terminal used in the general commodity carrier business
Richmond, Virginia	36,000	--	Freight terminal used in the general commodity carrier business

* Consists of a facility having an annual capacity of approximately 120,000 tons of anhydrous ammonia.

Location	Approximate Square Feet of Floor Space	Expiration Date of Lease	Primary Use
Greenville, South Carolina	34,000	--	Freight terminal used in the general commodity carrier business
Knoxville, Tennessee	30,000	--	Freight terminal used in the general commodity carrier business
Columbia, South Carolina	25,000	--	Freight terminal used in the general commodity carrier business
Charlotte, North Carolina	37,000	November 13, 1981	Administrative and sales office and repair shop used by other Tyler subsidiaries

C & H operates 42 motor truck terminals located in 26 states. With the exception of terminals at Houston, Texas; San Antonio, Texas; North Lima, Ohio; Phoenix, Arizona; Bordentown, New Jersey; Charlotte, North Carolina; West Columbia, South Carolina; and Tacoma, Washington, all of which are owned, terminal facilities are leased, generally under leases of less than five years duration.

As of December 31, 1980, C & H owned or had the use of an aggregate of 4,273 pieces of motor truck revenue equipment. The following table sets forth the number of pieces of revenue equipment owned or operated by C & H and the average and maximum ages in years with respect to the equipment owned, and the number of pieces of revenue equipment used but not owned by C & H.

	Rev. Equip. (Owned)			Rev. Equip. (Not Owned)*
	Number	Average Age in Years	Maximum Age in Years	Number
Tractors	259	4	9	1,237
Trailers	2,744	4	12	
Yard vehicles	33	8	16	

* These tractors used by C & H are leased on a month-to-month basis to C & H and are owned and maintained by drivers under lease contract to C & H.

Thurston handles shipments through 43 terminals located in 23 states. Twenty of the 43 terminals are owned by Thurston. As of December 31, 1980, Thurston owned an aggregate of 3,609 pieces, and had the use of an aggregate of 146 additional pieces, of motor truck revenue equipment. The following table sets forth the number of pieces of revenue equipment owned or operated by Thurston and the average and maximum ages in years with respect to the equipment owned, and the number of pieces of revenue equipment used but not owned by Thurston.

	Rev. Equip. (Owned) Number	Average Age in Years	Maximum Age in Years	Rev. Equip. (Not Owned)* Number
Tractors	910	5	12	146
Trailers	2,516	6	17	
Straight trucks	139	7	18	
Service units	44	3	9	

* These tractors used by Thurston are leased on a month-to-month basis to Thurston and are owned and maintained by drivers under lease contract to Thurston.

As of December 31, 1980, Tyler Pipe owned 116 tractors and 187 trailers used in its pipe and fittings business with an average age of five years and a maximum age of ten years.

As of December 31, 1980, Atlas maintained approximately 84 magazine sites or bulk ammonium nitrate facilities throughout the United States, most of which were leased, generally under leases of less than five years duration. In addition, Atlas maintained and operated 12 mix plants on nine owned sites and three leased sites. The leased mix plant sites are generally under one-year renewable leases.

The motor truck terminals, machinery, equipment, buildings and facilities owned and leased by Tyler and its subsidiaries are generally well maintained and suitable for their operations.

Item 3. Legal Proceedings.

On March 3, 1978, Melvin A. Cook and others filed an action in the District Court of Salt Lake County, State of Utah, against Atlas Powder Company and its wholly owned subsidiary, Cook Atlas Slurry Company, Inc. ("Casco"), alleging that Atlas Powder Company and Casco breached certain agreements with Cook and others relating to a venture between plaintiffs and defendants for the exploitation of explosives technology and claiming damages of at least $15,000,000, or such other sum as may be established at trial, and alleging further that Merrill A. Cook was terminated by Casco and is entitled to severance pay of $91,666.67. Defendants have denied these claims and have asserted counterclaims against the plaintiffs. Discovery has been initiated but not completed. Based upon discovery to date, management of Tyler believes that there is no merit to the claims. The case is set for trial in May 1981.

Other than the foregoing and ordinary routine litigation incidental to the business of Tyler and its subsidiaries, there are no material legal proceedings pending to which Tyler or any of its subsidiaries is a party or to which any of its or their properties is subject.

Item 4. Security Ownership of Certain Beneficial Owners and Management.

The information required by Item 4 is incorporated by reference from pages 3 and 4 of Tyler's definitive proxy statement for its annual meeting of stockholders to be held April 22, 1981.

The Tyler Corporation Savings and Investment Plan held of record, but not beneficially, 1,883,991 shares of Tyler Common Stock on February 23, 1981, representing 20.1% of the outstanding Common Stock.

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters.

Tyler's Common Stock is traded on both the New York and Philadelphia Stock Exchanges. The following table gives the high and low sales prices of Tyler Common Stock, as reported in the consolidated transactions reporting system, and the amount of dividends paid, for the quarters indicated.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Stock trading price range					
1979	$18 3/8-16	$17 1/8-15 1/4	$16 3/4-14 1/2	$17 1/2-14	$18 3/8-14
1980	17-11	13 1/8-10 5/8	16 3/8-11 1/8	17 5/8-14 1/8	17 5/8-10 5/8
Dividends paid					
1979	$1,122,000	$1,119,000	$1,108,000	$1,100,000	$4,449,000
1980	1,194,000	1,194,000	1,206,000	1,214,000	4,808,000

As of January 1, 1981, Tyler's loan agreements limit retained earnings available for dividends to $9,325,000.

The number of holders of Tyler Common Stock at the close of business on February 23, 1981 was 6,169.

Item 6. Selected Financial Data.

The following table summarizes certain selected consolidated financial data of Tyler and should be read in conjunction with the financial statements appearing elsewhere herein.

	Year Ended December 31				
	1976	1977	1978	1979	1980
Net sales and operating revenues	$336,080,000	$364,724,000	$390,873,000	$519,242,000	$563,841,000
Net income	19,314,000	21,360,000	23,059,000	23,457,000	23,836,000*
Earnings per common share assuming full dilution	1.56	1.83	2.14	2.34	2.46*
Earnings per common and common equivalent share	1.68	1.83	2.14	2.34	2.46*
Dividend (year-end annual rate)**	.25	.30	.40	.45	.50
Total assets	177,493,000	177,295,000	203,921,000	272,577,000	264,648,000
Long-term debt, including current maturities	43,675,000	40,564,000	62,928,000	108,561,000	81,374,000

* Before an extraordinary charge related to the write-off of the entire cost of route permits associated with trucking operations amounting to $10,192,000, or $1.05 per share.

** Equal to cash dividends per share except in 1976 and 1978 when cash dividends were $.238 and $.375, respectively.

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Item 7. Management Discussion and Analysis of Financial Condition and Results of Operations.

Financial Condition

By generally exceeding Tyler's goal of a 25% return on assets with emphasis on high asset turnover, Tyler's subsidiaries have been able to service their own cash needs for capital expansion and other purposes from operations while also providing cash flow to Tyler. During 1980, a decrease in accounts receivable and basically level inventories permitted significant cash flow from operations while sales and operating revenues continued to increase. Sales and operating revenues increased 44% from 1978 to 1980, but accounts receivable as a percentage of total assets declined from 23% in 1978 to 22% in 1980 and inventories remained fixed at 13% of total assets.

In addition to the cash from operations, Tyler has available $25,000,000 under credit commitments with certain banks and $66,000,000 under unsecured revolving lines of bank credit. At December 31, 1980, Tyler could obtain an additional $68,500,000 under these arrangements.

Tyler intends to maintain a debt-to-equity relationship in its capital structure that will permit Tyler to have access to long-term funding as future needs arise.

Analysis of Results of Operations

1979 Compared with 1978

Net sales and operating revenues of Tyler increased 33% over 1978 levels with 19% of the increase attributable to the inclusion of the general commodity carrier acquired on April 6, 1979. Heavy hauling revenues increased due to continued improvement in load ratio and the mix of commodities hauled and to an increase in the number of trucks operated. At the industrial explosives unit, physical volume was up, led by demand for slurry products. Unit volume decreased for water and sewage fittings and cast iron product, but increased for plastics at the pipe and fittings unit. Most product and service prices were raised in 1979.

Pretax profits as a percent of sales declined from 10.8% to 8.2% and gross profit margins dropped from 21.2% to 18.4%. The gains realized from an improved load ratio and gains involving fixed assets for the heavy hauler and volume increases at the industrial explosives unit were more than offset by a drop in margin at the pipe and fittings unit and the low margin of the general commodity carrier included since acquisition, and because of increased costs of labor, materials, fuel, maintenance, depreciation and amortization, payroll taxes and interest. Excluding the general commodity carrier, which contributed 21% of the 37% total increase in costs and expenses, maintenance costs were up 18% as outside repair costs on transportation equipment continued to increase and as plant capacity was more fully utilized. Depreciation and amortization of property, plant and equipment rose 8% due to inflation's effect on asset additions. Payroll taxes increased 10% because of a slight increase in the average number of employees in 1979 and legislated increases in FICA taxes.

Compared to a 23% increase in 1978, interest expense (net of interest income) increased 125% in 1979 due to sharply higher rates and increased borrowings used to acquire the general commodity carrier.

1980 Compared with 1979

Net sales and operating revenues advanced 9% in 1980. Inclusion of twelve months of revenue in 1980 versus nine months in 1979 for the general commodity carrier contributed to 5% of the increase. The heavy hauling unit's gain reflected primarily a larger amount for diesel fuel surcharge during 1980 in addition to an improved commodity mix and slightly higher rates. The industrial explosives unit's advance resulted from price increases that more than offset the physical volume decline in all product lines. The pipe and fittings unit experienced a substantial drop in physical volume for all of its major product lines.

Pretax profits as a percent of sales declined from 8.2% to 7.4% and gross profit margins decreased from 18.4% to 18.2%. The profit margin gains realized from cost reductions and productivity improvements at the pipe and fittings unit were offset by the especially low margin at the general commodity carrier, a lower load ratio and the fuel surcharge passed through to contract drivers at the heavy hauler and a physical volume decrease at the industrial explosives unit. The profit margin was also penalized by generally increased costs of labor, materials, fuel, maintenance, depreciation and amortization.

Inflation Accounting

For a discussion of the impact of general inflation and changes in specific prices, see "Inflation Accounting Data" on page F-21.

Item 8. Financial Statements and Supplementary Data.

(a) Consolidated Financial Statements (see index at page F-1).

(b) Supplementary Data (see index at page F-1).

PART III

The information required by Items 9 and 10 of Part III is incorporated by reference from the indicated pages in Tyler's definitive proxy statement for its annual meeting of stockholders to be held April 22, 1981.

		Pages of Proxy Statement
Item 9.	Directors and Executive Officers of the Registrant.	5 - 9
Item 10.	Management Remuneration and Transactions.	9 - 15

PART IV

Item 11. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) The following documents are filed as a part of this report:

1. Financial statements (see index at page F-1).

2. Financial statement schedules (see index at page F-1).

3. Exhibits.

3.1 - Certificate of Incorporation of Tyler, as amended through April 18, 1979.

3.2 - By-laws of Tyler, as amended through March 16, 1981.

4.1 - Indenture dated June 1, 1978 for Tyler's 10 1/2% Subordinated Debentures Due 1998 (filed as Exhibit 2(b) to Tyler's Registration Statement on Form S-7 (File No. 2-61588) and incorporated herein by reference).

4.2 - Note Agreement between Tyler and The Prudential Insurance Company of America, as amended through December 15, 1980.

4.3 - Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 14 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1978 and incorporated herein by reference).

4.4 - Letter amendment dated January 22, 1979 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 15 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1978 and incorporated herein by reference).

4.5 - Letter amendment dated June 12, 1979 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 5 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1979 and incorporated herein by reference).

4.6 - Letter amendment dated November 1, 1979 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 6 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1979 and incorporated herein by reference).

4.7 - Letter amendment dated May 27, 1980 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks.

4.8 - Letter amendment dated July 1, 1980 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks.

10.1 - Agreement for Purchase and Sale of Stock and Other Assets dated July 21, 1978 between Tyler and Thurston, Inc. (filed as Exhibit 16 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1978 and incorporated herein by reference).

10.2 - Amendment to Agreement for Purchase and Sale of Stock and Other Assets dated March 30, 1979 between Tyler and Thurston, Inc. (filed as Exhibit 2 to Tyler's Current Report on Form 8-K dated April 6, 1979 and incorporated herein by reference).

10.3 - Tyler Corporation 1966 Stock Option Plan, as amended through January 31, 1973.

10.4 - Tyler Corporation 1976 Stock Option Plan, as amended through February 2, 1977.

10.5 - Tyler Corporation Salary Continuation Agreement.

10.6 - Tyler Corporation Management Security Agreement.

10.7 - Employment Agreement with H. Joseph Burchell.

11 - Computation of Earnings Per Share.

13 - Annual Report to Security Holders.

22 - Subsidiaries of Tyler.

Tyler will furnish copies of these exhibits to stockholders upon written request and payment of $0.15 per page.

(b) Reports on Form 8-K. Tyler did not file any Current Reports on Form 8-K during the fourth quarter of 1980.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TYLER CORPORATION

Date: March 6, 1981

By ______________________
J. F. McKinney, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 6, 1981 ______________________
J. F. McKinney
Chairman of the Board, President and Chief Executive Officer and Director (a principal executive officer)

Date: March 6, 1981 ______________________
E. R. Meyer
Executive Vice President and Director (a principal executive officer)

Date: March 6, 1981 ______________________
James E. Russell
Controller (principal accounting officer and a principal financial officer)

Date: March 6, 1981 ______________________
David L. Smart
Treasurer (a principal financial officer)

Date: ______________________
Max E. Colson, Director

Date: ______________________
Ira G. Corn, Jr., Director

Date: ______________________
C. Jackson Grayson, Jr., Director

Date: ______________________
Samuel S. Greeley, Director

Date: ______________________
Thomas W. Landry, Director

Date: ______________________
Perry J. Lewis, Director

Date: March 9, 1981 ______________________
Neil J. O'Brien, Director

Date: ______________________
C. A. Rundell, Jr., Director

Date: ______________________
Howard O. Smith, Director

Date: ______________________
D. J. Thurston, Jr., Director

Date: ______________________
John A. Warner, Director

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TYLER CORPORATION

By______________________________
J. F. McKinney, President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date:	J. F. McKinney Chairman of the Board, President and Chief Executive Officer and Director (a principal executive officer)
Date:	F. R. Meyer Executive Vice President and Director (a principal executive officer)
Date:	James E. Russell Controller (principal accounting officer and a principal financial officer)
Date:	David L. Smart Treasurer (a principal financial officer)
Date: March 9, 1983	Max E. Colson Max E. Colson, Director
Date:	Ira G. Corn, Jr., Director
Date:	C. Jackson Grayson, Jr., Director
Date:	Samuel S. Greeley, Director
Date:	Thomas W. Landry, Director
Date:	Perry J. Lewis, Director
Date:	Neil J. O'Brien, Director
Date:	C. A. Rundell, Jr., Director
Date:	Howard O. Smith, Director
Date:	D. J. Thurston, Jr., Director
Date:	John A. Warner, Director

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Chairman of the Board, President and
Chief Executive Officer and Director
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Date: ______________________________
F. R. Meyer
Executive Vice President and
Director (a principal executive
officer)

Date: ______________________________
James E. Russell
Controller (principal accounting
officer and a principal financial
officer)

Date: ______________________________
David L. Smart
Treasurer (a principal financial officer)

Date: ______________________________
Max E. Colson, Director

Date: March 9, 1981 Ira G. Corn
Ira G. Corn, Jr., Director

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C. Jackson Grayson, Jr., Director

Date: ______________________________
Samuel S. Greeley, Director

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Thomas W. Landry, Director

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Date: ____________________
F. K. Meyer
Executive Vice President and Director (a principal executive officer)

Date: ____________________
James E. Russell
Controller (principal accounting officer and a principal financial officer)

Date: ____________________
David L. Smart
Treasurer (a principal financial officer)

Date: ____________________
Max E. Colson, Director

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Date: March 9, 1981 C. Jackson Grayson, Jr.
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Ira G. Corn, Jr., Director

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C. Jackson Grayson, Jr., Director

Date: 3/17/91 Samuel S. Greeley
Samuel S. Greeley, Director

Date: ______________________________
Thomas W. Landry, Director

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Samuel S. Greeley, Director

Date: 3/9/81 Thomas W. Landry
Thomas W. Landry, Director

Date: ______________________________
Perry J. Lewis, Director

Date: ______________________________
Neil J. O'Brien, Director

Date: ______________________________
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Date: ______________________
Howard O. Smith, Director

Date: MAR 11 '81 D. J. T. R. J. Thurston
D. J. Thurston, Jr., Director

Date: ______________________
John A. Warner, Director

25

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TYLER CORPORATION

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C. A. Rundell, Jr., Director

Date: ______________________________
Howard O. Smith, Director

Date: ______________________________
D. J. Thurston, Jr., Director

Date: 3/9/81 John A. Warner
John A. Warner, Director

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in Post-Effective Amendment No. 5 to the Registration Statement (Form S-8, File No. 2-55697) and in Post-Effective Amendment No. 3 to the Registration Statement (Form S-8, File No. 2-61083) of Tyler Corporation and related Prospectuses of our report dated January 29, 1981 with respect to the Company and Consolidated financial statements of Tyler Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 1980.

Arthur Young & Company

ARTHUR YOUNG & COMPANY

Dallas, Texas
January 29, 1981

TYLER CORPORATION

FINANCIAL STATEMENTS
(COMPANY AND CONSOLIDATED)

FOR INCLUSION IN ANNUAL REPORT ON FORM 10-K

YEAR ENDED DECEMBER 31, 1980

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TYLER CORPORATION

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

COVERED BY REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

(Item 11(a))

	Page references Company	Page references Consolidated
Balance sheets at December 31, 1979 and 1980:		
Assets	F-3	F-3
Liabilities and shareholders' equity	F-4	F-4
Statements of income for each of the three years in the period ended December 31, 1980	F-5	F-6
Statements of shareholders' equity for each of the three years in the period ended December 31, 1980	F-7/F-8	F-7/F-8
Statements of changes in financial position for each of the three years in the period ended December 31, 1980	F-9/F-11	F-10/F-11
Notes to financial statements	F-12/F-19	F-12/F-19
Supplementary financial information (unaudited):		
Quarterly financial data		F-20
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Schedules for each of the three years in the period ended December 31, 1980:		
II - Amount receivable from employee of a subsidiary	S-1	S-1
III - Investments in, equity in earnings of, and dividends from subsidiaries	S-2/S-7	
IV - Indebtedness of and to subsidiaries - not current	S-8/S-10	
V - Property, plant, and equipment		S-11/S-13
VI - Allowance for depreciation of property, plant, and equipment		S-14/S-16
VIII - Allowance for losses		S-17
IX - Short-term borrowings	S-18	S-18
X - Supplementary income statement information		S-19

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements, including the notes thereto.

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Tyler Corporation

We have examined the financial statements of Tyler Corporation (Company and Consolidated) listed in the accompanying index to financial statements. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements listed in the accompanying index to financial statements present fairly the Company and Consolidated financial position of Tyler Corporation at December 31, 1979 and 1980, and the Company and Consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

ARTHUR YOUNG & COMPANY

Dallas, Texas
January 29, 1981

TYLER CORPORATION

BALANCE SHEETS

December 31, 1979 and 1980

ASSETS	Company 1979	Company 1980	Consolidated 1979	Consolidated 1980
Current assets:				
Cash and short-term investments (Note 4)	$ 3,250,000	$ 4,454,000	$ 6,822,000	$ 8,542,000
Accounts receivable, less allowance for losses: Consolidated - $2,946,000 in 1979 and $3,313,000 in 1980	155,000	144,000	62,391,000	58,848,000
Inventories (Notes 1 and 5)	-	-	34,849,000	35,540,000
Prepaid expense	127,000	90,000	5,023,000	4,107,000
Total current assets	3,532,000	4,688,000	109,085,000	107,037,000
Investments in and advances to subsidiaries:				
Advances receivable	15,967,000	15,228,000	-	-
Investments in subsidiaries (Note 1)	203,342,000	189,887,000	-	-
	219,309,000	205,115,000	-	-
Property, plant, and equipment, at cost (Notes 1 and 6)	1,168,000	3,081,000	174,872,000	190,945,000
Less allowance for depreciation	834,000	898,000	68,699,000	81,270,000
	334,000	2,183,000	106,173,000	109,675,000
Other assets (Notes 1 and 3):				
Cost in excess of net assets of businesses acquired and other intangible assets	-	-	49,702,000	39,255,000
Sundry	1,372,000	1,276,000	7,617,000	8,681,000
	1,372,000	1,276,000	57,319,000	47,936,000
	$224,547,000	$213,262,000	$272,577,000	$264,648,000

See accompanying notes.

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LIABILITIES AND SHAREHOLDERS' EQUITY	1979	1980	1979	1980
Current liabilities:				
Accounts payable	$ 95,000	$ 22,000	$ 20,351,000	$ 23,969,000
Accrued wages	-	-	2,521,000	2,043,000
Accrued interest	1,641,000	2,113,000	1,713,000	2,187,000
Other accrued liabilities	1,637,000	2,450,000	13,560,000	17,559,000
Income tax	2,701,000	8,287,000	4,662,000	9,908,000
Current maturities of long-term debt	3,000,000	3,000,000	4,366,000	3,530,000
Total current liabilities	9,074,000	15,872,000	47,173,000	59,198,000
Long-term debt, less current maturities (Note 8)	70,000,000	46,900,000	74,195,000	47,844,000
Subordinated debentures (Note 8)	30,000,000	30,000,000	30,000,000	30,000,000
Deferred income tax	(62,000)	-	5,674,000	7,118,000
Shareholders' equity				
Voting preferred stock, $10 par value; 990,022 shares authorized	-	-	-	-
Common stock, $[illegible] par value; 30,000,000 shares authorized, 12,957,162 shares issued (Note [illegible])	1,296,000	1,296,000	1,296,000	1,296,000
Capital surplus	28,539,000	27,405,000	28,539,000	27,405,000
Retained earnings (Note 9)	123,297,000	132,133,000	123,297,000	132,133,000
	153,132,000	160,834,000	153,132,000	160,834,000
Less 3,457,449 treasury shares in 1979 and 3,636,410 shares in 1980, at cost	37,597,000	40,344,000	37,597,000	40,344,000
	115,535,000	120,490,000	115,535,000	120,490,000
	$224,547,000	$213,[illegible]32,000	$272,577,000	$264,648,000

See accompanying notes.

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TYLER CORPORATION

STATEMENTS OF INCOME

(COMPANY)

Years ended December 31, 1978, 1979, and 1980

	1978	1979	1980
Costs and expenses:			
Operating expenses	$ 1,281,000	$ 1,431,000	$ 1,575,000
Selling, administrative, and general expenses	3,937,000	4,120,000	4,543,000
Interest expense	5,439,000	10,942,000	11,839,000
Interest income	(542,000)	(365,000)	(533,000)
	10,115,000	16,128,000	17,424,000
Intercompany charge based on accounts with and equity of subsidiaries	13,123,000	18,315,000	19,642,000
	3,008,000	2,187,000	2,218,000
Income tax (Note 10):			
Current	1,427,000	1,355,000	(137,000)
Deferred	-	(237,000)	(80,000)
	1,427,000	1,118,000	(217,000)
Income before extraordinary charge and equity in earnings of subsidiaries	1,581,000	1,069,000	2,435,000
Equity in earnings of subsidiaries before extraordinary charge	21,478,000	22,388,000	21,401,000
Income before extraordinary charge	23,059,000	23,457,000	23,836,000
Extraordinary charge, including $4,976,000 of subsidiary (Note 3)	-	-	10,192,000
Net income	$23,059,000	$23,457,000	$ 13,644,000

See accompanying notes.

TYLER CORPORATION

STATEMENTS OF INCOME

(CONSOLIDATED)

Years ended December 31, 1978, 1979, and 1980

	1978	1979	1980
Net sales	$277,119,000	$306,907,000	$310,184,000
Operating revenues	113,754,000	212,335,000	253,657,000
	390,873,000	519,242,000	563,841,000
Costs and expenses:			
Cost of sales	213,770,000	244,994,000	242,861,000
Operating costs	94,394,000	178,952,000	218,451,000
Selling, administrative, and general expenses (all operations)	35,412,000	41,754,000	49,167,000
Interest expense	4,986,000	11,212,000	11,545,000
	348,562,000	476,912,000	522,024,000
Income before income tax and extraordinary charge	42,311,000	42,330,000	41,817,000
Income tax (Note 10):			
Current	17,502,000	17,128,000	17,564,000
Deferred	1,750,000	1,745,000	397,000
	19,252,000	18,873,000	17,981,000
Income before extraordinary charge	23,059,000	23,457,000	23,836,000
Extraordinary charge (Note 3)	-	-	10,192,000
Net income	$ 23,059,000	$ 23,457,000	$ 13,644,000
Per common share:			
Earnings before extraordinary charge	$ 2.14	$ 2.34	$ 2.46
Extraordinary charge	-	-	1.05
Net earnings	$ 2.14	$ 2.34	$ 1.41
Average shares	10,764,000	10,040,000	9,698,000

See accompanying notes.

Years ended December 31, 1978, 1979, and 1980

	Common stock	Capital surplus	Retained earnings (Note 9)	Treasury stock
Balance at December 31, 1977	$ 648,000	$29,748,000	$ 85,213,000	$(13,397,000)
Two-for-one stock split effected by a 100% stock dividend	648,000	(648,000)	-	-
Issuance of 68,470 treasury shares upon exercise of stock options	-	(457,000)	-	749,000
Sale of 209,298 treasury shares to the Tyler Corporation Savings and Investment Plan Trust	-	35,000	-	2,607,000
Purchase of 1,260,600 shares of common stock	-	-	-	(16,558,000)
Federal income tax benefits from exercise of nonqualified stock options	-	262,000	-	-
Net income	-	-	23,059,000	-
Dividends ($.375 per share)	-	-	(3,983,000)	-
Balance at December 31, 1978	1,296,000	28,940,000	104,289,000	(26,599,000)
Issuance of 37,150 treasury shares upon exercise of stock options	-	(425,000)	-	622,000
Sale of 255,239 treasury shares to the Tyler Corporation Savings and Investment Plan Trust	-	(167,000)	-	4,199,000
Purchase of 960,094 shares of common stock	-	-	-	(15,819,000)
Federal income tax benefits from exercise of nonqualified stock options	-	191,000	-	-
Net income	-	-	23,457,000	-
Dividends ($.45 per share)	-	-	(4,449,000)	-
Balance at December 31, 1979	1,296,000	28,539,000	123,297,000	(37,597,000)

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TYLER CORPORATION

STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(COMPANY AND CONSOLIDATED)

Years ended December 31, 1978, 1979, and 1980

	Common stock	Capital surplus	Retained earnings (Note 9)	Treasury stock
Balance at December 31, 1979	1,296,000	28,539,000	123,297,000	(37,597,000)
Issuance of 66,194 treasury shares upon exercise of stock options	-	(717,000)	-	1,075,000
Sale of 305,216 treasury shares to the Tyler Corporation Savings and Investment Plan Trust	-	(696,000)	-	5,029,000
Purchase of 850,371 shares of common stock	-	-	-	(8,851,000)
Federal income tax benefits from exercise of nonqualified stock options	-	279,000	-	-
Net income	-	-	13,644,000	-
Dividends ($.50 per share)	-	-	(4,808,000)	-
Balance at December 31, 1980	$1,296,000	$27,405,000	$132,133,000	$(40,344,000)

See accompanying notes.

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TYLER CORPORATION

STATEMENTS OF CHANGES IN FINANCIAL POSITION
(COMPANY)

Years ended December 31, 1978, 1979, and 1980

	1978	1979	1980
Source of funds:			
Income before extraordinary charge	$ 23,059,000	$ 23,457,000	$ 23,836,000
Charges against (credits to) income not involving working capital:			
Depreciation and amortization	255,000	164,000	64,000
Equity in earnings of subsidiaries before extraordinary charge	(21,478,000)	(22,388,000)	(21,401,000)
Less dividends from subsidiaries	2,689,000	3,754,000	9,610,000
Deferred income tax	-	(62,000)	62,000
Total from operations	4,525,000	4,925,000	12,171,000
Long-term borrowings	5,000,000	50,000,000	5,900,000
Issuance of subordinated debentures	30,000,000	-	-
Reduction of debenture due from Tyler Pipe Industries, Inc.	5,244,000	6,475,000	15,050,000
Decrease in intercompany accounts (net)	-	-	739,000
Undepreciated value of asset disposals	21,000	1,000	-
Issuance of common stock	3,196,000	4,420,000	4,970,000
Refund of escrow deposit on acquisition	-	2,500,000	-
Other	-	-	100,000
	$ 47,986,000	$ 68,321,000	$ 38,930,000
Application of funds:			
Acquisition of treasury shares	$ 16,558,000	$ 15,819,000	$ 8,851,000
Reductions of long-term debt	12,500,000	10,000,000	29,000,000
Escrow deposit on acquisition	2,500,000	-	-
Additions to property, plant, and equipment	56,000	42,000	1,813,000
Cash dividends	3,983,000	4,449,000	4,808,000
Increase in intercompany accounts (net)	1,073,000	3,212,000	-
Investment in Tyler Transportation Company:			
Contribution to capital	-	14,266,000	-
Purchase of debenture	-	30,000,000	-
Other	1,094,000	153,000	-
Increase (decrease) in working capital	10,222,000	(9,620,000)	(5,642,000)
	$ 47,986,000	$ 68,321,000	$ 38,930,000

See accompanying notes.

TYLER CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years ended December 31, 1978, 1979, and 1980

	1978	1979	1980
Source of funds:			
Income before extraordinary charge	$23,059,000	$23,457,000	$ 23,836,000
Charges against income not involving working capital:			
Depreciation and amortization	11,314,000	15,206,000	17,378,000
Deferred income tax	1,215,000	2,122,000	1,444,000
Total from operations	35,588,000	40,785,000	42,658,000
Long-term borrowings	5,000,000	50,000,000	5,900,000
Issuance of subordinated debentures	30,000,000	-	-
Undepreciated value of asset disposals	1,802,000	2,217,000	2,707,000
Issuance of common stock	3,196,000	4,420,000	4,970,000
Refund of escrow deposit on acquisition	-	2,500,000	-
	$75,586,000	$99,922,000	$ 56,235,000
Application of funds:			
Additions to property, plant, and equipment	$17,331,000	$23,908,000	$ 23,352,000
Reductions of long-term debt	12,635,000	11,173,000	32,251,000
Acquired business less working capital acquired of $3,986,000:			
Property, plant, and equipment	-	37,018,000	-
Intangibles	-	9,273,000	-
Other assets	-	342,000	-
Long-term debt	-	(5,076,000)	-
Escrow deposit on acquisition	2,500,000	-	-
Cash dividends	3,983,000	4,449,000	4,808,000
Acquisition of treasury shares	16,558,000	15,819,000	8,851,000
Other	3,137,000	1,249,000	1,044,000
Increase (decrease) in working capital	16,442,000	1,767,000	(14,071,000)
	$75,586,000	$99,922,000	$ 56,235,000

See accompanying notes.

Years ended December 31, 1978, 1979, and 1980

	Company			Consolidated		
	1978	1979	1980	1978	1979	1980
Changes in components of working capital:						
Increase (decrease) in current assets:						
Cash and short-term investments	$ 8,838,000	$(9,548,000)	$ 1,204,000	$ 7,646,000	$ (7,367,000)	$ 1,720,000
Accounts receivable	18,000	40,000	(11,000)	10,491,000	14,190,000	(3,543,000)
Inventories	-	-	-	1,526,000	7,110,000	691,000
Prepaid expense	(18,000)	51,000	(37,000)	111,000	(144,000)	(916,000)
(Increase) decrease in current liabilities:						
Accounts payable	(777,000)	893,000	73,000	(2,028,000)	(5,501,000)	(3,618,000)
Accrued wages	-	-	-	(199,000)	(811,000)	478,000
Accrued interest	(102,000)	44,000	(472,000)	(102,000)	(17,000)	(474,000)
Other accrued liabilities	209,000	(322,000)	(813,000)	553,000	(3,522,000)	(3,999,000)
Income tax	2,054,000	(278,000)	(5,586,000)	1,443,000	(441,000)	(5,246,000)
Current maturities of long-term debt	-	(500,000)	-	1,000	(1,730,000)	836,000
Increase (decrease) in working capital	$10,222,000	$(9,620,000)	$(5,642,000)	$19,442,000	$ 1,767,000	$(14,071,000)

See accompanying notes.

TYLER CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1978, 1979, and 1980

1. Summary of significant accounting policies

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

Cost in excess of net assets of businesses acquired after October, 1970 is amortized over 40 years. Cost in excess of net assets of businesses acquired before October 30, 1970 is not amortized. Accumulated amortization at December 31, 1979 and 1980, is $183,000 and $414,000, respectively.

Inventories are valued at the lower of cost or net realizable value. Costs of inventories are determined by the last-in, first-out (LIFO) method.

Investments in consolidated subsidiaries in the Company financial statements are accounted for by the equity method.

Depreciation, for financial statement purposes, is provided principally by the straight-line method over the estimated useful lives of the various assets. For income tax purposes, accelerated depreciation is used with recognition of deferred income taxes for the resulting timing differences.

Investment tax credits are applied as a reduction of income taxes by the flow-through method and amounted to $1,179,000 in 1978, $1,865,000 in 1979 and $1,134,000 in 1980.

Pension plans are in effect which provide income and death benefits for substantially all employees of the Company. The Company's policy is to fund pension cost accrued and generally amortize prior service cost over ten years.

2. Acquisition of general commodity carrier

On April 6, 1979, the Company acquired all of the business and assets of Thurston, Inc. The acquisition is being accounted for by the purchase method of accounting and, accordingly, the financial statements include the results of operations of the acquired business since the acquisition date.

The following information summarizes the combined operating results of the acquired business and the Company for the years ended December 31, 1978 and 1979, on a pro forma basis as though the business was acquired January 1, 1978:

	1978	1979
Net sales and operating revenues	$480,048,000	$540,327,000
Net income	$ 25,069,000	$ 23,012,000
Earnings per common share	$ 2.33	$ 2.29

3. Write-off of route permits

In accordance with the requirements of Statement of Financial Accounting Standards No. 44, Accounting for Intangible Assets of Motor Carriers, the Company has written off the entire cost of route permits associated with its trucking operations as an extraordinary charge of $10,192,000 or $1.05 per share. No tax benefit from the write-off has been recorded in the financial statements.

4. Compensating balance arrangements

Under informal agreements with lending banks, the Company maintained an average of $985,000 as compensating balances during 1980 after adjustments for estimated float of $3,794,000 and average uncollected funds of $2,279,000. There were no outstanding borrowings related to these agreements during 1980.

Estimated float represents the average end-of-month difference between bank and book ledger balances; average uncollected funds were computed from reports furnished the Company by lending banks.

5. Inventories

	1979	1980
Finished goods	$37,463,000	$38,889,000
Work in process	1,557,000	1,553,000
Raw materials and supplies	12,367,000	15,936,000
	51,387,000	56,378,000
Allowance to state inventories at LIFO cost	16,538,000	20,838,000
	$34,849,000	$35,540,000

Current replacement cost approximates the amounts shown above before the allowance to state inventories at LIFO cost.

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6. Property, plant, and equipment

	Company 1979	Company 1980	Consolidated 1979	Consolidated 1980	Depreciation lives (in years)
Land	$ -	$1,900,000	$ 6,857,000	$ 8,794,000	
Buildings and leasehold improvements	748,000	748,000	38,427,000	40,835,000	10 to 30
Machinery and equipment	420,000	433,000	72,044,000	77,966,000	3 to 15
Transportation equipment	-	-	57,544,000	63,350,000	3 to 8
	$1,168,000	$3,081,000	$174,872,000	$190,945,000	

7. Credit commitments from banks

Under commitments from banks, the Company may borrow at the then effective prime rate of interest up to $25,000,000 on an unsecured short-term basis. The Company is required to be free from borrowings under the commitments for at least 60 consecutive days during the preceding twelve months.

There were no borrowings outstanding under these commitments at December 31, 1979 and 1980.

8. Long-term debt

	1979	1980
Parent:		
8-3/4% unsecured note due in annual installments of $3,000,000	$30,000,000	$27,000,000
Unsecured $60,000,000 revolving line of credit	43,000,000	21,500,000
Mortgage note due May, 1983	-	1,400,000
Subsidiaries:		
Unsecured $6,000,000 revolving line of credit, interest at prime rate	4,150,000	1,000,000
[illegible]% to [illegible]% secured notes	1,411,000	474,000
	78,561,000	51,374,000
Less current maturities	4,366,000	3,530,000
	$74,195,000	$47,844,000

The unsecured $60,000,000 revolving bank line of credit converts in April, 1983 to a term loan payable quarterly over five years. Interest is at 3/4% over the London Interbank Offered Rate

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or, at the option of the Company, at 106% of prime rate through April, 1983 and at prime rate plus 1/2% thereafter.

Scheduled repayments of long-term debt during the five years following December 31, 1980, are as follows:

	Company	Consolidated
1981	$ 3,000,000	$ 3,530,000
1982	3,000,000	3,215,000
1983	7,625,000	7,840,000
1984	7,500,000	7,515,000
1985	7,300,000	7,515,000

Subordinated debentures - On June 1, 1978, the Company issued $30,000,000 of 10-1/2% subordinated debentures due June 1, 1998. Sinking fund payments beginning June 1, 1988 are calculated to retire 75% of the issue prior to maturity. The debentures may be redeemed at 108.40% of the principal amount prior to June 1, 1981 and at declining premiums thereafter to 1988. No redemption may occur prior to 1988 out of the proceeds from a borrowing having an annual interest rate less than 10-1/2%.

9. Dividend restrictions

The Company's loan agreements limit retained earnings currently available for dividends to $9,325,000.

Retained earnings at December 31, 1980, includes $120,494,000 undistributed earnings of subsidiaries. The Interstate Commerce Commission limits dividends payable to the Company by the trucking subsidiaries to 50% of those subsidiaries' net income for each accounting period. At December 31, 1980, $28,972,000 of trucking subsidiaries' retained earnings was restricted.

10. Income tax

As a result of the application of Accounting Principles Board Opinion No. 16, in accounting for the acquisition of industrial explosives businesses, the book basis of inventories exceeded the tax basis by $5,347,000 at December 31, 1978 and by $5,128,000 at December 31, 1979 and 1980. Taxable income for federal income tax purposes exceeded income for financial statement purposes by $219,000 in 1979 as a result of the difference in bases.

In 1978, 1979 and 1980, no individual permanent difference exceeded 5% of the amount resulting from multiplying consolidated income before income tax and extraordinary charge by the statutory income tax rate except investment tax credit. In 1978, the tax effect of each individual timing difference was less than 5% of the amount resulting from multiplying consolidated income before income tax and extraordinary charge by the statutory income tax rate. In 1979 and 1980, the tax effect of $1,353,000 and $1,216,000, respectively, for excess tax over book depreciation was the only timing difference exceeding 5% of the amount resulting from multiplying consolidated income before income tax and extraordinary charge by the statutory income tax rate.

State income tax expense was $922,000 in 1978, $1,240,000 in 1979, and $1,174,000 in 1980.

The Company's provision for income taxes results from the inclusion of its operations in the consolidated tax return with its subsidiaries.

11. Employee benefit plans

Substantially all employees are participants in non-contributory pension plans. Pension expense was $4,415,000 in 1978, $4,223,000 in 1979 and $5,065,000 in 1980. The increased cost in 1980 primarily results from a newly adopted plan for the general commodity carrier.

The following information summarizes accumulated benefits and net assets available for benefits as of January 1, 1980.

Actuarial present value of accumulated plan benefits:	
Vested	$19,753,000
Nonvested	4,809,000
	$24,562,000
Net assets available for benefits	$21,736,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

Cost related to the Company's savings and investment plan was $1,601,000 in 1978, $1,618,000 in 1979 and $1,970,000 in 1980. The plan provides that the Company will contribute not less than 50% of the eligible amount of employee contributions. Additional discretionary contributions may be made provided each subsidiary has earnings from which to pay its contributions.

The 1976 Stock Option Plan provides for the granting of nonqualified options to key employees of the Company and its subsidiaries at prices which represent fair market value at dates of grant. A summary of option transactions during 1978, 1979, and 1980 follows:

	1978		1979		1980	
	Shares	Total option price	Shares	Total option price	Shares	Total option price
Outstanding at beginning of year	349,464	$1,984,000	369,994	$2,878,000	432,844	$4,412,000
Granted	111,000	1,338,000	112,500	1,879,000	49,000	753,000
Cancelled	(22,000)	(152,000)	(12,500)	(148,000)	(21,800)	(297,000)
Exercised	(68,470)	(292,000)	(37,150)	(197,000)	(66,194)	(358,000)
Outstanding at end of year and reserved for issuance	369,994	$2,878,000	432,844	$4,412,000	393,850	$4,510,000
Exercisable at end of year	250,244	$1,49[illegible],000	289,094	$2,366,000	281,850	$2,811,000
Reserved for future options	287,500		185,250		158,050	

At December 31, 1980, the average exercise price of outstanding options was $11.45, with such options expiring between December, 1981 and June, 1990.

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13. <u>Industry segments</u>

The Company sells products and services to industrial customers through its four principal operating units. Selected financial information is presented below for 1978, 1979, and 1980 ($000 omitted).

	Pipe and fittings	Heavy hauling	Industrial explosives	General commodity carrier	Other	Consolidated
1978						
Capital expenditures	$ 7,696	$ 5,896	$ 3,683	$ -	$ 56	$ 17,331
Capital asset disposals	(574)	(194)	(1,013)	-	(21)	(1,802)
Capital expenditures, net	$ 7,122	$ 5,702	$ 2,670	$ -	$ 35	$ 15,529
Depreciation and amortization	$ 5,929	$ 2,955	$ 2,122	$ -	$ 308	$ 11,314
Tangible assets	$59,743	$35,719	$53,521	$ -	$17,350	$166,333
Intangible assets	30,374	10,164	50	-	-	40,588
Identifiable assets	$90,117	$45,883	$53,571	$ -	$17,350	$206,921
1979						
Capital expenditures	$ 8,443	$ 7,117	$ 2,388	$ 5,918	$ 42	$ 23,908
Capital asset disposals	(307)	(653)	(851)	(402)	(2)	(2,217)
Capital expenditures, net	$ 8,136	$ 6,462	$ 1,537	$ 5,516	$ 40	$ 21,691
Depreciation and amortization	$ 6,331	$ 3,357	$ 2,056	$ 3,298	$ 164	$ 15,206
Tangible assets	$65,912	$42,099	$56,474	$53,148	$ 5,242	$222,875
Intangible assets	30,374	10,192	41	9,095	-	49,702
Identifiable assets	$96,286	$52,291	$56,515	$62,243	$ 5,242	$272,577

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13. Industry segments (continued)

	Pipe and fittings	Heavy hauling	Industrial explosives	General commodity carrier	Other	Consolidated
1980						
Capital expenditures	$ 8,878	$ 4,087	$ 3,448	$ 5,025	$ 1,914	$ 23,352
Capital asset disposals	(197)	(412)	(510)	(1,588)	-	(2,707)
Capital expenditures, net	$ 8,681	$ 3,675	$ 2,938	$ 3,437	$ 1,914	$ 20,345
Depreciation and amortization	$ 6,996	$ 3,664	$ 2,231	$ 4,423	$ 64	$ [illegible],378
Tangible assets	$64,886	$41,781	$59,379	$51,200	$ 8,147	[illegible],393
Intangible assets	30,374	-	6	8,875	-	39,255
Identifiable assets	$95,260	$41,781	$59,385	$60,075	$ 8,147	$264,648

Net sales and operating revenues, operating profits and unallocated corporate overhead and interest expense for 1978, 1979, and 1980, presented on page 2 under the heading "Industry Segments," are an integral part of this note.

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SUPPLEMENTARY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales and operating revenues					
1979	$ 89,386,000	$143,610,000	$147,165,000	$139,081,000	$519,242,000
1980	133,377,000	136,130,000	142,653,000	149,681,000	563,841,000
Gross profit					
1979	14,654,000	28,884,000	27,961,000	23,797,000	95,296,000
1980	19,885,000	24,454,000	26,367,000	31,823,000	102,529,000
Income before extraordinary charge					
1979	2,595,000	8,046,000	7,573,000	5,243,000	23,457,000
1980	2,656,000	4,903,000	6,191,000	10,086,000	23,836,000
Net income (loss)					
1979	2,595,000	8,046,000	7,573,000	5,243,000	23,457,000
1980	2,656,000	4,903,000	(4,001,000)*	10,086,000	13,644,000*
Earnings per common share before extraordinary charge					
1979	.25	.80	.76	.53	2.34
1980	.27	.51	.63	1.04	2.46
Net earnings (loss) per common share					
1979	.25	.80	.76	.53	2.34
1980	.27	.51	(.42)*	1.04	1.41*

*After extraordinary charge of $10,192,000 ($1.05 per share) relating to the write-off of the entire cost of route permits associated with trucking operations.

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INFLATION ACCOUNTING DATA

Introduction

During periods of high inflation, changing prices can have a significant impact on business enterprises. The accompanying Statement of Income Adjusted for Effects of Changing Prices and Five-Year Summary of Financial Data Adjusted for Effects of Changing Prices have been prepared in accordance with Statement of Financial Accounting Standards No. 33, Financial Reporting and Changing Prices, in order to provide users of the financial statements with supplementary information to assess the impact of inflation on Tyler Corporation and the Company's ability to manage in an inflationary environment.

Inflation Management

The basic operating philosophy of Tyler Corporation works toward the effective management of operations and capital in an inflationary environment.

The primary operating goal of the Company is to achieve a 25% return on assets through emphasis on asset turnover and operating profit margins.

- Asset turnover places a premium on effective management of assets, including strong cash flow from receivables, rapid inventory turnover and close scrutiny of return on capital expenditures.

- Maintaining and improving operating profit margins requires effective control of operating costs together with expansion of sales volume to spread fixed costs. The LIFO inventory accounting method is used in the historical financial statements to reflect cost increases in operations on a timely basis.

The Company has also prudently used long-term debt to leverage its capital structure. Long-term debt has been the primary vehicle for financing the acquisition of each of the four operating units. Strong cash flow from the operating units has been used to repay long-term debt with dollars having less purchasing power.

As a result of the basic operating philosophy, operations on a constant dollar basis and current cost/constant dollar basis compare favorably with historical results.

Statement of Income Adjusted for General Inflation (Constant Dollar)

The supplementary data presented on a constant-dollar basis are expressed in year-end 1980 dollars and reflect adjustments to the historical financial statements for changes which have occurred in the purchasing power of the dollar as measured by the Consumer Price Index for All Urban Consumers (CPI-U). The amounts do not purport to represent appraised values or any other measure of current value. In order to provide a more complete picture of the effects of inflation, the constant dollar computations comprehensively restate shareholders' equity and income statement items. The underlying accounting principles are not changed.

The principal increase in constant-dollar costs is additional depreciation of plant and equipment costs expressed in year-end 1980 dollars. The purchase of approximately 82% of property, plant, and equipment since 1973 has mitigated the effect of additional depreciation on constant-dollar operating results.

The Company uses the LIFO inventory accounting method in the historical financial statements. Since inventories turn over approximately six times a year, the December 31, 1980 inventory cost before allowance to state inventories at LIFO in the historical financial statements is representative of inflation-adjusted costs. Accordingly, historical cost of sales reflects a reasonable inflation-adjusted cost at the time of sale.

Statement of Income Adjusted for Changes in Specific Prices (Current Cost/Constant Dollar)

The supplementary data on a current cost/constant dollar basis are expressed in year-end 1980 dollars and reflect adjustments to the historical financial statements for changes which have occurred in the purchasing power of the dollar and adjustments to reflect a current cost of inventories and property, plant, and equipment of $58,773,000 and $171,552,000, respectively.

The current cost of inventories is based upon year-end 1980 production costs. The current cost of property, plant, and equipment and the related depreciation expense are based on estimates of amounts the existing assets would cost at December 31, 1980. Several methods, including equipment and building cost indexing and independent appraisals, were used in estimating these amounts. The values represent the estimated current cost of existing assets and do not consider technological improvements and efficiencies associated with the normal replacement of productive capacity.

Income Tax

Income tax on the constant dollar and current cost/constant dollar basis represents historical expense for 1980 expressed in year-end 1980 dollars. The expense has not been reduced for the tax effect of additional constant dollar and current cost depreciation or for the adjustments to express income statement items in year-end 1980 dollars.

The resulting effective tax rates of 53% (constant dollar) and 57% (current cost/constant dollar) illustrate that federal tax laws do not provide adequately for capital recovery and "real" income tax rates are substantially higher than statutory rates.

Gain From Decline in Purchasing Power of Net Amounts Owed

Monetary assets such as cash and accounts receivable lose purchasing power during inflationary periods. Conversely, less purchasing power will be required to satisfy liabilities such as long-term debt during such periods.

During 1980, the Company's net monetary liabilities' position resulted in an unrealized gain of $10,348,000.

During the three years ended 1980, the Company also invested substantial amounts of cash in treasury stock, utilizing a monetary asset with declining value to increasingly leverage the capital structure of the Company.

Five-Year Summary of Financial Data - Net Sales and Operating Revenues

Net sales and operating revenues are presented for the four principal operating units in year-end 1980 dollars. Net sales of the heat transfer unit, which was distributed as a dividend to the Company's shareholders in April, 1977, are excluded from the table. The heat transfer unit's sales in year-end 1980 dollars were $44,977,000 in 1976 and $15,991,000 in 1977.

Increase in Current Cost of Inventories and Property, Plant, and Equipment

As a result of general inflation, inventories and property, plant, and equipment during 1980 increased an estimated $4,732,000 in excess of the estimated $15,273,000 increase from specific prices.

Statement of Income Adjusted for Effects of Changing Prices

	Year ended December 31, 1980		
	Historical Financial Statements	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost/ Constant Dollar)
Net sales and operating revenues	$563,841,000	$590,061,000	$590,061,000
Costs and expenses:			
Cost of sales and operating expenses	446,702,000	471,025,000	471,025,000
Selling, administrative and general expenses	46,634,000	48,855,000	48,855,000
Depreciation	17,143,000	23,170,000	25,485,000
Interest expense	11,545,000	12,175,000	12,175,000
	522,024,000	555,225,000	557,540,000
Income before income tax, extraordinary charge and gain from decline in purchasing power of net amounts owed	41,817,000	34,836,000	32,521,000
Income tax	17,981,000	18,527,000	18,527,000
Income before extraordinary charge and gain from decline in purchasing power of net amounts owed	23,836,000	16,309,000	13,994,000
Gain from decline in purchasing power of net amounts owed	-	10,348,000	10,348,000
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed	$ 23,836,000	$ 26,657,000	$ 24,342,000
Per common share:			
Income before extraordinary charge and gain from decline in purchasing power of net amounts owed	$ 2.46	$ 1.68	$ 1.44
Gain from decline in purchasing power of net amounts owed	-	1.07	1.07
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed	$ 2.46	$ 2.75	$ 2.51
Average shares	9,698,000	9,698,000	9,698,000

Five-Year Summary of Financial Data Adjusted for Effects of Changing Prices (In Year-End 1980 Dollars)

	Years ended December 31,				
	1976	1977	1978	1979	1980
Net sales and operating revenues	$463,966,000	$503,225,000	$515,847,000	$614,801,000	$590,061,000
Historical cost/constant dollar information adjusted for general inflation:					
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed				31,564,000	26,657,000
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed per common share				3.14	2.75
Shareholders' equity at year-end				231,340,000	222,006,000
Current cost information:					
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed				28,260,000	24,342,000
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed per common share				2.81	2.51
Excess of increase in the general price level over increase in specific prices				(994,000)	4,732,000
Shareholders' equity at year-end				269,922,000	254,298,000

Five-Year Summary of Financial Data Adjusted for Effects of Changing Prices (In Year-End 1980 Dollars) (continued)

	Years ended December 31,				
	1976	1977	1978	1979	1980
Gain from decline in purchasing power of net amounts owed				9,631,000	10,348,000
Cash dividends per common share	.36	.43	.49	.54	.52
Market price per common share at year-end	16.86	17.53	20.69	17.29	16.13
Year-end consumer price index	174.3	186.1	202.9	229.9	258.4

TYLER CORPORATION

SCHEDULE II - AMOUNT RECEIVABLE FROM EMPLOYEE OF A SUBSIDIARY

(COMPANY AND CONSOLIDATED)

Years ended December 31, 1978 and 1979

	Balance at beginning of year	Additions	Deductions: Amounts collected	Deductions: Amounts written off	Balance at end of year (not current)
1978					
Gerald Hurst, 7% secured notes due April 15, 1984	$118,000	$ -	$ -	$ -	$118,000
1979					
Gerald Hurst, 7% secured notes due April 15, 1984 (A)	$118,000	$ -	$ -	$ -	$118,000

(A) Gerald Hurst terminated his affiliation with the Company during 1979.

TYLER CORPORATION

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS FROM SUBSIDIARIES (COMPANY)

Year ended December 31, 1979

Name of issuer and title of issue	Balance at beginning of year		Additions		Deductions		Balance at end of year	
	Number of shares	Amount in dollars	Equity in earnings (losses) of subsidiaries for the year	Other	Cash dividends from subsidiaries	Other	Number of shares	Amount in dollars
Tyler Pipe Industries, Inc.:								
Common stock, par value $1.00 per share	1,000(A)	$ 79,700,000	$15,583,000	$ -	$(2,259,000)	$ -	1,000(A)	$ 93,024,000
10% debenture due December 31, 1983	-	37,890,000	-	-	-	(6,475,000)(B)	-	31,415,000
C & H Transportation Co., Inc. Common stock, par value $100.00 per share	9,000(A)	30,486,000	7,520,000	-	(1,4[illegible],000)	-	9,000(A)	36,511,000
Kinepak, Inc. Common stock, par v[illegible]ue $1.00 per [illegible]re	1,000(A)	(1,203,000)	(2,000)	-	-	-	1,000(A)	(1,205,000)

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TYLER CORPORATION

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS FROM SUBSIDIARIES (CONTINUED)

(COMPANY)

Year ended December 31, 1979

	Balance at beginning of year		Additions		Deductions		Balance at end of year	
Name of issuer and title of issue	Number of shares	Amount in dollars	Equity in earnings (losses) of subsidiaries for the year	Other	Cash dividends from subsidiaries	Other	Number of shares	Amount in dollars
Tyler Tank Cars, Inc. Common stock, par value $1.00 per share	1,000(A)	(129,000)	(38,000)	-	-	167,000(C)	-	-
Tyler Fuel Corporation Common stock, par value $1.00 per share	1,000(A)	1,000	10,000	-	-	-	1,000(A)	11,000
Tyler Leasing Corporation Common stock, par value $1.00 per share	1,000(A)	4,000	-	-	-	-	1,000(A)	4,000
Tyler Ammonia Alberta, Ltd. Common stock, par value $1.00 per share	1,000(A)	(13,000)	-	-	-	13,000(C)	-	-

TYLER CORPORATION

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS FROM SUBSIDIARIES (CONTINUED)

(COMPANY)

Year ended December 31, 1979

	Balance at beginning of year		Additions		Deductions		Balance at end of year	
Name of issuer and title of issue	Number of shares	Amount in dollars	Equity in earnings (losses) of subsidiaries for the year	Other	Cash dividends from subsidiaries	Other	Number of shares	Amount in dollars
Tyler Aviation, Inc. Common stock, par value $1.00 per share	-	-	148,000	1,000(D)	-	-	1,000(A)	149,000
Tyler Transportation Company:								
Common stock, par value $1.00 per share	-	-	(833,000)	14,266,000(D)	-	-	1,000(A)	13,433,000
10% debenture due April 6, 1999	-	-	-	30,000,000(E)	-	-	-	30,000,000
		$146,736,000	$22,388,000	$44,267,000	$(3,754,000)	$(6,295,000)		$203,342,000

(A) 100% owned subsidiary.
(B) Payment of intercompany debenture.
(C) Dissolution of subsidiary.
(D) Contribution of capital to subsidiary purchased during the year.
(E) Issuance of intercompany debenture.

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TYLER CORPORATION

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS FROM SUBSIDIARIES
(COMPANY)

Year ended December 31, 1980

Name of issuer and title of issue	Balance at beginning of year		Additions		Deductions		Balance at end of year	
	Number of shares	Amount in dollars	Equity in earnings (losses) of subsidiaries for the year	Other	Cash dividends from subsidiaries	Other	Number of shares	Amount in dollars
Tyler Pipe Industries, Inc.: Common stock, par value $1.00 per share	1,000(A)	$ 93,024,000	$10,489,000	$ -	$ -	$(45,085,000)(C)	1,000(A)	$ 58,428,000
10% debenture due December 31, 1983	-	31,415,000	-	4,067,000(B)	-	(15,050,000)(C)	-	20,432,000
C & H Transportation Co., Inc. Common stock, par value $100.00 per share	9,000(A)	36,511,000	6,541,000	-	(2,998,000)	(10,192,000)(D)	9,000(A)	29,862,000
Kinepak, Inc. Common stock, par value $1.00 per share	1,000(A)	(1,205,000)	69,000	-	-	-	1,000(A)	(1,136,000)

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TYLER CORPORATION

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS FROM SUBSIDIARIES (CONTINUED)
(COMPANY)

Year ended December 31, 1980

	Balance at beginning of year		Additions		Deductions		Balance at end of year	
Name of issuer and title of issue	Number of shares	Amount in dollars	Equity in earnings (losses) of subsidiaries for the year	Other	Cash dividends from subsidiaries	Other	Number of shares	Amount in dollars
Atlas Powder Company Common stock, par value $1.00 per share	-	-	5,959,000	41,018,000(B)	(6,612,000)	-	1,000(A)	40,365,000
Tyler Fuel Corporation Common stock, par value $1.00 per share	1,000(A)	11,000	-	-	-	-	1,000(A)	11,000
Tyler Leasing Corporation Common stock, par value $1.00 per share	1,000(A)	4,000	-	-	-	(4,000)(E)	-	-

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TYLER CORPORATION

SCHEDULE III - INVESTMENTS IN, EQUITY IN EARNINGS OF, AND DIVIDENDS FROM SUBSIDIARIES (CONTINUED)
(COMPANY)

Year ended December 31, 1980

Name of issuer and title of issue	Balance at beginning of year: Number of shares	Balance at beginning of year: Amount in dollars	Additions: Equity in earnings (losses) of subsidiaries for the year	Additions: Other	Deductions: Cash dividends from subsidiaries	Deductions: Other	Balance at end of year: Number of shares	Balance at end of year: Amount in dollars
Tyler Aviation, Inc. Common stock, par value $1.00 per share	1,000(A)	149,000	356,000	-	-	-	1,000(A)	505,000
Tyler Transportation Company:								
Common stock, par value $1.00 per share	1,000(A)	13,433,000	(2,013,000)	-	-	-	1,000(A)	11,420,000
10% debenture due April 6, 1999	-	30,000,000	-	-	-	-	-	30,000,000
		$203,342,000	$21,401,000	$45,085,000	$(9,610,000)	$(70,331,000)		$189,857,000

(A) 100% owned subsidiary.
(B) Transfer of investment in Atlas Powder Company from Tyler Pipe Industries, Inc. to Tyler Corporation.
(C) Payment on intercompany debenture.
(D) Extraordinary charge: Write-off of route permits including $4,976,000 write-off by subsidiary.
(E) Dissolution of subsidiary.

TYLER CORPORATION

SCHEDULE IV - INDEBTEDNESS OF AND TO SUBSIDIARIES - NOT CURRENT
(COMPANY)

Year ended December 31, 1978

Name of subsidiary	Indebtedness of: Beginning of year	Additions	Deductions	End of year
C & H Transportation Co., Inc.	$ 5,084,000	$ 3,092,000(A) 6,567,000(B)	$ (2,861,000)(A) (5,718,000)(B)	$ 6,164,000
Tyler Pipe Industries, Inc. (Delaware)	370,000	10,025,000(A) 31,700,000(B)	(9,995,000)(A) (31,700,000)(B)	400,000
Tyler Leasing Corporation	37,000	6,000(A) 30,000(B)	(73,000)(B)	-
Kinepak, Inc.	4,832,000	-	-	4,832,000
Tyler Ammonia Alberta, Ltd.	13,000	-	-	13,000
Tyler Tank Cars, Inc.	1,346,000	-	-	1,346,000
	$11,682,000	$51,420,000	$(50,347,000)	$12,755,000

(A) Charges for and payments of corporate overhead allocations.

(B) Advances to subsidiary and payments by subsidiary on advance account.

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TYLER CORPORATION

SCHEDULE IV - INDEBTEDNESS OF AND TO SUBSIDIARIES - NOT CURRENT
(COMPANY)

Year ended December 31, 1979

	Indebtedness of			
Name of subsidiary	Beginning of year	Additions	Deductions	End of year
C & H Transportation Co., Inc.	$ 6,164,000	$ 3,514,000(A) 3,048,000(B)	$ (3,816,000)(A) (4,227,000)(B)	$ 4,683,000
Tyler Pipe Industries, Inc. (Delaware)	400,000	11,091,000(A) 29,628,000(B)	(10,789,000)(A) (29,652,000)(B)	678,000
Kinepak, Inc.	4,832,000	-	-	4,832,000
Tyler Ammonia Alberta, Ltd.	13,000	-	(13,000)(B)	-
Tyler Tank Cars, Inc.	1,346,000	-	(1,346,000)(B)	-
Tyler Aviation, Inc.	-	138,000(A) 2,297,000(B)	(116,000)(A) (1,021,000)(B)	1,298,000
Tyler Transportation Company	-	3,572,000(A) 3,949,000(B)	(1,718,000)(A) (1,327,000)(B)	4,476,000
	$12,755,000	$57,237,000	$(54,025,000)	$15,957,000

(A) Charges for and payments of corporate overhead allocations.

(B) Advances to subsidiary and payments by subsidiary on advance account.

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TYLER CORPORATION

SCHEDULE IV - INDEBTEDNESS OF AND TO SUBSIDIARIES - NOT CURRENT
(COMPANY)

Year ended December 31, 1980

Name of subsidiary	Indebtedness of: Beginning of year	Additions	Deductions	End of year
Atlas Powder Company	$ -	$ 4,663,000(A) 6,488,000(B)	$ (4,670,000)(A) (6,136,000)(B)	$ 345,000
C & H Transportation Co., Inc.	4,683,000	3,441,000(A) 2,998,000(B)	(3,739,000)(A) (6,609,000)(B)	774,000
Tyler Pipe Industries, Inc. (Delaware)	678,000	6,013,000(A) 6,150,000(B)	(6,061,000)(A) (5,832,000)(B)	948,000
Kinepak, Inc.	4,832,000	-	-	4,832,000
Tyler Aviation, Inc.	1,298,000	168,000(A)	(177,000)(A) (76,000)(B)	1,213,000
Tyler Transportation Company	4,476,000	5,357,000(A) 7,576,000(B)	(4,960,000)(A) (5,333,000)(B)	7,116,000
	$15,967,000	$42,854,000	$(43,593,000)	$15,228,000

(A) Charges for and payments of corporate overhead allocations.

(B) Advances to subsidiary and payments by subsidiary on advance account.

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Year ended December 31, 1978

Classification	Depreciation lives (in years)	Balance at beginning of year	Additions at cost	Retirements or sales	Other changes	Balance at end of year
Land	-	$ 2,162,000	$ 615,000	$ -	$ -	$ 2,777,000
Buildings and leasehold improvements	10 to 30	19,736,000	2,847,000	502,000	-	22,081,000
Machinery and equipment	3 to 15	55,142,000	7,158,000	1,144,000	-	61,156,000
Transportation equipment	3 to 8	31,645,000	6,711,000	3,330,000	-	35,026,000
		$108,685,000	$17,331,000	$4,976,000	$ -	$121,040,000

TYLER CORPORATION

SCHEDULE V - PROPERTY, PLANT, AND EQUIPMENT
(CONSOLIDATED)

Year ended December 31, 1979

Classification	Depreciation lives (in years)	Balance at beginning of year	Additions at cost	Retirements or sales	Other changes	Balance at end of year
Land	-	$ 2,777,000	$ 5,000	$ 158,000	$ 4,239,000 (A) (6,000) (B)	$ 6,857,000
Buildings and leasehold improvements	10 to 30	22,081,000	2,440,000	436,000	14,336,000 (A) 6,000 (B)	38,427,000
Machinery and equipment	3 to 15	61,156,000	8,147,000	1,457,000	4,198,000 (A)	72,044,000
Transportation equipment	3 to 8	35,026,000	13,316,000	5,043,000	14,245,000 (A)	57,544,000
		$121,040,000	$23,908,000	$7,094,000	$37,018,000	$174,872,000

(A) Purchase of subsidiaries.

(B) Reclassification between accounts.

TYLER CORPORATION

SCHEDULE V - PROPERTY, PLANT, AND EQUIPMENT
(CONSOLIDATED)

Year ended December 31, 1980

Classification	Depreciation lives (in years)	Balance at beginning of year	Additions at cost	Retirements or sales	Other changes	Balance at end of year
Land	-	$ 6,857,000	$ 2,059,000	$ 122,000	$ -	$ 8,794,000
Buildings and leasehold improvements	10 to 30	38,427,000	2,921,000	517,000	4,000 (A)	40,835,000
Machinery and equipment	3 to 15	72,044,000	9,044,000	3,104,000	(18,000)(A)	77,966,000
Transportation equipment	3 to 8	57,544,000	9,328,000	3,536,000	14,000 (A)	63,350,000
		$174,872,000	$23,352,000	$7,279,000	$ -	$190,945,000

(A) Reclassification between accounts.

TYLER CORPORATION

SCHEDULE VI - ALLOWANCE FOR DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT
(CONSOLIDATED)

Year ended December 31, 1978

Description	Balance at beginning of year	Additions charged to costs and expenses	Retirements, renewals, and replacements	Other changes	Balance at end of year
Buildings and leasehold improvements	$ 5,858,000	$ 1,173,000	$ 274,000	$ -	$ 6,757,000
Machinery and equipment	26,660,000	5,698,000	550,000	-	31,808,000
Transportation equipment	18,172,000	4,182,000	2,350,000	-	20,004,000
	$50,690,000	$11,053,000	$3,174,000	$ -	$58,569,000

Year ended December 31, 1979

Description	Balance at beginning of year	Additions charged to costs and expenses	Retirements, renewals, and replacements	Other changes	Balance at end of year
Buildings and leasehold improvements	$ 6,757,000	$ 1,719,000	$ 225,000	$ -	$ 8,251,000
Machinery and equipment	31,808,000	6,485,000	752,000	-	37,541,000
Transportation equipment	20,004,000	6,803,000	3,900,000	-	22,907,000
	$58,569,000	$15,007,000	$4,877,000	$ -	$68,699,000

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TYLER CORPORATION

SCHEDULE VI - ALLOWANCE FOR DEPRECIATION OF PROPERTY, PLANT, AND EQUIPMENT
(CONSOLIDATED)

Year ended December 31, 1980

Description	Balance at beginning of year	Additions charged to costs and expenses	Retirements, renewals, and replacements	Other changes	Balance at end of year
Buildings and leasehold improvements	$ 8,251,000	$ 1,951,000	$ 316,000	$ 6,000 (A)	$ 9,892,000
Machinery and equipment	37,541,000	7,403,000	1,443,000	(16,000)(A)	43,485,000
Transportation equipment	22,907,000	7,789,000	2,813,000	10,000 (A)	27,893,000
	$68,699,000	$17,143,000	$4,572,000	$ -	$81,270,000

(A) Reclassification between accounts.

TYLER CORPORATION

SCHEDULE VIII - ALLOWANCE FOR LOSSES

(CONSOLIDATED)

Years ended December 31, 1978, 1979 and 1980

1978	
Balance at beginning of year	$ 1,890,000
Additions charged to costs and expenses	1,011,000
Collection of accounts previously charged off	215,000
Deductions for accounts charged off	(1,231,000)
Balance at end of year	$ 1,885,000
1979	
Balance at beginning of year	$ 1,885,000
Additions charged to costs and expenses	2,484,000
Collection of accounts previously charged off	589,000
Deductions for accounts charged off	(2,012,000)
Balance at end of year	$ 2,946,000
1980	
Balance at beginning of year	$ 2,946,000
Additions charged to costs and expenses	2,768,000
Collection of accounts previously charged off	985,000
Deductions for accounts charged off	(3,386,000)
Balance at end of year	$ 3,313,000

TYLER CORPORATION

SCHEDULE IX - SHORT-TERM BORROWINGS
(COMPANY AND CONSOLIDATED)

Years ended December 31, 1978, 1979 and 1980

	Balance at end of year	Weighted average interest rate	Maximum amount outstanding during the year	Average amount outstanding during the year	Weighted average interest rate during the year
1978					
$25,000,000 credit commitments from banks (A)	$ -	$ -	$15,000,000	$3,260,000	8%
1979					
$25,000,000 credit commitments from banks (A)	$ -	$ -	$ 5,000,000	$1,966,000	11%
1980					
$25,000,000 credit commitments from banks (A)	$ -	$ -	$ -	$ -	-

(A) The Company may borrow at the then effective prime rate of interest up to $25,000,000 on an unsecured short-term basis. The Company is required to be free from borrowings under the commitments for at least 60 consecutive days during the preceding twelve months.

TYLER CORPORATION

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

(CONSOLIDATED)

Years ended December 31, 1978, 1979 and 1980

Item	1978	1979	1980
Maintenance and repairs	$25,616,000	$37,494,000	$39,470,000

EXHIBIT INDEX

Exhibit Number	Exhibit	Sequentially Numbered Page
3.1	Certificate of Incorporation of Tyler, as amended through April 18, 1973.	3
3.2	By-laws of Tyler, as amended through March 16, 1981.	59
4.1	Indenture dated June 1, 1978 for Tyler's 10 1/2% Subordinated Debentures Due 1998 (filed as Exhibit 2(b) to Tyler's Registration Statement on Form S-7 (File No. 2-61538) and incorporated herein by reference).	–
4.2	Note Agreement between Tyler and The Prudential Insurance Company of America, as amended through December 15, 1980.	75
4.3	Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 14 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1978 and incorporated herein by reference).	–
4.4	Letter amendment dated January 22, 1979 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 15 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1978 and incorporated herein by reference).	–
4.5	Letter amendment dated June 12, 1979 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 5 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1979 and incorporated herein by reference).	–
4.6	Letter amendment dated November 1, 1979 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks (filed as Exhibit 6 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1979 and incorporated herein by reference).	–
4.7	Letter amendment dated May 27, 1980 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks.	101
4.8	Letter amendment dated July 1, 1980 to Revolving Credit and Term Loan Agreement dated December 31, 1978 among Tyler and certain banks.	109
10.1	Agreement for Purchase and Sale of Stock and Other Assets dated July 21, 1978 between Tyler and Thurston, Inc. (filed as Exhibit 16 to Tyler's Annual Report on Form 10-K for the fiscal year ended December 31, 1978 and incorporated herein by reference).	–

Exhibit Number	Exhibit	Sequentially Numbered Page
10.2	Amendment to Agreement for Purchase and Sale of Stock and Other Assets dated March 30, 1979 between Tyler and Thurston, Inc. (filed as Exhibit 2 to Tyler's Current Report on Form 8-K dated April 6, 1979 and incorporated herein by reference).	—
10.3	Tyler Corporation 1966 Stock Option Plan, as amended through January 31, 1973.	120
10.4	Tyler Corporation 1976 Stock Option Plan, as amended through February 2, 1977.	128
10.5	Tyler Corporation Salary Continuation Agreement.	140
10.6	Tyler Corporation Management Security Agreement.	147
10.7	Employment Agreement with H. Joseph Burchell.	153
11	Computation of Earnings Per Share.	157
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EXHIBIT 3.1

COMPOSITE

CERTIFICATE OF INCORPORATION

OF

SATURN INDUSTRIES, INC.

FIRST. The name of the Corporation is

SATURN INDUSTRIES, INC.

SECOND. The corporation's principal office in the State of Delaware is located at No. 100 West Tenth Street, in the City of Wilmington, County of New Castle. The name and address of its resident agent is The Corporation Trust Company, No. 100 West Tenth Street, Wilmington 99, Delaware.

THIRD. The nature of the business, or objects or purposes to be transacted, promoted or carried on are:

To design, develop, experiment with, manufacture, acquire, produce, assemble, buy, lease or otherwise acquire, hold, own, operate, use, install, equip, replace, maintain, service, process, reprocess, repair, remodel, recondition, import, export, sell, distribute, lease or otherwise dispose of and generally to deal in and with (as contractor, subcontractor, principal, agent, commission merchant, broker, factor or any combination of the foregoing and at wholesale or retail or both) any and all kinds of electronic and electrical equipment, devices, instruments, systems, parts, products and goods, wares, merchandise and tangible property of every kind used or capable of being used for any purpose whatever.

To engage in research, experimental, laboratory and development work on any and all kinds of electronic and electrical equipment, devices and products for governmental agencies, industry, individuals or others and, in that connection, to render research and technical advisory services.

The manufacture of appliance, parts for appliances and equipment for appliances, the manufacture of any other product, similar or dissimilar thereto, the repair, renovation, restoration, or modification of appliances, appliance parts, appliance equipment, or other manufactured products similar or dissimilar thereto; and in such connection with power and authority to manufacture, buy, sell, deal in and engage in, conduct and carry on the business of manufacturing, buying, selling, and dealing in goods, wares and merchandise of every class and description.

To maintain and operate factories, plants, shops, test houses, storehouses, laboratories, engineering facilities and buildings of any and all kinds, and any and all tools, machines, machinery and other equipment for manufacturing, testing, developing, engineering, and improving the design and construction of any and all kinds of appliances, equipment, instruments and accessories, and any and all devices, appliances, apparatus and mechanisms used or useful in connection therewith or in aid thereof; to discover and apply new or improved scientific and engineering principles relating thereto, and generally to conduct, carry on and engage in any and all kinds of manufacturing research and experimental work in or in connection therewith.

To build, make, operate, maintain, buy, sell, deal in and use on lease, pledge, mortgage or otherwise dispose of ships, vessels and boats of every nature and kind whatsoever, and/or any interest therein, together with all materials, nets, articles, tools, machinery and appliances entering into or suitable and convenient for the construction or equipment thereof and together with engines, boilers, machinery and appurtenances of all kinds and tackle apparel and furniture of all kinds;

To build, set out and repair and lend money upon ships and vessels of every description. To construct and repair engines, boilers and machinery. To construct and maintain for the use of the Company or for letting out on hire graving and other docks and other conveniences for the building, repairing or docking of ships and other vessels and to aid in or contribute to the construction of any such works. To buy or otherwise acquire ships and vessels complete or not complete, sound or out of repair, for the purpose of improving, reletting, let-out to hire or otherwise making profit out of the same.

To own and control and acquire by lease, pledge, construction or otherwise steam ships, barges and vessels of all kinds or interests therein and to operate the same on oceans, seas, gulfs, lakes, rive[illegible] and any and all navigable waters in any place or parts of the world between ports and otherwise for a transportation line for passengers and freights of all kinds with power also to purchase, build, construct, repair, lease, sell, mortgage, pledge, convey and operate vessels of all kinds and all machinery, appliances and apparatus incidentally necessary or convenient thereto, or in any way connected therewith; with power also to do a towing business and also to purchase, own, lease, construct, control and operate docks, warehouses, dry docks and dock machinery, appliances and apparatus of all kinds; and with the power also to do a general ship-building stevedoring dockage, warehouse salvage, fishing and commission business.

To purchase, take in, exchange or otherwise acquire and hold ships and vessels or any shares or interests in any ships and vessels and also shares, stocks and securities of any companies possessed of or interested in any ships or vessels and to maintain, repair, improve, alter, sell, exchange or let out to hire or charter or otherwise deal with or dispose of any ships, vessels or shares or securities as aforesaid. To carry on all or any of the business of ship owners, ship brokers, insurance brokers, managers of shipping property, freight contractors, carriers by land and sea, barge owners, lightermen, forwarding agents, ice merchants, refrigerating storekeepers, warehousemen, wharfingers and general traders.

To carry on the business of mechanical and marine engineers and dealers in machinery a manufacturers of plants, engines and other machinery, tool makers, brass founders, metal workers, boiler makers, mill-wrights, machinists, iron and steel converters, smiths, builde metallurgists, electrical, civil and water supply engineers, and to buy, sell, manufacture, r pair, convert, alter, let or hire and deal in machinery, implements, vessels and hardware of all kinds; to build, construct and repair railroads, water, gas and electric works, tunnels, bridges, viaducts, canals, hotels, wharves, piers or any like work of internal improvement, public use or utility.

To manufacture, fabricate, assemble, and to take, purchase and otherwise acquire, own, hold, use, sell, assign, transfer, exchange, lease and otherwise dispose of, and to invest, trade, deal in and deal with goods, wares, merchandise and supplies and all other personal property of every character and descripti[illegible].

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To carry on the trade or business, or any portion or portions or part or parts of the business of engineers, founders, smiths, machinists, manufacturers, patentees, licensees, or licensors; with full power and authority to purchase or to lease, or to otherwise acquire an land, houses, offices, workshops, building, and premises, and fixed and/or movable machinery tools, engines, boilers, plants, implements, patterns, stock in trade, patents and patent rights, convenient to be used in or about any such trade or business, or portion or part the of and to enter into any contracts in relation to any said trade or business or any portion portions thereof, and with power and authority to erect, construct, maintain, alter, repair, pull down and restore, alone or jointly with other persons or business entities, works or buildings or improvements of any character or description, generally the business of contrac ing, with full power and authority to carry on and conduct a general contracting business or specialized contracting business, including the power and authority to design, or construct enlarge, or repair, or remodel, or otherwise engage in any work upon any building manufactu product or article of commerce, the business of dealing generally with patents and patent rights, and products of any sort covered by, patents or patent rights, with power and author to purchase or otherwise acquire letters patent, concessions, licenses, inventions, rights a privileges, subject to royalty or otherwise, whether exclusive, non-exclusive or limited, or any part interest in any such letters patent, concessions, licenses, inventions, rights and privileges, whether in the United States or any other part of the world, and with right and authority to sell, let or grant any patent rights, concessions, licenses, inventions, rights or privileges which the corporation may acquire or any interest in the same, and with power authority to register any patent or patents, or any invention or inventions, to obtain exclusive or other privileges with respect to the same, in any part of the world, and to apply for, exercise, use and otherwise deal with or turn to account any patent rights, concessions, monopolies, or other rights or privileges, either in the United States or any other part of the world, and generally to manufacture, produce and trade, and deal in all machinery, plants, articles, appliances, and things capable of being manufactured, produced or traded in, by virtue of or in connection with any letters patent, concessions, licenses, inventions or privileges as aforesaid, or otherwise.

To purchase, acquire, own, hold, use, lease (either as lessor or lessee), grant, sell, exchange, subdivide, mortgage, convey in trust, manage, improve, construct, operate and generally deal in any and all real estate, improved or unimproved, stores, office buildings, dwelling houses, apartment houses, hotel, manufacturing plants and other buildings, and any and all other property of every kind or description, real, personal and mixed, and wheresoever situated, either in Delaware, other states of the United States, the District of Columbia, territories and colonies of the United States, or foreign countries.

To acquire, by purchase or otherwise, the goodwill, business, property rights, franchises and assets of every kind, with or without undertaking, either wholly or in part, the liabilities of any person, firm, association or corporation, and to acquire any property or business as a going concern or otherwise (1) by purchase of the assets thereof wholly or in part, (2) by acquisition of the shares or any part thereof, or (3) in any other manner, and to pay for the same in cash or in shares or bonds or other evidence of indebtedness of this corporation, or otherwise, to hold, maintain and operate or in any manner dispose of, the whole or any part of the goodwill, business rights and property so acquired, and to conduct in any lawful manner the whole or any part of any business so acquired; and to exercise all the powers necessary or convenient in and about the management of such business.

To take, purchase and otherwise acquire, hold, own, use, sell, assign, transfer, exchange, lease, mortgage, convey in trust, pledge, hypothecate, grant licenses in respect of and otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, and governmental, state, territorial, county and municipal grants and concessions of every character which this corporation may deem advantageous in the prosecution of its business or in the maintenance, operation, development or extension of its properties.

To enter into, make, perform and carry out contracts of every kind for any lawful purpose without limit as to amount, with any person, firm, association or corporation, municipality, county, parish, state, territory, government or other municipal or governmental sub-division.

To become a partner (either general or limited or both) and to enter into agreements of partnership, with one or more other persons or corporations, for the purpose of carrying on any business whatsoever which this corporation may deem proper or convenient in connection with any of the purposes herein set forth or otherwise, or which may be calculated, directly or indirectly, to promote the interests of this corporation or to enhance the value of its property or business.

From time to time apply for, purchase, acquire by assignment, transfer or otherwise, exercise, carry out and enjoy any benefit, right, privilege, prerogative or power conferred by, acquired under or granted by any statute, ordinance, order, license, power, authority, franchise, commission, right or privilege which any government or authority or governmental agency or corporation or other public body may be empowered to enact, make, or grant, to pay for, aid in, and contribute toward carrying the same into effect and to appropriate any of this corporation's shares, bonds and/or assets to defray the costs, charges and expenses thereof.

To subscribe or cause to be subscribed for, and to take, purchase and otherwise acquire, own, hold, use, sell, assign, transfer, exchange, distribute and otherwise dispose of, the whole or any part of the shares of the capital stock, bonds, coupons, mortgages, deeds of trust, debentures, securities, obligations evidences of indebtedness, notes, goodwill, rights, assets and property of any and every kind, or any part thereof, of any other corporation or corporations, association or associations, firm or firms, or person or persons, together with shares, rights, units or interests in or in respect of, any trust estate, now or hereafter existing, and whether created by the laws of the State of Delaware or of any other state, territory or country; and to operate manage and control such properties, or any of them either in the name of such other corporation or corporations or in the name of this corporation, and while the owners of any of said shares of capital stock, to exercise all the rights, powers and privileges of ownership of every kind and description, including the right to vote thereon, with power to designate some person or persons for that purpose from time to time, and to the same extent as natural persons might or could do.

To promote or to aid in any manner, financially or otherwise, any person, firm, corporation, or association of which any shares of stock, bonds, notes, debentures or other secu[illegible]ies or evidences of indebte[illegible]ss are held directly or indirectly by this corporation; and for this purpose to guarantee the contract, dividends, shares, bonds, debentures, notes and other obligations of such other persons, firms, corporations or associations, and to do any other acts or things designed to protect, preserve, improve or enhance the value of such shares, bonds, notes, debentures or other securities or evidence of indebtedness.

To borrow or raise moneys for any of the purposes of the corporation and, from time to time, without limit as to amount to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures, and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To loan to any person, firm or corporation any of its funds, either with or without security.

To purchase, hold, sell and transfer the shares of its own capital stock, provided it shall not use its funds or property for the purchase of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To have one or more offices, to carry on all or any of its operations and business and without restriction or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the States, Districts, Territories or Colonies of the United States, and in any and all foreign countries, subject to the laws of such State, District, Territory, Colony or Country.

To issue bonds, notes, debentures or other obligations of this corporation from time to time for any of the objects or purposes of this corporation, and to secure the same by mortgage, deed of trust, pledge or otherwise, or to issue the same unsecured, to purchase or otherwise acquire its own bonds, debentures, or other evidences of its indebtedness or obligations, to purchase, hold, sell and transfer the shares of its own capital stock to the extent and in the manner provided by the laws of the Stat[illegible] [illegible] Delaware as the same are now in force [illegible] may be hereafter amended.

To purchase, acquire, take, hold, own, use and enjoy, and to sell, lease, transfer, pledge, mortgage, convey, grant, assign or otherwise dispose of, and generally to invest, trade, deal in and with oil royalties, mineral rights of all kinds, mineral-bearing lands, and hydrocarbon products of all kinds, oil, gas and mineral leases, and all rights and interests therein, and in general products of the earth and deposits, both subsoil and surface of every nature and description.

To subscribe for, purchase, invest in and otherwise acquire, own and hold, either directly or through a subsidiary corporation, all or any part of the shares or capital stock and other securities of and interests in (i) corporations and firms engaged in the insurance underwriting business, including the underwriting of life, fire, marine casualty, credit or any other kind of insurance risk, and (ii) corporations and firms engaged in the financing of wholesale and retail credit purchases of any and all kinds of real and personal property.

To manufacture, process, sell and otherwise deal in and with building supplies and materials of all kinds.

In general, to carry on any other business in connection with the foregoing and to have and exercise all the powers conferred by the laws of Delaware upon corporations formed under the General Corporation Law of the State of Delaware and to do any or all of the things hereinbefore set forth.

The objects and purposes specified in the foregoing clauses shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this Certificate of Incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FIFTH: This Corporation is authorized to issue five million nine hundred eighty-five thousand, six hundred eighty-seven and one half (5,985,687½) shares of capital stock. Five million (5,000,000) of authorized shares shall be common stock, ten cents ($0.10) par value each; and nine hundred eighty-five thousand six hundred eighty-seven and one half (985,687½) of the authorized shares shall be preferred stock, of which nine hundred eighty-five thousand (985,000) shares shall be preferred stock, ten dollars ($10.00) par value each, and six hundred eighty-seven and one half (687½) shares shall be preferred stock, thirty dollars ($30.00) par value each.

Each holder of preferred stock, thirty dollars ($30.00) par value each, shall at every meeting of the stockholders be entitled to twenty (20) votes in person or by proxy for each such share held by such stockholder; and each holder of all other classes of capital stock shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each such share of the capital stock, other than preferred stock thirty dollars ($30.00) par value each, held by such stockholder.

Shares of preferred stock may be issued from time to time in one or more series, each such series to have such distinctive designation or title as may be fixed by the Board of Directors prior to the issuance of any shares thereof. Subject to the preceding paragraph, each such series shall have such voting powers and such preferences and relative, participating, optional or other special rights, with such qualifications, limitations, or restrictions of such preferences and/or rights as shall be stated in the resolution or resolutions providing for the issue of such series of preferred stock, as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof, in accordance with the laws of the State of Delaware. Each share of any series of preferred stock shall be identical with all other shares of such series, except as to the date from which accumulated preferred dividends, if any, shall be cumulative.

No stockholder of this Corporation shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying warrants or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds, or other securities would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the Board of Directors, in its discretion, may fix; and the Board of Directors may issue shares of any class of this Corporation, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class.

FIFTH. Cumulative voting for the election of directors shall not be permitted.

SIXTH. The minimum amount of capital with which the corporation will commence business is one Thousand Dollars ($1,000).

SEVENTH. The names and places of residence of the incorporators are as follows:

Names	Residences
S. H. Livesay	Wilmington, Delaware
P. J. Obara, Jr.	Wilmington, Delaware
A. D. Grier	Wilmington, Delaware

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EIGHTH. The corporation is to have perpetual existence.

NINTH. The private property of the stockholders shall not be subject to the payment of the corporate debts to any extent whatever.

TENTH. The following provisions are adopted for the management of the business and for the conduct of the affairs of the corporation, and for creating, defining, limiting and regulating the powers of the corporation, its directors and stockholders:

(a) The business of the corporation shall be managed by its Board of Directors and the Board of Directors shall have power to exercise all the powers of the corporation, including (but without limiting the generality hereof) the power to create mortgages upon the whole or any part of the property of the corporation, real or personal, without any action of or by the stockholders, except as otherwise provided by statute or by the By-Laws.

(b) The number of directors which shall constitute the whole Board shall be such as is from time to time fixed in the manner provided in the By-Laws, but in no case shall the number be less than three (3).

(c) The directors shall be elected at the annual meeting of stockholders, and each director shall continue in office until his successor shall have been elected and qualified, or until his death, or until he shall resign, or shall have been removed for adequate cause. At each election the persons receiving the greatest number of votes shall be the directors.

(d) The Board of Directors shall have power to make and alter By-Laws, subject to such restrictions upon the exercise of such power as may be imposed by the stockholders in any By-Laws adopted by them from time to time.

(e) The Board of Directors shall have power in its discretion to fix, determine, and vary from time to time the amount to be retained as surplus, and the amount or amounts to be set apart out of any of the funds of the corporation available for dividends, as working capital, or a reserve or reserves for any proper purpose, and to abolish any such reserve in the manner in which it was created.

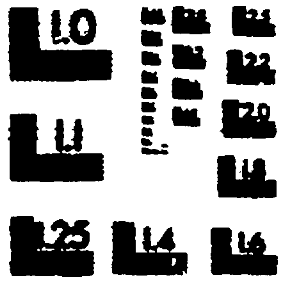
(f) The Board of Directors shall have power in its discretion from time to time to determine whether and to what extent and at what times and places and under what conditions and regulations the books and accounts of the corporation, or any of them, other than the stock ledger shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the corporation, except as conferred by law or authorized by resolution of the directors or of the stockholders.

(g) Upon any sale, exchange or other disposal of the property and/or assets of the corporation, payment therefor may be made either to the corporation or directly to the stockholders in proportion to their interests, upon the surrender of their respective stock certificates, or otherwise, as the Board of Directors may determine.

(h) The Board of Directors shall have the power, by resolution adopted by the affirmative vote of a majority of the whole Board, to appoint one or more committees, including, but not limited to, an executive committee, each committee to consist of two or more of the directors of the Corporation. Any such committee or committees, to the extent provided in the resolution or in the By-Laws of the Corporation or in the laws of the State of Delaware and subject thereto, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation.

(i) A special meeting of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Chairman of the Board or by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the Corporation issued and outstanding and entitle to vote. (j) Notice of each meeting of stockholders, whether annual or special, shall, at least ten days before the day on which the meeting is to be held, be given to each stockholder of record entitled to vote by delivering a written or printed notice thereof to him personally, or by mailing such notice in a postage prepaid envelope addressed to him at his address as it appears on the stock books of the Corporation; provided, that no notice of any character of any meeting of stockholders need be given to any stockholder to whom the delivery, mailing or other giving of such notice would be unlawful (either absolutely or without official license or consent) pursuant to the provisions of any law of the United States or any rule, regulation, proclamation, or executive order issued pursuant thereto. Except as otherwise required by statute, no publication of any notice of a meeting of stockholders shall be required. Every notice of a special meeting of stockholders, besides stating the time and place of the meeting, shall state briefly the objects thereof.

ELEVENTH. Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of Title 8 of the Delaware Code, or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders, or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.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TWELFTH. No contract or other transactions between the Corporation and any other corporation, firm or individual shall be affected or invalidated by the fact that any one or more of the directors or officers of this corporation is or are interested in or is a director or officer of such other corporation, or a member of such firm, and any director or officer, individually or jointly, may be a party to or may be interested in any contract, or transaction, of this corporation or in which this corporation is interested, and no contract, act or transaction of this corporation with any person or persons, firms or corporations, shall be affected or invalidated by the fact that any director or officer of this corporation is a party to or interested in such contract, act or transaction, or in any way connected with such person or persons, firms or corporations, and each and every person who may become a director or officer of this corporation is hereby relieved from any liability that might otherwise exist from contracting with the corporation or the benefit of himself or any firm or corporation in which he may be in anywise interested.

THIRTEENTH. Meetings of stockholders may be held outside the State of Delaware, if the By-Laws so provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation. Elections of directors need not be by ballot unless the By-Laws of the Corporation shall so provide.

FOURTEENTH. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

We, the undersigned, being each of the incorporators hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that the facts herein stated are true, and accordingly have hereunto set our hands and seals this 28th day of January, A.D. 1966.

(L.S.)

(L.S.)

(L.S.)

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STATE OF DELAWARE)
) ss:
COUNTY OF NEW CASTLE)

BE IT REMEMBERED that on this 28th day of January, 1966 personally came before me, a Notary Public for the State of Delaware, S. H. Livesay, F. J. Obara, Jr. and A. D. Grier, all of the parties to the foregoing Certificate of Incorporation, known to me personally to be such, and severally acknowledged the said certificate to be the act and deed of the signers respectively and that the facts therein stated are truly set forth.

GIVEN UNDER MY HAND AND SEAL of office the day and year aforesaid.

Notary Public

CERTIFICATE OF THE DESIGNATION, PREFERENCES, RIGHTS AND LIMITATIONS OF THE $3 SERIES C CUMULATIVE CONVERTIBLE PREFERRED STOCK $10 PAR VALUE

OF

SATURN INDUSTRIES, INC.

Pursuant to Section 151 of the General Corporation Law of the State of Delaware

---

Saturn Industries, Inc., hereinafter called the "Corporation", a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That, pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation, and pursuant to the provisions of Section 151 of Title 8 of The Delaware Code of 1953, the Board of Directors, at a meeting duly held on December 20, 1967, duly adopted a resolution providing for the issuance of a series of 20,000 shares of $3 Series C Cumulative Convertible Preferred Stock, $10 par value, which resolution is as follows:

"RESOLVED, that pursuant to the authority expressly granted to and vested in the Board of Directors of this Corporation in accordance with the provision of its Certificate of Incorporation, a series of preferred stock of the Corporation be and it hereby is given the distinctive designation of "$3 Series C Cumulative Convertible Preferred Stock, $10 Par Value" (the "Series C Preferred Stock"), the series to consist of 20,000 shares of the par value of Ten Dollars ($10.00) per share, of which the preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, shall be as follows:

1. Cash Dividends on Series C Preferred Stock.

(a) The holders of the Series C Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors out of the funds of the Corporation legally available therefor, subject to the provisions of subparagraph (b), cumulative cash dividends at the annual rate of $3.00 per share, payable semi-annually on the 1st day of January and July in each year, commencing July 1, 1968. Cash dividends on shares of Series C Preferred Stock issued subsequent to December 31, 1967 will commence to accrue and will be cumulative from the date of their issue. If the dividend on the Series C Preferred Stock for any dividend period shall not have been paid or set apart in full for the Series C Preferred Stock, the aggregate deficiency shall be cumulative and shall be fully paid or set apart for payment before any dividends shall be paid upon or set apart for the Common Stock. Accumulations of dividends on the Series C Preferred Stock shall not bear interest.

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(b) The Corporation may not fully pay all of the dividends due, including amount currently due and unpaid accrued dividends, on the Series C Preferred Stock unless at the same time it fully pays all dividends due on the $50 Series B-2 Cumulative Convertible Preferred Stock, $30.00 Par Value, of the Corporation, sometimes herein called the Series B-2 Preferred Stock.

2. <u>Redemption of Series C Preferred Stock.</u>

(a) The outstanding Series C Preferred Stock shall be redeemable, in whole or in part, at the option of the Corporation at any time after December 31, 1967, at $100.00 per share, plus all dividends accrued and unpaid on the Series C Preferred Stock up to the date fixed for redemption upon giving the notice hereinafter required.

(b) The Corporation shall redeem all outstanding shares of the Series C Preferred Stock on the fifth anniversary of their date of issue, at $100 per share, plus all dividends accrued and unpaid on the shares to be redeemed up to the date fixed for redemption, upon giving the notice as hereinafter provided.

(c) If the Corporation does not, because of lack of legally available funds or for any other reason, redeem all of the Series C Preferred Stock required to be redeemed on or before the date of redemption described in paragraph 2(b), the Corporation may not declare or pay a dividend on, or make a distribution with respect to, or acquire by purchase, retirement, redemption,

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or otherwise, any shares of its Common Stock until it has first redeemed all shares of the Series C Preferred Stock required to be redeemed under paragraph 2(b). So long as any of the Series C Preferred Stock required to be redeemed under paragraph 2(b) is outstanding, the Corporation shall on each January 1 and July 1 after the date of redemption described in paragraph 2(b), redeem all outstanding shares of Series C Preferred Stock which it is required and not prohibited by law or otherwise from redeeming.

(d) If the Corporation redeems less than the entire amount of Series C Preferred Stock required to be redeemed at any one time, the number of shares to be redeemed shall be allocated ratably among all the respective holders of all the outstanding shares of Series C Preferred Stock required to be redeemed as of the date fixed for redemption so that the number of shares of Series C Preferred Stock of each holder redeemed shall bear the same ratio to the total number of shares of the holder required to be redeemed. No fractional shares of Series C Preferred Stock shall be redeemed; the number of shares to be redeemed, based upon the aforesaid allocation shall with respect to each holder be reduced to the next lowest number of whole shares of Series C Preferred Stock.

(e) If the Corporation redeems shares pursuant to paragraph (a), they shall be redeemed in the manner described in paragraph (d) from the shares first required to be redeemed under paragraphs (b) and (c).

(f) After May 15, 1969, if any shares of Series B-2 Preferred Stock are outstanding, the Corporation may not declare or pay a dividend on or make a distribution in dissolution or otherwise with respect to or acquire by purchase, retirement, redemption or otherwise any shares of Series C Preferred Stock until it has first redeemed all shares of Series B-2 Preferred Stock.

(g) Not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption of the Series C Preferred Stock or any part thereof, a notice specifying the time and place thereof will be given by mail to the holders of record of the shares of Series C Preferred Stock selected for redemption at their respective addresses as they appear on the stock books of the Corporation, but failure to mail the notice or any defect therein or in the mailing thereof shall not affect the validity of the proceedings for redemption. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice. Upon the redemption date, or upon such earlier date as the Board of Directors shall designate for payment of the redemption price (unless the Corporation shall default in the payment of the redemption price as set forth in the notice), the holders of shares of Series C Preferred Stock selected for redemption and to whom notice has been duly given shall cease to be stockholders with respect to those shares and shall have no interest in or claim against the Corporation by virtue thereof, other than the right of the holders to exercise the privilege of conversion, if any, not theretofore expiring, and shall have no voting or other rights with respect to the shares except the right to receive the amount payable on redemption from the Corporation, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of the certificates, and the shares represented thereby shall be deemed to be no longer outstanding. Series C Preferred Stock redeemed by the Corporation or converted into Common Stock shall be cancelled and shall not be reissued. After the giving of any notice by the Corporation of redemption and prior to the close of business on the tenth day prior to the redemption date, as hereinafter provided, the holders of Series C Preferred Stock called for redemption may convert the stock into Common Stock of the Corporation in accordance with the conversion privileges set forth in paragraph 4.

3. <u>Priority of Series C Preferred Stock in Event of Dissolution.</u>

In the event of any liquidation, dissolution, or winding up of the affairs of the Corporation, whether voluntary or otherwise, after payment or provision for payment of the debts and other liabilities of the Corporation and required payment to the holders of Series B-2 Preferred Stock or other prior preferred stock, the holders of the Series C Preferred Stock will be entitled to receive $100.00 per share out of the remaining net assets of the Corporation, in cash for each share held, plus an amount equal to all dividends accrued and unpaid on each share up to the date fixed for distribution, before any distribution shall be made to the holders of the Common Stock of the Corporation; available for distribution to the holders of Series C Preferred Stock if the assets are insufficient to provide for payment of the aforesaid amounts, the assets will be distributed ratably per share. Upon payment of the aforesaid amounts to the holders of the Series C Preferred Stock, no further payments will be required, and the rights of the holders of the Series C Preferred Stock will terminate.

4. Conversion of Series [illegible]red Stock into Common Stock.

(a) Subject to t[illegible]sions of this paragraph 4, the holder of record of any shar[illegible] of [illegible]ries C Preferred Stock shall have the right, at his option, at any time after the issuance of the shares of Series C Preferred Stock, to convert each share of Series C Preferred Stock into four shares of fully-paid and non-assessable Common Stock of the Corporation. The right of conversion in respect to shares of Series C Preferred Stock called for redemption shall terminate at the close of business on the tenth day prior to the date fixed for the redemption, unless default shall be made in payment of the redemption price.

(b) Any holder of Series C Preferred Stock desiring to convert Series C Preferred Stock into Common Stock shall surrender the certificate representing the shares of Series C Preferred Stock to be converted, duly endorsed to the Corporation or in blank, at the office of any Transfer Agent for the Series C Preferred Stock or such other place as may be designated by the Corporation, and shall give written notice to the Corporation at its office that he elects to convert the shares, and setting forth the name or names (with the address or addresses) in which the shares of Common Stock are to be issued. If the last day for exercise of the conversion right in the city of the principal place of business of any Transfer Agent for the Series C Preferred Stock (or in the city of the principal office of such other entity as the Corporation shall have designated as the place to surrender Series C Preferred Stock for conversion) is a legal holiday, the conversion right may be exercised in the city on the next succeeding business day.

(c) Conversion of Series C Preferred Stock shall be subject to the following terms:

(1) As promptly as practicable after Series C Preferred Stock is surrendered for conversion, the Corporation shall cause to be delivered at the principal office of any Transfer Agent for the Series C Preferred Stock (or such other place as may be designated by the Corporation), to

or upon the written order of the holder of the Series C Preferred Stock, certificates representing the shares of Common Stock issuable upon the conversion, issued in the name or names directed by the holder, and cash in respect to any fraction of a share as provided in subparagraph (3) below. Shares of the Series C Preferred Stock will be deemed to have been converted as of the close of business on the date of surrender of the Series C Preferred Stock for conversion, as provided above, and the rights of the holder of the Series C Preferred Stock shall cease at that time, and the person or persons in whose name or names the certificates for the Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of the Common Stock at that time; provided if the surrender is on a date when the stock transfer books of the Corporation are closed, the person or persons in whose name or names the certificates for Common Stock are to be issued shall be deemed the record holder or holders thereof commencing at the close of business on the next day on which the stock transfer books are open.

(2) The Corporation shall make no payment or adjustment on account of any dividends accrued on shares of Series C Preferred Stock surrendered for conversion.

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(3) The Corporation shall not be required to issue any fractions of shares of Common Stock upon conversion of Series C Preferred Stock. The number of full shares of Common Stock which are issuable to each holder upon conversion of shares of Series C Preferred Stock will be computed on the basis of the aggregate number of shares of Series C Preferred Stock surrendered by the holder. If any interest in a fractional share of Common Stock would otherwise be deliverable upon the conversion of Series C Preferred Stock, the Corporation shall make adjustment for the fractional share interest by payment of an amount in cash equal to the same fraction of the market price of a full share of Common Stock of the Corporation. The market price of a share of Common Stock shall be the mean between the high and low selling price of the Common Stock on the largest exchange on which the Common Stock is trading on the date of conversion of the Series C Preferred Stock

(4) If the Corporation subdivides or combines into a greater or lesser number of shares the outstanding shares of Common Stock, the number of shares of Common Stock issuable upon conversion of the Series C Preferred Stock shall be proportionately increased in the case of a subdivision, anddecreased in the case of a combination, effective in either

case at the close of business on the date when such subdivision or combination becomes effective.

(5) If the Corporation is recapitalized, consolidated with or merged into any other corporation, or sells or conveys to any other corporation substantially all of its property, provision shall be made as part of the terms of the recapitalization, consolidation, merger, sale or conveyance so that a holder of Series C Preferred Stock may thereafter receive in lieu of the Common Stock otherwise issuable to him upon conversion of his Series C Preferred Stock, the same kind and amount of securities or assets as are distributable upon the recapitalization, consolidation, merger, sale or conveyance, with respect to the Common Stock of the Corporation at the applicable conversion rate hereunder.

(6) If the Corporation shall at any time pay to the holders of Common Stock a dividend in Common Stock or split its Common Stock, the number of shares of Common Stock issuable upon conversion of the Series C Preferred Stock shall be proportionately increased, effective at the close of business on the record date for determination of the holders of Common Stock entitled to such dividend.

(7) No adjustment of the conversion ratio shall be made by reason of any declaration or payment to the holders

of the Common Stock of the Corporation of a dividend or distribution payable in any property or securities other than Common Stock, any redemption of the Common Stock, any issuance of any securities convertible into Common Stock, or for any other reason, except as expressly provided herein.

(c) The Corporation shall at all times reserve and keep available solely for the purpose of issue upon conversion of Series C Preferred Stock, as herein provided, such number of shares of Common Stock as shall be issuable upon the conversion of all outstanding Series C Preferred Stock.

(d) The issuance of certificates for shares of Common Stock upon conversion of the Series C Preferred Stock shall be made without charge for any tax. If any certificate is to issued in a name other than that of the holder of record of the Series C Preferred Stock converted, the person or persons requesting the issuance thereof shall pay to the Corporation the amount of any tax which may be payable in respect of any transfer involved in such issuance, or shall establish to the satisfaction of the Corporation that the tax has been paid or is not due and payable.

5. Voting Rights.

At every meeting of stockholders of the Corporation, every holder of Series C Preferred Stock shall be entitled to one vote for each share of Series C Preferred Stock standing in his name on the books of the Corporation, with the same and identical voting rights, except as expressly provided herein, as a holder of a share of Common Stock.

IN WITNESS WHEREOF, Saturn Industries, Inc. has caused its corporate seal to be hereunto affixed and this certificate to be signed by Joseph F. McKinney, its President, and Neil J. O'Brien, its Secretary, this 20th day of December, 1967.

SATURN INDUSTRIES, INC.

By ____________________
Joseph F. McKinney, President

and

By Neil J. O'Brien
Neil J. O'Brien, Secretary

(Corporate Seal)

THE STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

BE IT REMEMBERED, that on this 20th day of December, 1967, personally came before me Vicki Foster Mickey a Notary Public in and for the County and State aforesaid, JOSEPH F. McKINNEY, President of Saturn Industries, Inc., a corporation of the State of Delaware, the corporation described in and which executed the foregoing certificate, known to me personally to be such, and he, the said JOSEPH F. McKINNEY, as such President, duly executed the certificate before me and acknowledged the said certificate to be his act and deed and the act and deed of said corporation; that the signatures of the said President and of the Secretary of said corporation to said foregoing certificate are in the handwriting of the said President and Secretary of said corporation, respectively, and that the seal affixed to said certificate is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Notary Public in and for Dallas
County, Texas

(Notary Seal)

My Commission expires 6-1-69

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CERTIFICATE OF AMENDMENT

of

CERTIFICATE OF INCORPORATION

of

SATURN INDUSTRIES, INC.

(Pursuant to Section 242 of Title 8, Chapter 1
of the Delaware Code of 1953)

Saturn Industries, Inc. (hereinafter called the "corporation"), a corporation organized and existing under and by virtue of the provisions of an Act of the General Assembly of the State of Delaware entitled "An Act Providing a General Corporation Law", approved March 10, 1889, and the Acts amendatory thereof and supplemental thereto, the Certificate of Incorporation of which was filed in the Office of the Secretary of State of Delaware on January 28, 1966, and recorded in the Office of the Recorder of Deeds for New Castle County, State of Delaware, on January 28, 1966, does hereby certify:

FIRST: That, it appearing by the Certificate of the Judges appointed for the purpose of conducting the Annual Meeting of Stockholders of the above corporation held on the 23rd day of April, A.D. 1969, in the City of Dallas, State of Texas, at 10:00 o'clock in the forenoon for the consideration of the amendment hereinafter set forth, and the vote of the stockholders for and against the adoption of said amendment, that the persons or bodies corporate holding the majority of the voting power of the issued and outstanding voting stock of said corporation have voted in favor thereof, and that the persons or bodies corporate holding at least a majority of the issued and outstanding Common Stock, $0.10 par value, voting as a class, have voted in favor thereof, the following amendment to the Certificate of Incorporation of the above corporation was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware, as amended:

Article Fourth is amended to hereafter read as follows:

"FOURTH. This Corporation is authorized to issue eleven million shares of capital stock. Ten million (10,000,000) of the authorized shares shall be common stock, ten cents ($0.10) par value each, and one million (1,000,000) of the authorized shares shall be preferred stock, ten dollars ($10.00) par value each.

Each holder of both classes of capital stock shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of the capital stock held by the shareholder.

Shares of preferred stock may be issued from time to time in one or more series, each such series to have such distinctive designation or title as may be fixed by the Board of Directors prior to the issuance of any shares thereof. Subject to the preceding paragraph, each such series shall have such voting powers and such preferences and relative, participating, optional or other special rights, with such qualifications, limitations, or restrictions of such preferences and/or rights as shall be stated in the resolution or resolutions providing for the issue of such series of preferred stock, as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof, in accordance with the laws of the State of Delaware. Each share of any series of preferred stock shall be identical with all other shares of such series, except as to the date from which accumulated preferred dividends, if any, shall be cumulative.

No stockholder of this Corporation shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying warrants or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds, or other securities would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the Board of Directors, in its discretion, may fix; and the Board of Directors may issue shares of any class of this Corporation, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class."

SECOND: The capital of the corporation will not be reduced under or by reason of this amendment.

IN WITNESS WHEREOF, the said Saturn Industries, Inc. has caused its corporate seal to be hereunto affixed and this Certificate to be signed by C. A. Rundell, Jr., its Executive Vice President, and Neil J. O'Brien, its Secretary this 30th day of April, A.D., 1969.

SATURN INDUSTRIES, INC.

By C.A. Rundell
C. A. Rundell, Jr., Executive Vice President

(CORPORATE SEAL)

SATURN INDUSTRIES, INC.
CORPORATE SEAL
DELAWARE
1955.

By Neil J. O'Brien
Neil J. O'Brien, Secretary

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

Be it remembered that on the 30th day of April, A.D., 1969 personally came before me Pat [illegible], a Notary Public in and for the County and State aforesaid, C. A. Rundell, Jr., Executive Vice President of Saturn Industries, Inc., a corporation of the State of Delaware, the corporation described in and which executed the foregoing Certificate, known to me personally to be such, and he, the said C. A. Rundell, Jr., as such Executive Vice President, duly executed said Certificate before me and acknowledged the said Certificate to be his act and deed and the act and deed of said corporation and further acknowledged that the facts contained therein are true; that the signatures of the said Executive Vice President and Secretary of said Corporation to said foregoing Certificate are in the handwriting of the said Executive Vice President and Secretary, respectively, and that the seal affixed to said Certificate is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

Pat [illegible]
Notary Public in and for Dallas County, Texas

[illegible]

My commission expires
June 1, 1969

NOTARY PUBLIC
COUNTY OF DALLAS, TEXAS

February 26, 1970 10:06 A.M.

CERTIFICATE OF AMENDMENT

of

CERTIFICATE OF INCORPORATION

of

SATURN INDUSTRIES, INC.

(Pursuant to Section 242 of Title 8,
Chapter 1 of the Delaware Code of 1953)

Saturn Industries, Inc. (hereinafter called the "corporation"), a corporation organized and existing under and by virtue of the provisions of an Act of the General Assembly of the State of Delaware entitled "An Act Providing a General Corporation Law", approved March 10, 1889, and the Acts amendatory thereof and supplemental thereto, the Certificate of Incorporation of which was filed in the Office of the Secretary of State of Delaware on January 28, 1966, and recorded in the Office of the Recorder of Deeds for New Castle County, State of Delaware, on January 28, 1966, does hereby certify:

FIRST: That, it appearing by the Certificate of the Judges appointed for the purpose of conducting the Special Meeting of Stockholders of the above corporation held on the 25th day of February, A. D., 1970, in the City of Dallas, State of Texas, at 10:00 o'clock in the forenoon for the consideration of the amendment hereinafter set forth, and the vote of the stockholders for and against the adoption of said amendment, that the persons or bodies corporate holding the majority of the voting power of the issued and outstanding voting stock of said corporation have voted in favor thereof, the following amendment to the Certificate of Incorporation of the above corporation was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware, as amended:

Article First is amended to hereafter read as follows:

"FIRST: The name of the Corporation is TYLER CORPORATION."

SECOND: The capital of the corporation will not be reduced under or by reason of said amendment to Article FOURTH.

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IN WITNESS WHEREOF, the said Saturn Industries, Inc. has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Joseph F. McKinney, its President and Neil J. O'Brien, its Secretary, this 25th day of February, A. D., 1970.

SATURN INDUSTRIES, INC.

By [signature]
Joseph F. McKinney, President

By [signature]
Neil J. O'Brien, Secretary

[Corporate Seal]

THE STATE OF TEXAS)

COUNTY OF DALLAS)

Be it remembered that on this 25th day of February, A. D., 1970, personally came before me, [signature], a Notary Public in and for the County and State aforesaid, JOSEPH F. McKINNEY, President of Saturn Industries, Inc., a corporation of the State of Delaware, the corporation described in and which executed the foregoing Certificate, known to me personally to be such, and he, the said JOSEPH F. McKINNEY, as such President, duly executed said Certificate before me and acknowledged the said Certificate to be his act and deed and the act and deed of said corporation, and further acknowledged that the facts contained therein are true; that the signatures of the said President and Secretary of said Corporation to said foregoing Certificate are in the handwriting of the said President and Secretary, respectively, and that the seal affixed to said Certificate is the common or corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

[signature]
Notary Public in and for Dallas County, Texas

[Notarial Seal]

My commission expires June 1, 1971

CERTIFICATE OF THE PURCHASE OF SHARES OF
$3 SERIES C CUMULATIVE CONVERTIBLE
PREFERRED STOCK, $10 PAR VALUE, OF
TYLER CORPORATION

(Pursuant to Section 243 of the General Corporation Law of the State of Delaware)

TYLER CORPORATION, hereinafter called the "Corporation", a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that:

1. Pursuant to authority conferred on the Board of Directors by the Certificate of Incorporation, as amended, of the Corporation, and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, at a meeting duly held on December 20, 1967, duly adopted a resolution (the "December 20, 1967 Resolution") providing for the issuance of a series of 20,000 shares of the preferred stock, $10 par value, designated as $3 Series C Cumulative Convertible Preferred Stock, $10 Par Value (the "Series C Preferred Stock"). The December 20, 1967 Resolution further provided that upon redemption or conversion of Series C Preferred Stock in the manner set forth therein, Series C Preferred Stock so acquired by the Corporation shall be cancelled and shall not be reissued. The December 20, 1967 Resolution is set forth in the Certificate of the Designation, Preferences, Rights

and Limitations of the Series C Preferred Stock, (the "Designation Certificate"), which was filed in the Office of the Secretary of State of the State of Delaware and recorded in the Office of the Recorder of New Castle County, Delaware on December 22, 1967, as required by Section 151 of the General Corporation Law of the State of Delaware.

2. Since the December 20, 1967 Resolution was adopted by the Board of Directors and the Designation Certificate setting forth the December 20, 1967 Resolution was filed and recorded as aforesaid, an aggregate of 17,592 shares of Series C Preferred Stock have been issued to date by the Corporation.

3. On December 12, 1972, 7,614 of the issued and outstanding shares of Series C Preferred Stock not theretofore converted into Common Stock of the Corporation or redeemed were purchased by the Corporation for a per share consideration in excess of the per share par value of the Series C Preferred Stock; such shares were purchased to the extent of $10 per share out of the capital of the Corporation. Accordingly, the capital of the Corporation was reduced by the aggregate amount of $ 76,140.00. The assets of the Corporation remaining after such reduction of capital were sufficient to pay any debts of the Corporation, the payment of which was not otherwise provided.

4. Pursuant to Section 151 of the General Corporation Law of the State of Delaware and not contrary to the provisions contained in the December 20, 1967 Resolution, which provide that only shares of Series C Preferred Stock converted into Common Stock or redeemed by the Corporation shall be cancelled and shall

not be reissued and contain no restrictions on the reissuance of shares of Series C Preferred Stock purchased by the Corporation, such 7,614 shares of Series C Preferred Stock so purchased shall, upon the filing of this Certificate in the Office of the Secretary of State of the State of Delaware and the recording of this Certificate in the Office of the Recorder of New Castle County, Delaware, have the status of authorized and unissued shares of preferred stock, $10 par value, of the Corporation and the number of shares of preferred stock, $10 par value, of the Corporation designated as Series C Preferred Stock shall accordingly be reduced by the 7,614 shares so purchased by the Corporation.

IN WITNESS WHEREOF, TYLER CORPORATION has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Frederick R. Meyer its Vice President , and Neil J. O'Brien, its Secretary, this 26th day of December, 1972.

TYLER CORPORATION

By Frederick R. Meyer

Frederick R. Meyer, Vice President

Neil J. O'Brien

Neil J. O'Brien, Secretary

(Corporate Seal)

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CERTIFICATE OF THE CONVERSION AND RETIREMENT
OF SHARES OF $3 SERIES C CUMULATIVE
CONVERTIBLE PREFERRED STOCK, $10 PAR VALUE, OF
TYLER CORPORATION

(Pursuant to Section 243 of the General Corporation Law of the State of Delaware)

TYLER CORPORATION, hereinafter called the "Corporation", a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that:

1. Pursuant to authority conferred on the Board of Directors by the Certificate of Incorporation, as amended, of the Corporation, and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, at a meeting duly held on December 20, 1967, duly adopted a resolution (the "December 20, 1967 Resolution") providing for the issuance of a series of 20,000 shares of the preferred stock, $10 par value, designated as $3 Series C Cumulative Convertible Preferred Stock, $10 Par Value (the "Series C Preferred Stock"). The December 20, 1967 Resolution further provided that upon redemption or conversion of Series C Preferred Stock in the manner set forth therein, Series C Preferred Stock so acquired by the Corporation shall be cancelled and shall not be reissued. The December 20, 1967 Resolution is set forth in the Certificate of the Designation, Preferences, Rights

and Limitations of the Series C Preferred Stock, (the "Designation Certificate"), which was filed in the Office of the Secretary of State of the State of Delaware and recorded in the Office of the Recorder of New Castle County, Delaware on December 22, 1967, as required by Section 151 of the General Corporation Law of the State of Delaware.

2. Since the December 20, 1967 Resolution was adopted by the Board of Directors and the Designation Certificate setting forth the December 20, 1967 Resolution was filed and recorded as aforesaid, an aggregate of 17,592 shares of Series C Preferred Stock have been issued to date by the Corporation.

3. During the period beginning immediately following the date of initial issuance of the shares of Series C Preferred Stock and ending at the close of business on December 10, 1972, an aggregate of 7,978 shares of Series C Preferre Stock had been duly converted, from time to time, into an aggregate of 31,912 shares of Common Stock, $0. 10 par value, of the Corporation, as provided in the December 20, 1967 Resolution. Accordingly, pursuant to a resolution duly adopted by the Board of Directors of the Corporation, the capital of the Corporation was reduced to the extent of the difference between the aggregate par value of the 7,978 shares of Series C Preferred Stock so converted and the aggregate par value of the 31,912 shares of Common Stock issued on such conversion, being an aggregate reduction of capital of $76,588.80. The assets of the Corporation remaining after such reduction of capital were sufficient to pay any debts of the

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Corporation, the payment of which was not otherwise provided.

4. Pursuant to the December 20, 1967 Resolution such 7,978 shares of Series C Preferred Stock so converted into Common Stock were cancelled by virtue of the provisions contained in the December 20, 1967 Resolution to the effect that upon conversion such shares of Series C Preferred Stock shall be cancelled and shall not be reissued. Accordingly, the authorized preferred stock, $10 par value, of the Corporation was reduced to the extent of the aggregate par value of such 7,978 shares of Series C Preferred Stock.

IN WITNESS WHEREOF, TYLER CORPORATION has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Frederick R. Meyer its Vice President , and Neil J. O'Brien, its Secretary, this 26th day of December, 1972.

TYLER CORPORATION

By [signature]
Frederick R. Meyer, Vice President

[signature]
Neil J. O'Brien, Secretary

[Corporate Seal]

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CERTIFICATE OF THE REDEMPTION AND RETIREMENT OF SHARES OF $3 SERIES C CUMULATIVE CONVERTIBLE PREFERRED STOCK, $10 PAR VALUE, OF TYLER CORPORATION

(Pursuant to Section 243 of the General Corporation Law of the State of Delaware)

TYLER CORPORATION, hereinafter called the "Corporation", a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that:

1. Pursuant to authority conferred on the Board of Directors by the Certificate of Incorporation, as amended, of the Corporation, and pursuant to the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, at a meeting duly held on December 20, 1967, duly adopted a resolution (the "December 20, 1967 Resolution") providing for the issuance of a series of 20,000 shares of the preferred stock, $10 par value, designated as $3 Series C Cumulative Convertible Preferred Stock, $10 Par Value (the "Series C Preferred Stock"). The December 20, 1967 Resolution further provided that upon redemption or conversion of Series C Preferred Stock in the manner set forth therein, Series C Preferred Stock so acquired by the Corporation shall be cancelled and shall not be reissued. The December 20, 1967 Resolution is set forth in the Certificate of the Designation, Preferences, Rights

and Limitations of the Series C Preferred Stock, (the "Designation Certificate"), which was filed in the Office of the Secretary of State of the State of Delaware and recorded in the Office of the Recorder of New Castle County, Delaware on December 22, 1967, as required by Section 151 of the General Corporation Law of the State of Delaware.

2. Since the December 20, 1967 Resolution was adopted by the Board of Directors and the Designation Certificate setting forth the December 20, 1967 Resolution was filed and recorded as aforesaid, an aggregate of 17,592 shares of Series C Preferred Stock have been issued to date by the Corporation.

3. On December 20, 1972, an aggregate of 2000 shares of Series C Preferred Stock, being all of the issued and outstanding shares of Series C Preferred Stock not theretofore converted into Common Stock or purchased by the Corporation, were redeemed by the Corporation at the per share redemption price set forth in the December 20, 1967 Resolution, plus accrued and unpaid dividends to the date of redemption; such shares were redeemed to the extent of $10 per share out of the capital of the Corporation. Accordingly, the capital of the Corporation was reduced by the aggregate amount of $ 20,000.00. The assets of the Corporation remaining after such reduction of capital were sufficient to pay any debts of the Corporation, the payment of which was not otherwise provided.

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4. Pursuant to the December 20, 1967 Resolution, such shares of Series C Preferred Stock so redeemed were cancelled by virtue of the provisions contained in the December 20, 1967 Resolution to the effect that upon redemption such shares shall be cancelled and shall not be reissued. Accordingly, the authorized preferred stock, $10 par value, of the Corporation was reduced to the extent of the aggregate par value of such 2,000 shares of Series C Preferred Stock.

IN WITNESS WHEREOF, TYLER CORPORATION has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Frederick R. Meyer its Vice President , and Neil J. O'Brien, its Secretary, this 26th day of December, 1972.

TYLER CORPORATION

By [signature]
Frederick R. Meyer, Vice President

Neil J. O'Brien
Neil J. O'Brien, Secretary

[Corporate Seal]

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CERTIFICATE OF DECREASE OF NUMBER OF SHARES OF THE SERIES OF PREFERRED STOCK, $10 PAR VALUE, DESIGNATED AS THE $3 SERIES C CUMULATIVE CONVERTIBLE PREFERRED STOCK, $10 PAR VALUE OF TYLER CORPORATION

rsuant to Section 151 of the General Corporation Law of the State of Delaware)

TYLER CORPORATION, hereinafter called the "Corporation", a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the Board of Directors by the provisions of Section 151 of the General Corporation Law of the State of Delaware, said Board of Directors, at a meeting duly held on December 26, 1972, duly adopted a resolution authorizing and directing the decrease of the number of shares of the series of preferred stock, $10 par value, of the Corporation designated as the $3 Series C Cumulative Convertible Preferred Stock, $10 Par Value, by 2,408 shares, from 2,408 shares to no shares, which resolution is as follows:

> WHEREAS, this Board of Directors at a meeting held on December 20, 1967 adopted a resolution providing for the issuance of a series of 20,000 shares of Preferred Stock, $10 par value, which was designated as $3 Series C Cumulative Convertible Preferred Stock, $10 Par Value (the "Series C Preferred Stock"), said resolution being set forth in a certificate of the designation, preferences, rights and limitations of the Series C Preferred Stock, dated December 20, 1967, which was filed in the Office of the Secretary of State of the State of Delaware and recorded in the Office of the Recorder of New Castle County, Delaware on December 22, 1967; and

WHEREAS, an aggregate of 17,592 shares of Series C Preferred Stock have been issued to date by the Company, of which an aggregate of 9,978 shares have been cancelled and may not be reissued, and an aggregate of 7,614 shares have been purchased by the Corporation and are no longer outstanding and upon the filing and recording of the certificate of purchase of shares of Series C Preferred Stock, hereinafter referred to, the purchased shares will have the status of authorized and unissued shares of Preferred Stock, $10 par value, of the Company, all as set forth and described in the certificate of conversion, certificate of purchase and certificate of redemption relating to the shares of Series C Preferred Stock, each dated as of December 26, 1972 and filed in the Office of the Secretary of State of Delaware and recorded in the Office of the Recorder of New Castle County, Delaware;

NOW, THEREFORE, BE IT RESOLVED, that the number of authorized shares of the series of Preferred Stock $10 par value, designated as $3 Series C Cumulative Convertible Preferred Stock, $10 Par Value, as set forth in the resolution of this Board of Directors adopted at its meeting held on December 20, 1967, as reduced by the certificate of conversion, certificate of purchase and certificate of redemption relating to the shares of Series C Preferred Stock referred to above, be and it hereby is authorized and directed to be decreased by 2,408 shares, from 2,408 shares to no shares; that such 2,408 shares by which the number of authorized shares of Series C Preferred Stock has been so decreased be returned to the status of authorized but unissued and undesignated shares of Preferred Stock, $10 par value, of the Company.

IN WITNESS WHEREOF, TYLER CORPORATION has caused its corporate seal to be hereunto affixed and this Certificate to be signed by Frederick R. Meyer, its Vice President, and attested by Neil J. O'Brien, its Secretary, this 26th day of December, 1972.

TYLER CORPORATION

By [signature]
Frederick R. Meyer, Vice President

Neil J O'Brien
Neil J. O'Brien, Secretary

[Corporate Seal]

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

TYLER CORPORATION

Tyler Corporation, a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation, acting at a regular meeting duly called and held on February 2, 1977, adopted resolutions (i) setting forth the proposed amendment to Article Fourth of the Certificate of Incorporation, (ii) declaring the advisability of such amendment and (iii) directing that such amendment be submitted for consideration by the stockholders at the Annual Meeting of Stockholders to be held April 20, 1977.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, the Annual Meeting of Stockholders of the Corporation was duly called and held on April 20, 1977, at which meeting holders of a majority of the outstanding shares of capital stock of the Corporation entitled to vote on the proposed amendment voted in favor of the following amendment to the Certificate of Incorporation of the Corporation:

Article Fourth is amended to hereafter read as follows:

"FOURTH. This Corporation is authorized to issue twenty million nine hundred ninety thousand and twenty two (20,990,022) shares of capital stock. Twenty million (20,000,000) of the authorized shares shall be common stock, ten cents ($0.10) par value each, and nine hundred ninety thousand and twenty two (990,022) of the authorized shares shall be preferred stock, ten dollars ($10.00) par value each.

Each holder of both classes of capital stock shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of the capital stock held by the stockholder.

Shares of preferred stock may be issued from time to time in one or more series, each such series to have such distinctive designation or title as may be fixed by the Board of Directors prior to the issuance of any shares thereof. Subject to the preceding paragraph, each such series shall have such voting powers and such preferences and relative, participating, optional or other special rights, with such qualifications, limitations, or restrictions of such preferences and/or rights as shall be stated in the resolution or resolutions providing for the issue of such series of preferred stock, as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof, in accordance with the laws of the State of Delaware. Each share of any series of preferred stock shall be identical with all other shares of such series, except as to the date from which accumulated preferred dividends, if any, shall be cumulative.

No stockholder of this Corporation shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying warrants or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds, or other securities would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the Board of Directors, in its discretion, may fix; and the Board of Directors may issue shares of any class of this Corporation, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class."

THIRD: That such amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of the Corporation will not be reduced under or by reason of such amendment.

IN WITNESS WHEREOF, Tyler Corporation has caused its corporate seal to be hereunto affixed and this Certificate to be signed by J. F. McKinney, its President, and attested by Neil J. O'Brien, its Secretary, this 22nd day of April, 1977.

TYLER CORPORATION

By J F McKinney
J. F. McKinney, President

[Corporate Seal]

ATTEST:

Neil J. O'Brien
Neil J. O'Brien, Secretary

STATE OF DELAWARE

OFFICE OF SECRETARY OF STATE

I, GLENN C. KENTON, Secretary of State of the State of Delaware, do hereby certify that the above and foregoing pages numbered from 1 to 29, both numbers inclusive, is a true and correct copy of Certificate of Incorporation of the "SATURN INDUSTRIES, INC.", as received and filed in this office the twenty-eighth day of January, A.D. 1966, at 10 o'clock A.M., as amended and in effect May 4, 1969;

And I do hereby further certify that the above and foregoing pages numbered from 1 to 3, both numbers inclusive, is a true and correct copy of Certificate of Amendment of the "SATURN INDUSTRIES, INC.", as received and filed in this office the fifth day of May, A.D. 1969, at 10 o'clock A.M.;

And I do hereby further certify that the above and foregoing pages numbered from 1 to 2, both numbers inclusive, is a true and correct copy of Certificate of Amendment of the "SATURN INDUSTRIES, INC.", as received and filed in this office the twenty-sixth day of February, A.D. 1970, at 10:06 o'clock A.M.;

And I do hereby further certify that the above and foregoing pages numbered from 1 to 3, both numbers inclusive, is a true and correct copy of Certificate of Purchase of Shares of $3 Series C Cumulative Convertible Preferred Stock of the "TYLER CORPORATION", as received and filed in this office the sixteenth day of February, A.D. 1973, at 10 o'clock A.M.;

And I do hereby further certify that the above and foregoing pages numbered from 1 to 3, both numbers inclusive, is a true and correct copy of Certificate of the Conversion and Retirement of Shares of $3 Series C Cumulative Convertible Preferred Stock of the "TYLER CORPORATION", as received and filed in this office the sixteenth day of February, A.D. 1973, at 10 o'clock A.M.;

And I do hereby further certify that the above and foregoing pages numbered from 1 to 3, both numbers inclusive, is a true and correct copy of Certificate of the Redemption and Retirement of Shares of $3 Series C Cumulative Convertible Preferred Stock of the "TYLER CORPORATION", as received and filed in this office the sixteenth day of February, A.D. 1973, at 10:05 o'clock A.M.;

And I do hereby further certify that the above and foregoing pages numbered from 1 to 2, both numbers inclusive, is a true and correct copy of Certificate of Decrease of $3 Series C Cumulative Convertible Preferred Stock of the "TYLER CORPORATION", as received and filed in this office the sixteenth day of February, A.D. 1973, at 10:10 o'clock A.M.

And I do hereby further certify that the above and foregoing pages numbered from 1 to 3, both numbers inclusive, is a true and correct copy of Certificate of Amendment of the "TYLER CORPORATION", as received and filed in this office the twenty-eighth day of April, A.D. 1977, at 10 o'clock A.M.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal at Dover this twenty-seventh day of December in the year of our Lord one thousand nine hundred and seventy-seven.

Glenn C. Kenton, Secretary of State

FORM 1[illegible]

State of Delaware } ss.
New Castle County

I, Leo J. Dugan, Jr. Recorder of Deeds for New Castle County, Delaware, do hereby certify that Certified Copy of Certificate of Amendment of the "Tyler Corporation"

was received for record in this office on May 16. 1979 and the same appears of record in the Recorder's Office for said County.

Witness my hand and Official Seal, this Sixteenth day of May A.D. 1979

Leo J. Dugan Jr.
Recorder.

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

TYLER CORPORATION

Tyler Corporation, a corporation duly organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation, acting at a regular meeting duly called and held on February 1, 1979, adopted resolutions (i) setting forth the proposed amendment to Article Fourth of the Certificate of Incorporation, (ii) declaring the advisability of such amendment and (iii) directing that such amendment be submitted for consideration by the stockholders at the Annual Meeting of Stockholders to be held April 18, 1979.

SECOND: That thereafter, pursuant to resolutions of the Corporation's Board of Directors, the Annual Meeting of Stockholders of the Corporation was duly called and held on April 18, 1979, at which meeting holders of a majority of the outstanding shares of capital stock of the Corporation entitled to vote on the proposed amendment voted in favor of the following amendment to the Certificate of Incorporation of the Corporation:

Article Fourth is amended to hereafter read as follows:

"FOURTH. This Corporation is authorized to issue thirty million nine hundred ninety thousand and twenty-two (30,990,022) shares of capital stock. Thirty million (30,000,000) of the authorized shares shall be common stock, ten cents ($0.10) par value each, and nine hundred ninety thousand and twenty-two (990,022) of the authorized shares shall be preferred stock, ten dollars ($10.00) par value each.

Each holder of both classes of capital stock shall at every meeting of the stockholders be entitled to one (1) vote in person or by proxy for each share of the capital stock held by the stockholder.

Shares of preferred stock may be issued from time to time in one or more series, each such series to have such distinctive designation or title as may be fixed by the Board of Directors prior to the issuance of any shares thereof. Subject to the preceding paragraph, each such series shall have such voting powers and such preferences and relative, participating, optional or other special rights, with such qualifications, limitations, or restrictions on such preferences and/or rights as shall be stated in the resolution or resolutions providing for the issue of such series of preferred stock, as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof, in accordance with the laws of the State of Delaware. Each share of any series of preferred stock shall be identical with all other shares of such series, except as to the date from which accumulated preferred dividends, if any, shall be cumulative.

No stockholder of this Corporation shall by reason of his holding shares of any class have any pre-emptive or preferential right to purchase or subscribe to any shares of any class of the Corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying warrants or options to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares or such notes, debentures, bonds or other securities would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the Board of Directors, in its discretion, may fix; and the Board of Directors may issue shares of any class of this Corporation, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class, either in whole or in part, to the existing stockholders of any class."

THIRD: That such amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of the Corporation will not be reduced under or by reason of such amendment.

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IN WITNESS WHEREOF, Tyler Corporation has caused its corporate seal to be hereunto affixed and this Certificate to be signed by J. F. McKinney, its President, and attested by Neil J. O'Brien, its Secretary, this 18th day of April, 1979.

TYLER CORPORATION

By JFMcKinney
J. F. McKinney, President

[Corporate Seal]

ATTEST:

Neil J. O'Brien
Neil J. O'Brien, Secretary

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State of DELAWARE

Office of SECRETARY OF STATE

I, Glenn C. Kenton *Secretary of State of the State of Delaware, do hereby certify that the above and foregoing is a true and correct copy of* Certificate of Amendment of the "Tyler Corporation", as received and filed in this office the twenty-fourth day of April, A.D. 1979, at 9 o'clock A.M.

In Testimony Whereof, *I have hereunto set my hand and official seal at Dover this* twenty-fourth *day of* April *in the year of our Lord one thousand nine hundred and* seventy-nine.

Glenn C. Kenton

Glenn C. Kenton, Secretary of State

O. Evans Denney

O. Evans Denney, Assistant Secretary of State

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EXHIBIT 3.2

RESTATED MARCH 16, 1981

BY-LAWS

OF

TYLER CORPORATION

ARTICLE I

OFFICES

Section 1. The principal office shall be in the city of Wilmington, County of New Castle, State of Delaware.

Section 2. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. All meetings of the stockholders shall be held at such time and place, within or without the State of Delaware, as shall be determined by the board of directors and stated in the notice of the meeting or in a duly executed waiver of the notice thereof. At least ten days' notice shall be given to the stockholders of the time and place designated for meetings of stockholders.

Section 2. The Annual meeting of the stockholders shall be held on the fourth Wednesday of April of each year if not a legal holiday, and if a legal holiday, then the next secular day following, or at such other date as the board of directors of the corporation may determine commencing at such time as the board of directors shall determine; at the annual meeting of the stockholders, the stockholders shall elect by a plurality vote a board of directors and transact such other business as may properly be brought before the meeting.

Section 3. Written notice of the annual meeting shall be given to each stockholder entitled to vote thereat at least ten days before the date of the meeting.

Section 4. A complete list of the stockholders entitled to vote at any election of directors, arranged in alphabetical order and showing the address of each stockholder and the number of voting shares held by each, shall be prepared by the officer in charge of the stock ledger and shall be filed at the place where the election is to be held or at another place within the city, town or village where the election is to be held (which place, if other than the meeting place, shall be specified in the notice of the meeting) at least ten (10) days before such election, and shall at all times prior to the election during the usual hours for business, and during the whole time of said election, be open to examination and inspection of any stockholder.

Section 5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the certificate of incorporation, may be called by the Chairman of the Board or by the President and shall be called by the President or Secretary at the request in writing of a majority of the board of directors, or at the request in writing of stockholders owning a majority in amount of the entire capital stock of the corporation issued and outstanding and entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 6. Written notice of a special meeting of stockholders, stating the time, place and object thereof, shall be given to each stockholder entitled to vote thereat, at least ten days before the date for the meeting.

Section 7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 9. When a quorum is present at any meeting the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the certificate of incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

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Section 10. Except as provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholders. No proxy shall be voted on after one year from its date. Except where the transfer books of the corporation have been closed or a date has been fixed as a record date for the determination of its stockholders entitled to vote, no share of stock shall be voted on at any election for directors which has been transferred on the books of the corporation within twenty days next preceding such election of directors.

Section 11. Whenever the vote of stockholders at a meeting thereof is required or permitted to be taken in connection with any corporate action by any provisions of the statutes or of the certificate of incorporation, the meeting and vote of stockholders may be dispensed with if all the stockholders who would have been entitled to vote upon the action if such meeting were held shall consent in writing to such corporate action being taken.

ARTICLE III

DIRECTORS

Section 1. The number of directors shall be the number fixed from time to time by resolution of the board of directors; provided that the number shall be not less than three (3) nor more than fifteen (15). Unless otherwise provided in the certificate of incorporation, the directors shall be elected annually and each director shall continue in office until his successor shall have been elected and qualified, or until his death, or until he shall resign, or shall have been removed for adequate cause. Directors need not be stockholders.

Section 2. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by vote of a majority of the directors then in office, though less than a quorum, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced.

Section 3. The business of the corporation shall be managed by its board of directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the stockholders.

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MEETINGS OF THE BOARD OF DIRECTORS

Section 4. The board of directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 5. The first meeting of each new elected board of directors shall be held immediately following the meeting of stockholders at which such directors were elected, or be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event such meeting is not held immediately following the annual meeting, or at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

Section 6. Regular meetings of the board of directors shall be held without special notice at such time and at such place as shall from time to time be determined by the board.

Section 7. Special meetings of the board of directors may be called by the Chairman of the Board or by the President, or, on the written request of two directors, by the Secretary on twenty-four hours' notice to each director either personally or by mail or telegram.

Section 8. At any stated or special meeting of the board of directors a majority of the directors at the time in office (but not less than one-third of the whole board) shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors except as may be otherwise specifically provided by statute or by the certificate or incorporation. In the absence of a quorum a majority of the directors present may adjourn any meeting from time to time until a quorum is present. No notice of any adjourned meeting need be given.

COMMITTEES OF DIRECTORS

Section 9. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution of the board of directors and not prohibited by law, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it. At any meeting of a committee a majority of the members of the committee shall constitute a quorum for the transaction of business, and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of the committee.

Section 10. The committee shall keep regular minutes of their proceedings and report the same to the board of directors, when required.

COMPENSATION OF DIRECTORS

Section 11. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may if authorized by the board of directors be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as a director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 12. Any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent thereto is signed by all members of the board or of such committee as the case may be, and such written consent is filed with the minutes of the proceedings of the board or committees.

ARTICLE IV

NOTICES

Section 1. Notices to directors and stockholders shall be in writing and delivered personally or mailed to the directors or stockholders at their addresses appearing on the books of the corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to directors may also be given personally and by telegram.

Section 2. Whenever any notice is required to be given under the provisions of the statutes or of the certificate of incorporation or of these by-laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

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ARTICLE V

OFFICERS

Section 1. The elected officers of the corporation shall be a President (who shall be a director), one or more Vice Presidents, with or without such descriptive titles as the board of directors shall deem appropriate, a Secretary, a Treasurer, and a Controller and, if the board of directors so elects, a Chairman of the Board (who shall be a director). The board of directors by resolution shall also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents as from time to time may appear to be necessary or advisable in the conduct of the affairs of the corporation. Any two or more offices may be held by the same person except the offices of President and Secretary.

Section 2. The board of directors at its first meeting after each annual meeting of stockholders shall elect and appoint the officers to fill the positions designated in Section 1 of this Article V.

Section 3. The salaries of all elected officers of the corporation shall be fixed by the board of directors.

Section 4. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the whole board of directors. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the board of directors.

CHAIRMAN OF THE BOARD

Section 5. The Chairman of the Board shall preside when present at all meetings of the board of directors. He shall advise and counsel the President and other officers of the corporation, and shall exercise such powers and perform such duties as shall be assigned to or required of him from time to time by the Board of Directors.

PRESIDENT

Section 6. The President shall be the chief executive officer of the corporation, and, subject to the provisions of these by-laws, shall have general supervision of the affairs of the corporation and shall have general and active control of all its business. He shall preside, when present, at all meetings of stockholders, except as may otherwise be provided by statute, and, in the absence of any other person designated thereto by these by-laws, at all meetings of the board of

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directors and the executive committee, respectively. He shall have general authority to execute bonds, deeds and contracts in the name of the corporation and to affix the corporate seal thereto; to sign stock certificates; to cause the employment or appointment of such employees and agents of the corporation as the proper conduct of operations may require, and to fix their compensation, subject to the provisions of these by-laws; to remove or to suspend any employee or agent who shall have been employed or appointed under his authority or under authority of an officer subordinate to him; to suspend for cause, pending final action by the authority which shall have elected or appointed him, any officer subordinate to the President, and, in general, to exercise all the powers usually appertaining to the office of president of a corporation, except as otherwise provided in these by-laws. In the absence of the President, his duties shall be performed and his powers may be exercised by such other officer as he shall designate in writing or (failing such designation) by the executive committee, subject, in either case, to review and superseding action by the board of directors.

VICE PRESIDENT-FINANCE

Section 7. The chief financial and accounting officer of the corporation shall be designated Vice President-Finance. He shall have active control of and responsibility for all matters pertaining to the financial affairs of the corporation and its subsidiaries. His authority shall include the authorities of the Treasurer and Controller. He shall be responsible for approval of all filings with governmental agencies. He shall have the authority to execute and deliver bonds, deeds, contracts and stock certificates of and for the corporation, and to affix the corporate seal thereto by handwritten or facsimile signature and all other powers customarily appertaining to his office, except to the extent otherwise limited or enlarged. He shall report to the President and to the executive committee and the board of directors of the corporation at their request on all financial matters of the corporation.

THE SECRETARY AND ASSISTANT SECRETARIES

Section 8. The Secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all proceedings of the meetings of the stockholders of the corporation and of the board of directors in a book to be kept for that purpose, and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and meetings of the board of directors. He shall be under the supervision of the President and shall perform such other duties as may be prescribed by the President. He shall have charge of the seal of the corporation and have authority to affix the same to any instrument requiring it, and when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary, which may be in facsimile. He shall keep and account for all books, documents, papers and records of the corporation except those for which some other officer or agent is properly accountable. He shall have authority to sign stock certificates, and shall generally perform all the duties usually appertaining to the office of the secretary of a corporation.

Assistant Secretaries in the order of their seniority, unless otherwise determined by the board of directors, shall assist the Secretary, and in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

TREASURER AND ASSISTANT TREASURERS

Section 9. The Treasurer shall have the responsibility for and custody over all assets of the corporation, and the responsibility for handling of the liabilities of the corporation. He shall cause proper entries of all receipts and disbursements of the corporation to be recorded in its books of account. He shall have the responsibility for all matters pertaining to taxation and insurance. He shall have the authority to endorse for deposit or collection, or otherwise, all commercial paper payable to the corporation, and to give proper receipts or discharges for all payments to the corporation. He shall be responsible for all terms of credit granted by the corporation and for the collection of all of its accounts. He shall have the authority to execute and deliver bonds, deeds, contracts and stock certificates of and for the corporation, and to affix the corporate seal thereto by handwritten or facsimile signature and all other powers customarily appertaining to his office, except to the extent otherwise limited or enlarged. The Treasurer shall be under the supervision of the Vice PresidentFinance and he shall perform such other duties as may be prescribed to him by the Vice President-Finance. He shall report to the Vice President-Finance all material matters and all matters requested of him by the Vice President-Finance. Any action taken or decision made by the Treasurer shall be subject to the review and approval of, and rescission by, the Vice President-finance.

Assistant Treasurers, in the order of their seniority, shall assist the Treasurer, and in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer.

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CONTROLLERS AND ASSISTANT CONTROLLERS

Section 10. The Controller shall be responsible for all matters pertaining to the accounts of the corporation, its subsidiaries and divisions, with the supervision of the books of account, their installation, arrangement, and classification. He shall maintain adequate records of all assets, liabilities and transactions; shall audit all payrolls and vouchers for payment by the corporation and all documents pertaining to such vouchers; see that an adequate system of internal audit thereof is currently and regularly maintained; coordinate the efforts of the corporation's independent public accountants in its external audit program; receive, review, and consolidate all operating and financial statements of the corporation and its various departments and subsidiaries; and prepare financial statements, reports and analyses. He shall have supervision of the account practices of the corporation and of each subsidiary and division of the corporation, and shall prescribe the duties and powers of the chief accounting personnel of the subsidiaries and divisions. He shall cause to be maintained an adequate system of financial control through a program of budgets, financial planning and interpretive reports. He shall initiate and enforce accounting measures and procedures whereby the business of the corporation and its subsidiaries and divisions shall be conducted with the maximum efficiency and economy. He shall have all other powers customarily appertaining to his office, except to the extent otherwise limited or enlarged. The Controller shall be under the supervision of the Vice President-Finance. He shall report to the Vice President-Finance all material matters and all matters required of him by the Vice PresidentFinance. Any action taken or decision made by the Controller shall be subject to the review and approval of, and rescission by, the Vice President-Finance.

The Assistant Controllers, in the order of their seniority, shall assist the Controller, and if the Controller is unavailable, perform the duties and exercise the powers of the Controller.

INDEMNIFICATION

Section 11. The corporation may indemnify any present or former director, officer, employee or agent of the corporation and any person who may have served or who serves at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against (a) expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (except of the sort referred to in clause (b) hereof) to which such person was or is threatened to be made a party by reason of service by such person in such capacity, if such person acted in good faith and in a manner reasonably believed to be in or

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not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that such conduct was unlawful; and (b) expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred by him in connection with the defense or settlement of any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in favor of the corporation against such person by reason of service by such person in such capacity, if such person acted in good faith and in a manner reasonably believed by such person to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the corporation unless the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses, in which event the corporation may, but shall not be required to, indemnify such person for such expenses; provided, however, that the corporation shall indemnify any such person against such expenses actually and reasonably incurred in connection with the successful defense, on the merits or otherwise, of any action, suit or proceeding of the sort referred to in clauses (a) and (b) hereof. The determination as to whether a person is entitled to indemnification hereunder shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not or are not threatened to be made a party to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the shareholders. In making such determination, the termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. The indemnification provided by this Section shall be in addition to any other rights which those indemnified may have under any law, agreement or resolution of the board of directors or stockholders of the corporation.

Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the corporation as set forth in this Section.

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Upon resolution passed by the board of directors, the corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this Section.

ARTICLE VI

CERTIFICATES OF STOCK

Section 1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the President or Vice President and the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation. If the corporation shall be authorized to issue more than one class of stock, the designations, preferences and relative, participating, optional or other special rights of each class and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the corporation shall issue to represent such class of stock; provided, however, except as otherwise provided in Section 194 of the General Corporation Law of Delaware, 1953, in lieu of the foregoing requirements, there may be set forth on the face or the back of the certificate which the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests, the designations, preferences and relative, participating, optional or other special rights of each class of stock or shares thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Section 2. Where a certificate is countersigned by a transfer agent, other than the corporation or its employee, or by a registrar, other than the corporation or its employee, any other signature on such certificate may be a facsimile, engraved, stamped or printed. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on any such certificate or certificates shall cease to be such officer or officers of the corporation whether because of death, resignation or otherwise, before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and may be issued and delivered as though

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the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation.

LOST CERTIFICATES

Section 3. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

TRANSFER OF STOCK

Section 4. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

CLOSING OF TRANSFER BOOKS

Section 5. The board of directors may close the stock transfer books of the corporation for a period not exceeding sixty days preceding the date of any meeting of stockholders or the date for payment of any dividend or the date for the allotment of rights or the date when any change or conversion or exchange of capital stock shall go into effect or for a period of not exceeding sixty days in connection with obtaining the consent of stockholders for any purpose. In lieu of closing the stock transfer books as aforesaid, the board of directors may fix in advance a date, not exceeding sixty days preceding the date of any meeting of stockholders, or the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting, and any adjournment thereof, or entitled

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to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

REGISTERED STOCKHOLDERS

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments, a person registered on its books as the owner of shares, and shall not be bound to recognize an equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other-notice thereof, except as otherwise provided by the laws of Delaware.

STOCK OPTIONS AND AGREEMENTS

Section 7. Any stockholder of this corporation may enter into agreements giving to any other stockholder or stockholders or any third party an option to purchase any of his stock in the corporation; and such shares of stock shall thereupon be subject to such agreement and transferable only upon proof of compliance therewith, provided, however, that a copy of such agreement be filed with the corporation and reference thereto placed upon the certificates representing said shares of stock.

ARTICLE VII

GENERAL PROVISIONS

DIVIDENDS

Section 1. Dividends upon the capital stock of the corporation subject the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or

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reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors shall think conducive to the interest of the corporation and the directors may modify or abolish any such reserve in the manner in which it was created.

ANNUAL STATEMENT

Section 3. The board of directors shall present at each annual meeting and when called for by vote of the stockholders at any special meeting of the stockholders, a full and clear statement of the business and condition of the corporation.

CHECKS

Section 4. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as may from time to time be designated by or pursuant to resolution of the board of directors.

FISCAL YEAR

Section 5. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SEAL

Section 6. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

AMENDMENTS

Section 1. The by-laws may be altered or repealed at any regular meeting of the stockholders or of the board of directors or any special meeting of the stockholders or of the board of directors if notice of the proposed alteration or repeal is contained in the notice of the special meeting.

I, Neil J. O'Brien, Secretary of Tyler Corporation, hereby certify that the foregoing is a true and correct copy of the By-Laws of Tyler Corporation as restated March , 1981.

Neil J. O'Brien

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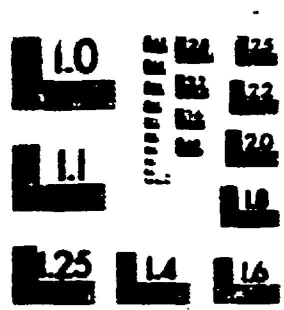
EXHIBIT 4.2



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
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DISCLOSURE

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COMPOSITE COPY
(incorporating amendments to December 15, 1980)

TYLER CORPORATION

8¾% PROMISSORY NOTE DUE JULY 1, 1989

Note Agreement

WITH

THE PRUDENTIAL INSURANCE COMPANY
OF AMERICA

Dated: August 1, 1973

THIS IS A COMPOSITE COPY OF THE ABOVE NOTE AGREEMENT AS AMENDED TO DECEMBER 15, 1980 (AS SO AMENDED, THE "NOTE AGREEMENT"). THIS COMPOSITE COPY HAS BEEN PREPARED FOR PURPOSES OF ADMINISTRATIVE CONVENIENCE AND DOES NOT, AND IS NOT INTENDED TO, AMEND, MODIFY OR OTHERWISE CHANGE THE NOTE AGREEMENT. TO THE EXTENT, IF ANY, ANY PROVISION OF THIS COMPOSITE COPY CONFLICTS WITH ANY PROVISION OF THE NOTE AGREEMENT, THE PROVISION OF THE NOTE AGREEMENT SHALL CONTROL.

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TYLER CORPORATION

3121 Southland Center

Dallas, Texas 75201

August 1, 1973

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA
Prudential Plaza
Newark, New Jersey 07101

Attention: Vice President in Charge of the Bond and Commercial Loan Department

Gentlemen:

The undersigned, TYLER CORPORATION (herein called the "Company"), a Delaware corporation, hereby agrees with you as follows:

1. **Authorization of Issue of Note.** The Company has authorized the issue of its promissory note (herein, together with any notes which may be issued hereunder in substitution therefor, called the "Note" or "Notes") in the principal amount of $40,000,000, to be dated the date of issue thereof, to mature July 1, 1989, to bear interest on the unpaid principal balance thereof from the date thereof until the principal thereof shall become due and payable at the rate of 8¾% per annum, and to be substantially in the form of Exhibit A hereto attached.

2. **Purchase and Sale of Note.** The Company hereby agrees to sell to you and, subject to the terms and conditions herein set forth, you agree to purchase from the Company the Note, registered in your name, in the principal amount of $40,000,000, at 100% of the principal amount thereof. The Company will deliver the Note to you at 11:00 A.M. New York time on August 17, 1973 at your office at Prudential Plaza, Newark, New Jersey, against payment of the purchase price thereof by credit to the Company's account # 0010-4432 at First National City Bank, New York, New York.

3. **Conditions.** Your obligation to purchase and pay for the Note is subject to the satisfaction, on or before the date of closing, of the following conditions:

3A. **Opinion of Purchaser's Special Counsel.** You shall have received from Messrs. Debevoise, Plimpton, Lyons & Gates, who are acting as special counsel for you in connection with this transaction, a favorable opinion satisfactory to you as to: (i) the due organization, existence and good standing of the Company; (ii) the due authorization (including any consent of stockholders required by law or by the charter or by-laws of the Company or otherwise), execution and delivery by the Company and the validity of this Agreement and the Note; (iii) the exemption of the sale and delivery of the Note under the Federal Securities Act of 1933, as amended; (iv) the subordination of the outstanding Subordinated Debt of the Company to the prior payment of the Notes; and (v) such other matters incident to the matters herein contemplated as you may reasonably request, including the form of all papers and the validity of all proceedings.

3B. **Opinion of Company's Counsel.** You shall have received from Messrs. Wynne Jaffe & Tinsley, counsel for the Company, a favorable opinion satisfactory to you and your special counsel as to the matters specified in paragraph 3A and as to: (i) the due organization, existence and good standing of each Significant Subsidiary; (ii) the corporate power of the Company and each such Subsidiary to carry on their respective businesses as then being conducted; (iii) the due qualification of the Company as a foreign corporation to transact business and its good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification necessary; (iv) insofar as is known to such counsel, the absence of any requirement of authorization or other action by any governmental authority in connection with the issuance and sale of the Note by the Company and the execution, delivery and performance by the Company of this Agreement; (v) the acquisitions referred to in paragraph 8L having been effected in full compliance with all applicable laws, rules, regulations and orders of governmental authorities, including compliance with applicable orders, approvals and consents of the Federal Trade Commission; and (vi) the execution and delivery of this Agreement by the Company and the issuance by the Company of the Note not conflicting with or resulting in a breach of the terms, conditions or provisions of, or constituting a default under or resulting in a violation of, or requiring any authorization, consent, approval or other action by or notice to any court or administrative or governmental body pursuant to, the charter or by-laws of the Company or any of its Subsidiaries or (insofar as is known to such counsel) any applicable law (including any applicable securities or Blue Sky law), statute, rule or regulation or (insofar as is known to such counsel) any agreement, order, judgment or decree to which the Company or any of its Subsidiaries is subject.

3C. **Representations and Warranties; No Default.** The representations and warranties contained in paragraph 8 shall be true on and as of the date of closing in all material respects, except to the extent of changes caused by the transactions herein contemplated; there shall exist on such date of closing no Event of Default or Default; and the Company shall have delivered to you an Officer's Certificate, dated the date of closing, to both such effects.

3D. **Accountants' Letter.** The Company shall have delivered to you a letter of Arthur Young & Company, addressed to you, stating that such firm has reviewed the Federal income tax returns of the Company and its Subsidiaries filed for all fiscal years which have not been examined and reported on by the taxing authorities (or closed by applicable statutes) and that, in the opinion of such firm, such returns properly reflect the Federal income taxes of the Company and its Subsidiaries for the periods covered thereby and the Company and its Subsidiaries have paid or have made provision for the payment of all Federal and State income taxes adequate in all respects material in relation to the Company and the Company's consolidated financial statements for the fiscal year ended December 31, 1972.

3E. **Purchase Permitted by Applicable Laws.** The purchase of and payment for the Note shall not be prohibited by any applicable law or governmental regulation (including, without limitation, Regulations G and T of the Board of Governors of the Federal

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Reserve System) and shall not subject you to any penalty or other onerous condition under or pursuant to any applicable law or governmental regulation, and you shall have received such certificates or other evidence as you may request to establish compliance with this condition.

3F. **Proceedings.** All corporate and other proceedings to be taken by the Company in connection with the transactions contemplated hereby and all documents incident thereto shall be satisfactory in substance and form to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

4. **Prepayments.** The Note shall be subject to prepayment with respect to the required prepayments specified in paragraph 4A and also under any one or more of the circumstances set forth in paragraphs 4B to 4D, inclusive.

4A. **Required Prepayments.** Until the Note shall be paid in full, the Company shall apply to the prepayment of the Note, without premium, the sum of $2,500,000 on July 1 in each of the years 1976 to 1979, inclusive, and the sum of $3,000,000 on July 1 in each of the years 1980 to 1988, inclusive, and such principal amounts of the Note, together with interest thereon to the prepayment dates, shall become due on such prepayment dates. No partial prepayment of the Note pursuant to paragraph 4B or 4D shall relieve the Company of its obligation to make the required prepayments pursuant to this paragraph 4A.

4B. **Annual Optional Prepayment Without Premium.** The Note shall be subject to prepayment, at the option of the Company, without premium, on any date on which a prepayment is required to be made by the provisions of paragraph 4A, in amounts (multiples of $1,000) not exceeding the amount required to be prepaid on such date pursuant to the provisions of paragraph 4A, such option to be noncumulative; provided, however, that the aggregate principal amount of all prepayments made pursuant to this paragraph 4B shall not exceed $8,000,000.

4C. **Optional Prepayment Without Premium If No Consent to Additional Debt.** The Note shall be subject to prepayment, as a whole but not in part, at any time at the option of the Company, without premium:

4C(1) Under the circumstances and subject to the conditions specified in paragraph 5D; *or*

4C(2) If (i) within 75 days prior to the giving of notice of such prepayment, the Company shall have requested in writing your consent to the creation or incurring by the Company of unsecured Funded Debt in a specified amount in addition to that permitted by the provisions of paragraph 6C(2), solely for the purpose of securing additional funds for the Company and not in whole or in part for the purpose of prepaying the Note, (ii) your unqualified written consent to such request shall not have been given within 30 days after the receipt by you of such request, and (iii) the Company shall have on hand, at the time of giving notice of prepayment, a firm and bona fide commitment in customary form from a responsible lender or responsible lenders for a loan, to mature more than one year from the date thereof, or a bona fide commitment in customary form from responsible underwriters for the purchase or distribution of obligations of the Company, in either case in an amount at least equal to the sum of the principal amount of the Note at the time outstanding, the principal amount of any other Funded Debt which is then being prepaid and the principal amount of the additional Funded Debt, if any, specified in such request for such consent, and shall have delivered to you an Officer's Certificate to such effect.

4D. **Optional Prepayment in Whole or in Part With Premium.** The Note shall be subject to prepayment in whole or from time to time in part (in multiples of $1,000) at the option of the Company on any interest payment date at the following applicable percentage of the principal amount so prepaid:

If prepaid during the 12 months' period ending on July 1,

Year	Percentage	Year	Percentage
1974	108.75	1982	104.71
1975	108.75	1983	104.04
1976	108.75	1984	103.37
1977	108.08	1985	102.69
1978	107.40	1986	102.02
1979	106.73	1987	101.35
1980	106.06	1988	100.67
1981	105.39	1989	100.00

; provided, however, that (i) no such prepayment pursuant to this paragraph 4D of less than the entire unpaid principal amount of the Note may be made unless, after giving effect thereto, the Company and its Subsidiaries would have (*a*) no Funded or Current Debt outstanding other than the Note and Funded or Current Debt of any Subsidiary to the Company or another Subsidiary and (*b*) adequate working capital (determined to be adequate by the Board of Directors of the Company) without the necessity of incurring any Debt to replace funds used to make such prepayment, and (ii) no such prepayment pursuant to this paragraph 4D may be made prior to July 1, 1983 as a part of a refunding or anticipated refunding operation, by the application, directly or indirectly, of borrowed funds having an interest rate or an interest cost to the Company (computed in accordance with accepted financial practice) of less than 8¾% per annum or having a final maturity date earlier than July 1, 1989, except that the Notes may be so prepaid prior to July 1, 1983 out of the proceeds of the sale of shares of capital stock, or warrants for the purchase thereof, of the Company or additional Subordinated Debt, or a combination thereof, at the applicable prepayment price provided above in this paragraph 4D plus an additional premium of $4,000,000.

4E. **Notice of Prepayment.** The Company shall give you written notice of each prepayment (other than prepayments pursuant to paragraph 4A) not less than 30 days prior to the prepayment date, specifying such prepayment date, the principal amount of the Note to be prepaid on such date and the paragraph pursuant to which such prepayment is to be made, whereupon the principal amount of the Note specified in such notice, together with interest thereon to the date of prepayment and together with the premium, if any, herein provided, shall become due and payable on such date.

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5. **Affirmative Covenants.**

5A. **Financial Statements.** The Company covenants that, so long as you shall hold or be obligated to purchase the Note, it will deliver to you in duplicate:

(i) 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;

(ii) 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, and 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 you 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 you;

(iii) 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; and

(iv) with reasonable promptness, such other financial data as you may reasonably request.

Together with each delivery of financial statements required by clauses (i) and (ii) above, the Company will deliver to you an Officer's Certificate setting forth (except to the extent specifically set forth in such financial statements) the aggregate amount of interest expenses on Funded and Current Debt of the Company and Subsidiaries (if any) during the fiscal period covered by such financial statements, the aggregate amount of rental payments made during such fiscal period by the Company and Subsidiaries (if any) which were of the kinds subject to the restrictions of paragraph 6C(6) and, with year end statements only, the aggregate amount of all rental payments made during such year by the Company and Subsidiaries (if any), the dates of the beginning and end of the most recent period of at least 30 (or 60 as applicable) consecutive days during which the Company shall have been free from all Current Debt permitted by clause (x) of paragraph 6C(2), and the amount of depreciation on physical property charged on the books of the Company and Subsidiaries (if any) during such fiscal period, and stating that there exists no Event of Default or Default, or, if any such Event of Default or Default exists, specifying the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto. Together with each delivery of financial statements required by

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clause (ii) above, the Company will deliver to you 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 or 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 or Default under this Agreement, it will deliver to you an Officer's Certificate specifying the nature thereof, the period of existence thereof, and what action the Company proposes to take with respect thereto. You are hereby authorized to deliver a copy of any financial statement delivered to you pursuant to this paragraph 5A to any regulatory body having jurisdiction over you.

5B. **Inspection of Property.** The Company covenants that, so long as you shall hold or be obligated to purchase the Note, it will permit any Person designated by you in writing, at your expense, to visit and inspect any of the properties, corporate books and financial records of the Company and its 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 you may reasonably request.

5C. **Covenant to Secure Note Equally.** The Company covenants that, if it or any Subsidiary shall create or assume any Lien upon any of its property or assets, whether now owned or hereafter acquired, other than Liens excepted by the provisions of paragraph 6C(1) (unless prior written consent to the creation or assumption thereof containing a waiver of the requirements of this paragraph 5C shall have been obtained pursuant to paragraph 11C), it will make or cause to be made effective provision whereby the Note will be secured by such Lien equally and ratably with any and all other Debt thereby secured as long as any such other Debt shall be so secured.

5D. **Issuance of Debentures for Notes.** The Company covenants that, upon the written request of the holders of not less than 66⅔% of the principal amount of the Notes at the time outstanding, the Company will, at its expense, as promptly as is reasonably possible, execute and deliver to a bank or trust company selected by the Company having capital, surplus and undivided profits, as shown by its last published report to its stockholders, of not less than $10,000,000 and having its principal office in the Borough of Manhattan, The City of New York, an indenture providing for the issuance, and will authorize the issuance thereunder, of a principal amount of debentures equal to the unpaid principal amount of the Notes then outstanding. Such indenture and the debentures issued thereunder shall, insofar as may be appropriate, respectively embody the substance of all of the terms, covenants, conditions and provisions of this Agreement and of the Notes, together with all customary formal provisions, and shall provide for registered debentures without coupons in the denominations of $1,000 and all multiples thereof. Said indenture and debentures shall be in form satisfactory to the holders of the Notes making such request and their counsel. Thereafter upon surrender of any Note by the holder thereof the Company without charge, and subject to compliance with the Trust Indenture Act of 1939, as then in force, or the Securities Act of 1933, as then in force, or any similar Federal statute then in force (which the Company will use its best efforts to accomplish at its expence), shall deliver to or upon the order of such holder in exchange therefor debentures in the same aggregate unpaid principal amount as the Note surrendered, in such authorized form and denominations as such holder may elect and bearing interest from the date to which interest shall have been paid on the Note so surrendered. In the event of such execution of an indenture, you agree that you will, at the request and expense of the Company, exchange all of the Notes then held by you for debentures as soon as practicable after receiving such request.

If at the time of the issuance of such debentures, the Trust Indenture Act of 1939, as then in force, or any similar Federal statute then in force, shall require the qualification of such indenture thereunder in order to enable the public sale of any such debentures obtained in exchange for Notes, or, if at such time the Securities Act of 1933, as then in force, or any similar Federal statute then in force, shall require registration of any such debentures thereunder in order to enable the public sale of such debentures, or if at such time the consent, authorization or approval of any other governmental agency is required for the public sale of the debentures, the Company will, if requested in writing by the holders of not less than 66⅔% of the Notes or debentures at the time outstanding, at its expense (including the cost of printing such number of copies of any prospectus as such holders may reasonably request), use its best efforts so to qualify such indenture and/or to register such debentures and/or to obtain such consent, authorization or approval. In the event of any such registration, the Company hereby agrees to indemnify each such holder, each of the directors and officers of each such holder, and each person, if any, who controls each such holder within the meaning of Section 15 of the Securities Act of 1933, against all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in the registration statement or prospectus (and as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except in so far as such losses, claims, damages or liabilities are caused by any untrue statement of a material fact contained in, or any material fact omitted from, information furnished in writing to the Company by such holder expressly for use therein. You agree that you will furnish to the Company in writing such information as shall be reasonably requested by the Company for use in any such registration statement or prospectus relating to any of such debentures held by you and will indemnify the Company, its directors and officers, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act of 1933, against all losses, claims, damages and liabilities caused by any untrue statement of a material fact contained in, or any material fact omitted from, information so furnished in writing by you [illegible]y for use therein. At the time of delivery of any such debentures to any such ho[illegible] [illegible]ompany will at its expense deliver to such holder a counsel opinion satisfactory t[illegible] [illegible]r to the effect that the debentures have been duly authorized, executed, authen[illegible] [illegible]ued and delivered, and, subject to bankruptcy, reorganization and other law[illegible] creditors' rights, are legal, valid and binding obligations of the Company enfo[illegible] [illegible]ccordance with their terms and are entitled to the benefits of the indenture in [illegible] with their and its terms; that the indenture has been duly authorized, executed [illegible] [illegible]ered, and is, subject to bankruptcy, reorganization and other laws affecting creditors' rights a legal, valid and binding instrument enforceable in accordance with its terms; and, either (i) that the Trust Indenture Act of 1939, as then in force, or any similar Federal statute then in force, does not require the qualification of such indenture thereunder in order to enable such holder to sell such debentures publicly, and that the Securities Act of 1933, as then in force, or any similar Federal statute then in force, does not require registration of such debentures thereunder in order to enable such holder to sell such debentures publicly, or (ii) that such qualification and such registration is required and that the Company has duly complied with such requirements.

The foregoing covenants of this paragraph 5D are subject to the provision that, in lieu of such execution and delivery of such indenture and of such debentures the Company may, within 150 days after the receipt of such written request, elect to prepay the entire unpaid principal amount of the Notes within 45 days thereafter, without premium, in the manner provided in paragraph 4E.

6. **Negative Covenants.**

6A. **Working Capital Requirement.** The Company covenants that it will not permit Consolidated Working Capital to be less than $30,000,000 at any time prior to December 31, 1973 and less than $32,500,000 thereafter.

6B. **Dividend Limitation.** The Company covenants that it will not pay or declare any dividend on any class of its stock or make any other distribution on account of any class of its stock, or redeem, purchase or otherwise acquire, directly or indirectly, any shares of its stock, or redeem, purchase or otherwise acquire for a consideration (other than the issue of shares of capital stock of the Company) any Subordinated Debt in any case prior to applicable fixed prepayment, or sinking or retirement fund dates or in amounts in excess of the principal amounts required to be so prepaid (all of the foregoing being herein called "Restricted Payments"), except out of Consolidated Net Earnings Available For Restricted Payments. "Consolidated Net Earnings" shall mean 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 an 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 principles. "Consolidated Net Earnings Available For Restricted Payments" shall mean an amount equal to (1) $25,000,000 plus 50% (or minus 100% in case of a loss) of Consolidated Net Earnings for the period (taken as one accounting period) commencing on January 1, 1978, and terminating at the end of the last fiscal quarter preceding the date of any proposed Restricted Payment, less (2) the sum of (*a*) the aggregate amount of all dividends and other distributions paid or declared by the Company on any class of its stock after December 31, 1977, (*b*) the aggregate amount expended, directly or indirectly, after December 31, 1977 for the redemption, purchase or other acquisition of any Subordinated Debt constituting a Restricted Payment, and (*c*) the excess of the aggregate amount expended, directly or indirectly, after December 31, 1977, for the redemption, purchase or other acquisition

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of any shares of the Company's stock over the aggregate amount received by the Company and its Subsidiaries after December 31, 1977 as the net cash proceeds of the sale of any shares of the Company's stock. There shall not be included in Restricted Payments or in any computation of Consolidated Net Earnings Available For Restricted Payments; (x) dividends payable in stock of the Company; or (y) exchanges of stock of one or more classes of the Company, except to the extent that cash or other value is involved in such exchange. The term "Restricted Payments" as used in this paragraph 6B shall not include amounts paid by the Company to holders of its employee stock options in satisfaction and termination of such options, provided, however, that any such amounts not included as Restricted Payments shall be treated as an operating expense of the Company when paid for purposes of computation of Consolidated Net Earnings. The term "stock" as used in this paragraph 6B shall include warrants or options to purchase stock.

6C. **Lien, Debt and Other Restrictions.** The Company covenants that it will not and will not permit any Subsidiary to:

6C(1) **Liens**—Create, assume or suffer to exist any Lien upon any of its property or assets (other than the shares of the Company's common stock referred to in paragraph 8I), whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Note in accordance with the provisions of paragraph 5C), except

(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 or Liens existing on the date hereof to secure outstanding obligations of Subsidiaries permitted by the provisions of clause (iv) of paragraph 6C(2),

(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 (*a*) any such Lien shall not encumber any other property of the Company or such Subsidiary, and (*b*) the aggregate amount of Debt secured by all such Liens and any Liens permitted by clause (v) of this paragraph 6C(1) does not violate the proviso to clause (ii) of paragraph 6C(2),

(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,

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(vi) Liens upon the inventory of airplanes of Thurston Aviation, Inc. to secure Debt of Thurston Aviation, Inc. permitted by clause (ii) of paragraph 6C(2), provided, however, that the aggregate amount of Debt secured by all such Liens shall not exceed $2,150,000 at any time outstanding, and

(vii) 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,

6C(2) ~~Debt~~—Create, incur, assume or suffer to exist any Funded or Current Debt, except

(i) Funded Debt represented by the Note,

(ii) Funded or Current Debt of the Company or any Subsidiary secured by Liens permitted by the provisions of clauses (iv), (v) and (vi) of paragraph 6C(1) or unsecured and either issued or assumed by the Company or any Subsidiary in connection with payment to sellers of properties or businesses acquired by the Company or any Subsidiary or payable by a Subsidiary and outstanding at the time it became a Subsidiary, provided, however, that (*a*) the aggregate principal amount of all such Debt which shall be so secured shall not exceed $2,150,000 at any time outstanding and (*b*) the aggregate principal amount of all such Debt shall not exceed $5,000,000 at any time outstanding, for the Company and all Subsidiaries,

(iii) Funded or Current Debt of any Subsidiary to the Company or any other Subsidiary,

(iv) Funded Debt of Subsidiaries existing on June 30, 1978 in the aggregate principal amount of not more than $2,500,000 and indebtedness of Kinetics International Corporation outstanding on the date hereof in an aggregate principal amount not exceeding $77,000 secured by mortgage on land located in Denton County, Texas, but in no such case including any extension or renewal thereof,

(v) additional Funded Debt of the Company evidenced by its Subordinated Debt, provided, however, the aggregate principal amount of all Subordinated Debt of the Company shall not exceed $35,000,000 at any time outstanding,

(vi) additional unsecured Funded Debt of the Company in an aggregate principal amount not exceeding $60,000,000 incurred and to be incurred pursuant to the Revolving Credit and Term Loan Agreement, dated December 31, 1978, as amended to May 19, 1980, approximately $50,000,000 of which has been incurred in connection with the acquisition (*a*) by Tyler Aviation Company of all the outstanding stock of Thurston Aviation, Inc. and (*b*) by Tyler Transportation Company of all the outstanding stock of Thurston Motor Lines, Inc. and all other assets of Thurston, Inc., and the balance of which has been or is to be incurred in connection with the financing of additional capital expenditures for the Company and its Subsidiaries and for working capital purposes of the Company, *provided, however,* that such Funded Debt shall, if the same shall then be outstanding, be con-

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verted to a five-year term loan not later than 1983 and such Funded Debt may not be extended, renewed or refunded after the conversion to such term loan,

(vii) additional Funded Debt, provided, however, that the aggregate amount at any time outstanding of all such additional Funded Debt permitted by this clause (vii) shall not exceed $15,000,000 less the then outstanding aggregate amount of Debt permitted by clause (ii) above and clause (viii) below,

(viii) unsecured Debt of Thurston Motor Lines, Inc. under its existing revolving credit agreement with North Carolina National Bank, provided, however, that such Debt shall not exceed $6,000,000 at any time outstanding,

(ix) Debt evidenced by life insurance premium loans secured by Liens permitted by clause (vii) of paragraph 6C(1), and

(x) other unsecured Current Debt of the Company, provided, however, that (*a*) the aggregate principal amount of all such Current Debt at any time outstanding shall not exceed $25,000,000, and (*b*) the Company shall not create, incur, assume or suffer to exist any Current Debt permitted by this clause (x) on any day unless there shall have been a period of at least 60 consecutive days within the 12 months' period immediately preceding such day during which the Company shall have been free from all Current Debt permitted by this clause (x);

6C(3) **Loans, Advances and Investments**—Make or permit to remain outstanding any loan or advance to, or guarantee (other than the Company's guarantee referred to in paragraph 6C(2)(v)), endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase or acquire any stock, obligations or securities of, or any interest in, or make any capital contribution to, any other Person except that

(i) the Company or any Subsidiary may make or permit to remain outstanding loans or advances to any Subsidiary,

(ii) the Company or any Subsidiary may own, purchase or acquire stock, obligations or securities of a Subsidiary or of a corporation which immediately after such purchase or acquisition will be a Subsidiary,

(iii) the Company or any Subsidiary may acquire and own stock, obligations or securities received in settlement of debts (created in the ordinary course of business) owing to the Company or any Subsidiary,

(iv) the Company may own, purchase or acquire (*a*) commercial paper maturing not in excess of one year from the date of acquisition and rated P1 by Moody's Investors Service, Inc. or A1 by Dun & Bradstreet, Inc. on the date of acquisition, (*b*) certificates of deposit in United States or Canadian commercial banks (having capital resources in excess of $50,000,000) maturing not in excess of one year from the date of acquisition and (*c*) obligations of the United States Government or any agency thereof and obligations guaranteed by the United States Government, or any agency thereof,

(v) the Company or any Subsidiary may endorse negotiable instruments for collection in the ordinary course of business,

(vi) the Company may guarantee (*a*) the obligations of Tyler Pipe Industries, Inc. under a lease of computer equipment, (*b*) payment of trade accounts payable of Subsidiaries incurred in the ordinary course of business and which are not prohibited by paragraph 6C(2); and any Subsidiary may guarantee the payment of trade accounts payable of any other Subsidiary incurred in the ordinary course of business and which are not prohibited by paragraph 6C(2), provided, however, that all of the stock of every class of any such other Subsidiary is owned, either directly or through Subsidiaries, by the Subsidiary guaranteeing such payment of trade accounts payable, (*c*) the obligations of Atlas Powder Company for the payment of workmen's compensation liabilities due and to become due under the laws of the various states in which Atlas Powder Company transacts business, and may indemnify The Aetna Casualty and Surety Company, or other casualty insurance company selected by Atlas Powder Company, for any loss which may be incurred or sustained as a result of furnishing any bond required by the insurance commissioner or similar authority in any State in which Atlas Powder Company may elect to self-insure workmen's compensation claims, and (*d*) industrial development revenue bonds in the aggregate principal amount not exceeding $900,000 issued by Hancock County, Mississippi in connection with the financing of the acquisition and construction of a shipping and receiving terminal facility leased by Hancock County, Mississippi to Atlas International, Inc.,

(vii) the Company may permit to remain outstanding guaranties of performance bonds in effect on March 25, 1977, bid bonds and then existing, non-renewable and non-extendible lease obligations of Southwestern Engineering Company ("Southwestern"), in an aggregate amount not exceeding $25,000,000, provided that such guaranties with respect to such performance bonds and lease obligations shall not exceed $19,000,000 and such guaranties with respect to bid bonds issued in connection with contracts bid by Southwestern prior to April 15, 1977 and extensions thereof, and performance bonds issued after March 25, 1977 in connection with contracts awarded to Southwestern relating to such bid bonds shall not, in the aggregate at any time outstanding, exceed $6,000,000, and provided that the Company has (pursuant to an existing, valid and binding agreement) full, absolute and unconditional recourse to Cronus Industries, Inc. for any amount which might be payable by the Company pursuant to any such guaranties.

(viii) the Company or any of its Subsidiaries may guarantee Debt of Thurston Aviation, Inc. permitted by clause (ii) of paragraph 6C(2) in the aggregate principal amount not exceeding $2,150,000, and Thurston Aviation, Inc. may guarantee indebtedness incurred by its customers to third parties in order to purchase inventory from Thurston Aviation, Inc. in the aggregate principal amount not exceeding $500,000,

(ix) Thurston Motor Lines, Inc. may own a purchase obligation in the principal amount of approximately $235,000 representing the purchase price of an airplane sold by Thurston Motor Lines, Inc.,

(x) the Company may make or permit to remain outstanding loans or advances to, or guarantee, endorse or otherwise be or become contingently liable in connection with the obligations, stock or dividends of, or own, purchase or acquire stock, obligations or securities of, any other Person and any Subsidiary may make or permit to remain outstanding loans or advances to any other Person, provided, however, that the aggregate principal amount of such loans and advances, plus the aggregate amount of such contingent liabilities, plus the

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aggregate amount of the investment (at cost) in such stock, obligations and securities at any time outstanding shall not exceed $1,000,000,

(xi) the Company or Atlas Powder Company may make or permit to remain outstanding loans or advances to, or guarantee, endorse or otherwise be or become contingently liable in connection with the obligations, stock or dividends of, or own, purchase or acquire stock, obligations or securities of, DISAP Ltd., provided, however, that the aggregate principal amount of such loans and advances, plus the aggregate amount of such contingent liabilities, plus the aggregate amount of the investment (at cost) in such stock, obligations and securities at any time outstanding shall not exceed $1,700,000, and

(xii) the Company or Atlas Powder Company may be a limited partner in Axom Limited Partnership of which CSG Exploration Company, a subsidiary of Cities Service Gas Company, is the general partner, provided, however, that the aggregate investment in such partnership shall not exceed $3,700,000 and provided further, however, that neither the Company nor Atlas Powder Company shall, directly or indirectly be liable for any indebtedness or other obligation (whether contingent or otherwise) of such limited partnership;

6C(4) **Sale of Stock and Debt of Subsidiaries**—Sell or otherwise dispose of any shares of stock or Funded or Current Debt of any Subsidiary, except to the Company or a 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 sale of the shares and Debt so sold, provided that the assets of such Subsidiary do not constitute a substantial part of the consolidated assets of the Company and all Subsidiaries and that such Subsidiary shall not have contributed a substantial part of Consolidated Net Earnings (as defined in paragraph 6B) for any of the three fiscal years then most recently ended, 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 paragraph 6C(4)) or of the Company;

6C(5) **Merger and Sale of Assets**—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 a substantial part of Consolidated Net Earnings (as defined in paragraph 6B) 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,

(ii) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or another Subsidiary,

(iii) any Subsidiary may sell or otherwise dispose of all or substantially all of its assets subject to the conditions specified in paragraph 6C(4) with respect to a sale of the stock of such 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 under any of the obligations of the Company under this Agreement or the Note, including all covenants herein and therein contained, and

6C(6) **Lease Rentals**—Enter into, or permit to remain in effect, any agreements to rent or lease (as lessee) any real or personal property (other than sales and administrative offices, data processing equipment and passenger automotive equipment) for initial terms (including options to renew or extend any term, whether or not exercised) of more than three years providing for payments by the Company and all Subsidiaries, on a consolidated basis, in an aggregate annual amount under all such agreements in excess of $2,000,000, provided, however, that the provisions of this paragraph 6C(6) shall not apply to any lease constituting Funded Debt of the Company or any Subsidiary permitted under the provisions of paragraph 6C(2);

6C(7) **Sale and Lease-Back**—Enter into any arrangement with any bank, insurance company or other lender or investor or to which such lender or investor is a party providing for the leasing by the Company or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or any Subsidiary to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property or rental obligations of the Company or any Subsidiary;

6C(8) **Sale or Discount of Receivables**—Discount or sell with recourse, or sell for less than the face value thereof, any of its notes or accounts receivable; or

6C(9) **Certain Contracts**—Enter into or be a party to

(i) any contract providing for the making of loans, advances or capital contributions to any Person other than a Subsidiary (except where the obligation is limited to a fixed maximum amount which is within the limitations of clause (vii) of paragraph 6C(3)), or the purchase of any property from any Person, in order to enable such Person to maintain working capital, net worth or any other balance sheet condition or to pay debts, dividends or expenses, or

(ii) any contract for the purchase of materials, supplies or other property if such contract (or any related document) requires that payment for such materials, supplies or other property shall be made regardless of whether or not delivery of such materials, supplies or other property is ever made or tendered, or

(iii) 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, or

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(iv) any contract for the sale or use (as vendor, lessor or hirer) of materials, supplies or other property if such contract (or any related document) requires that payment for such materials, supplies or other property, or the use thereof, shall be subordinated to any indebtedness (of the purchaser or user of such materials, supplies or other property) owed or to be owed to any Person, or

(v) any other contract which, in economic effect, is substantially equivalent to a guarantee, except as permitted by clauses (v) to (vii), inclusive, and by clause (xi), of paragraph 6C(3).

6D. **Issuance of Stock by Subsidiaries.** 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.

7. **Events of Default.** If any of the following events shall occur and be continuing for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise): If the Company defaults in the payment of any principal of or premium, if any, on any Note when the same shall become due, either by the terms thereof or otherwise as herein provided; or if the Company defaults in the payment of any interest on any Note for more than 10 days after the date due; or if the Company or any Subsidiary defaults in any payment of principal of or premium, if any, or interest on any other obligation for borrowed money (or any obligation under conditional sale or other title retention agreement or any obligation issued or assumed as full or partial payment for property whether or not secured by purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit) beyond any period of grace provided with respect thereto or defaults in the performance of any other agreement, term or condition contained in any agreement under which any such obligation is created (or if any other default under any such agreement shall occur and be continuing) if the effect of such default is to cause, or to permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due prior to its stated maturity; or if any material representation or warranty made by the Company herein or in any writing furnished in connection with or pursuant to this Agreement shall be false in any material respect on the date as of which made; or if the Company defaults in the performance or observance of any agreement contained in paragraph 6; or if the Company defaults in the performance or observance of any other agreement, term or condition contained herein and such default shall not have been remedied within 30 days after written notice thereof shall have been received by the Company from you; or if the Company or any Subsidiary makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due; or if an order, judgment or decree is entered adjudicating the Company or any Subsidiary bankrupt or insolvent; or if the Company or any Subsidiary petitions or applies to any tribunal for the appointment of a trustee or receiver of the Company or any Subsidiary, or of any substantial part of the assets of the Company or any Subsidiary, or commences any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Subsidiary) relating to the Company or any Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect; or if any such petition or application is filed, or any such proceedings are com-

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menced, against the Company or any Subsidiary, and the Company or such Subsidiary by any act indicates its approval thereof, consent thereto, or acquiescence therein, or an order, judgment or decree is entered appointing any such trustee or receiver, or adjudicating the Company or any Subsidiary bankrupt or insolvent, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 60 days; or if any order, judgment or decree is entered in any proceedings against the Company or any Subsidiary decreeing the dissolution of the Company or such Subsidiary and such order, judgment or decree remains unstayed and in effect for more than 60 days; or if any order, judgment or decree is entered in any proceedings against the Company or any Subsidiary decreeing a split-up of the Company or such Subsidiary and such order, judgment or decree remains unstayed and in effect for more than 60 days; then the holder or holders of at least two-thirds of the principal amount of the Notes outstanding may, at its or their option, by notice in writing to the Company, declare all of the Notes to be, and all of the Notes shall thereupon be and become, forthwith due and payable together with interest accrued thereon.

8. **Representations and Warranties.** The Company represents and warrants:

8A. **Organization and Qualification.** The Company is a corporation duly organized and existing in good standing under the laws of the State of Delaware, each Subsidiary is duly organized and existing in good standing under the laws of the jurisdiction in which incorporated, and the Company has and each Subsidiary has the corporate power to own its respective property and to carry on its respective business as now being conducted, and the Company is and each Subsidiary is duly qualified as a foreign corporation to do business and in good standing in every jurisdiction in which the nature of the respective business conducted by it makes such qualification necessary.

8B. **Financial Statements.** The Company has furnished you with the following financial statements, identified by a principal financial officer of the Company: (i) consolidated balance sheets of the Company and its Subsidiaries at December 31 in each of the years 1971 and 1972, and consolidated statements of income and retained earnings of the Company and its Subsidiaries for the fiscal years then ended, together with the reports thereon of Arthur Young & Company, and (ii) consolidated balance sheet of the Company and its Subsidiaries at March 31, 1973 and consolidated statement of income and retained earnings of the Company and its Subsidiaries for the three months' period then ended, prepared by the Company. All such statements have been prepared in accordance with generally accepted accounting principles on a consistent basis during such periods. Such balance sheets fairly present the condition of the corporations to which they relate as at the dates thereof, and such statements of income and retained earnings fairly present the results of the operations of such corporations for the periods indicated. There has been no material adverse change in the condition, financial or otherwise, of the Company and its Subsidiaries since March 31, 1973.

8C. **Actions Pending.** There is no action, suit, investigation or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries before any court, arbitrator or administrative or governmental body, which might result in any material adverse change in the business or financial condition of the Company or such Subsidiary. In this connection the Company has furnished you a letter from its counsel, dated the date hereof, with respect to a controversy involving employee taxes of C&H Transportation Co., Inc.

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8D. **Outstanding Debt.** Neither the Company nor any of its Subsidiaries has outstanding any Debt except as permitted by paragraph 6C(2). There exists no default under the provisions of any instrument evidencing any such Debt or of any agreement relating thereto.

8E. **Title to Properties.** The Company has and each of its Subsidiaries has good and marketable title to its respective properties and assets, including the properties and assets reflected in the balance sheet as at December 31, 1972 hereinabove described, except (i) properties and assets sold or otherwise disposed of since that date in the ordinary course of business, (ii) the property, with improvements thereon, formerly owned by Aerobics International, Inc. and located at 12100 Preston Road, Dallas, Texas, sold for an aggregate sales price of approximately $1,100,000, and (iii) the property formerly owned by the Company and located on Plano Road, Dallas, Texas, sold for an aggregate sales price of approximately $295,000, payable in installments, subject to no Lien of any kind except Liens permitted by paragraph 6C(1).

8F. **Taxes.** The Company has and each of its Subsidiaries has filed all Federal, State and Canadian federal and provincial 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, 1966.

8G. **Conflicting Agreements and Charter Provisions.** Neither the Company nor any of its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects its business, property or assets, or financial condition. Neither the execution and delivery of this Agreement and the Note nor fulfillment of nor compliance with the terms and provisions hereof and of the Note will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in any violation of, or require any authorization, consent, approval, exemption or other action by or notice to any court or administrative or governmental body pursuant to, the charter or by-laws of the Company or any of its Subsidiaries or any agreement, instrument, order, judgment, decree, statute, law (including any securities or Blue Sky law), rule or regulation to which the Company or any of its Subsidiaries is subject.

8H. **Interest Equalization Tax.** The Company is a "United States person" and will not apply the proceeds of the Note to the "acquisition" of "stock" of a "foreign issuer" or "debt obligation" of a "foreign obligor", as such terms are defined in Chapter 41 of the United States Internal Revenue Code, as amended. The Company has not taken and will not take any action which would subject your acquisition of the Note to the United States Interest Equalization Tax or any similar tax designed to limit or restrict investments in foreign stock or debt obligations.

8I. **Regulation G, etc.** At the time of the closing, neither the Company nor any Subsidiary will own any margin securities within the meaning of Regulation G of the Board of Governors of the Federal Reserve System, other than not more than 362,521 shares of

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the Company's common stock acquired by (and held in the treasury of) the Company by the application of the proceeds of indebtedness outstanding under its Revolving Credit Agreement dated October 13, 1972 which indebtedness is not to be retired or refunded by application of any of the proceeds of the sale of the Notes. Neither this Agreement nor fulfillment of nor compliance with the terms and provisions hereof and of the Note will violate Regulation G, Regulation T or any other regulation of the Board of Governors of the Federal Reserve System or the Federal Securities Exchange Act of 1934, each as in effect now or as the same may hereafter be in effect on the date of closing.

8J. **Foreign Direct Investments.** The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, use any part of the proceeds of the sale of the Note to you for the purpose of making any foreign direct investment which would result in whole or in part in a violation of Executive Order No. 11387 or the Foreign Direct Investment Regulations, 15 CFR Part 1000, or making any loan or investment which would constitute "foreign loans and investments inconsistent with the Foreign Direct Investment Program" or which would cause the Note to be deemed "covered assets", as such terms are used in section III of the *Federal Reserve Foreign Credit Restraint Guidelines* as issued November 11, 1971 by the Board of Governors of the Federal Reserve System, or any regulations, interpretations or rulings thereunder or supplements or amendments thereto.

8K. ***Offering of Securities, etc.*** 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 or Persons other than you and not more than two other institutions, 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.

8L. **Acquisition of Kinetics International Corporation and Explosives Division.** The Company (i) through its Subsidiary, Tyler Holding Company ("THC") has acquired approximately 98.7% of the outstanding capital stock of Kinetics International Corporation for a total consideration consisting of $4,090,639.22 cash, 2,006 shares of the Company's common stock, and $1,300,000 principal amount of THC's 5% Convertible Subordinated Debentures due 1983, all pursuant to an agreement dated March 20, 1973, a true and correct copy of which the Company has delivered to you; and (ii) through its Subsidiary, Atlas Powder Company ("Atlas") has acquired substantially all of the assets and business of the former Explosives Division of ICI America Inc. ("ICIA"), for a total consideration estimated to be not more than $16,500,000, of which $8,000,000 was paid to ICIA on July 30, 1973, all pursuant to the contract dated March 20, 1973, a true and correct copy of which the Company has delivered to you.

8M. **Application of Proceeds.** Of the net cash proceeds of the sale of the Note to you, approximately $13,000,000 will be used to retire in full the indebtedness of the Company outstanding under its Credit Agreement dated as of June 1, 1973, approximately $11,900,000 will be used to retire in full the indebtedness of the Company outstanding under its Term Loan Agreement dated as of September 30, 1972, approximately $15,000,000 will be used to retire in full the indebtedness of the Company outstanding under its open

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line of credit from three commercial banks, and the balance will be used to prepay in part the indebtedness of the Company outstanding under its Equipment Financing Agreement dated as of December 20, 1972. No part of the proceeds of the sale of the Note will be applied (i) to prepay any part of the Company's indebtedness outstanding under its Revolving Credit Agreement dated as of October 13, 1972, in the amount of $5,625,000 as at July 1, 1973, the proceeds of which indebtedness were applied to the purchase of capital stock of the Company for its Treasury or (ii) to the purchase of, or to the reduction or retirement of any indebtedness incurred to purchase, any margin security within the meaning of Regulation G of the Board of Governors of the Federal Reserve System.

9. **Representation of the Purchaser.** You represent and in making this sale to you it is specifically understood and agreed that you are acquiring the Note for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, provided that the disposition of your property shall at all times be and remain within your control.

10. **Definitions.** For the purpose of this Agreement, the following terms shall have the following meanings:

10A. **"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.

10B. **"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 all 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, provided that for all purposes of this Agreement Tyler Pipe Industries Inc., a Texas corporation, and Kinetics International Corporation, a Delaware corporation, shall each constitute a Subsidiary so long as the Company shall hold at least 99% and 97%, respectively, of the outstanding stock of every class of such corporations.

10C. **"Funded Debt"** shall mean any obligation payable more than one year from the date of the creation thereof, 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

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

10D. **"Consolidated Working Capital"** shall mean the excess of consolidated current assets over consolidated current liabilities of the Company and its Subsidiaries both determined in accordance with generally accepted accounting principles, provided that there shall not be included in current assets (i) any loans or advances (other than pursuant to paragraph 6C(3)(iv)) made by the Company or any Subsidiary, nor (ii) any assets located outside (including any amounts payable by Persons located outside) the United States of America and Canada, and provided, further, that there shall be included in current liabilities all indebtedness of the Company and its Subsidiaries, unless contingent and not determinable, maturing on demand or within one year from the date as of which Consolidated Working Capital is to be determined and not renewable or extendible by the terms thereof, at the option of the debtor, beyond such year (including, without limitation, amounts due within such year with respect to the principal of and premium, if any, and accrued interest on the Notes or other indebtedness).

10E. **"Event of Default"** shall mean any of the events specified in paragraph 7, provided that there has been satisfied any requirement in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and **"Default"** shall mean any of such events, whether or not any such requirement has been satisfied.

10F. **"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.

10G. **"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).

10H. **"Subordinated Debt"** shall mean Funded Debt of the Company consisting of its 5% Convertible Subordinated Debentures due 1993 and other Funded Debt which is

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expressly by its terms made junior and subordinate to the prior payment in full of the Notes by terms at least as restrictive as those set forth in Exhibit B hereto attached.

10I. **"Significant Subsidiary"** shall mean a Subsidiary of the Company which constitutes a significant subsidiary as defined in Section 210.1-02(t) of Regulation S-X of the Securities and Exchange Commission and includes Tyler Pipe Industries, Inc., a Texas corporation, C&H Transportation Co., Inc., a Texas corporation, Southwestern Engineering Company, a Delaware corporation, Atlas Powder Company, a Delaware corporation, and Tyler Holding Company, a Delaware corporation.

11. **Miscellaneous.**

11A. **Home Office Payment.** The Company agrees that, as long as you shall hold any Note, it will make payments of principal thereof and interest and premium, if any, thereon, by crediting your account, No. 826-00-027, in Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, New York or such other account in your name in a bank as you may designate in writing, notwithstanding any contrary provision herein or in any Note with respect to the place of payment. You agree that, before disposing of any Note, you will make a notation thereon of all principal payments previously made thereon and of the date to which interest thereon has been paid, and will notify the Company of the name and address of the transferee of such Note.

11B. **Expenses.** The Company agrees, whether or not the transactions hereby contemplated shall be consummated, to pay, and save you harmless against liability for the payment of, all out-of-pocket expenses arising in connection with this transaction, including any United States documentary stamp taxes (including interest and penalties, if any) which may be determined to be payable in respect of the execution and delivery of any Note, any tax (including interest and penalties, if any) which may be determined to be payable under the provisions of Chapter 41 of the United States Internal Revenue Code or any similar statute, in respect of your acquisition of any Note, the reasonable fees and expenses of your special counsel and the expense of printing this Agreement and any Notes.

11C. **Consent to Amendments.** This Agreement may be amended, and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, if the Company shall obtain your written consent to such amendment, action or omission to act. Each holder of any Note at the time or thereafter outstanding shall be bound by any consent authorized by this paragraph 11C or paragraph 11D(3), whether or not such Note shall have been marked to indicate such consent, but any Note issued thereafter shall contain a reference or bear a notation referring to any such consent.

11D. **Provisions Applicable if Any Note Sold.** In the event that you shall sell any Note or any part thereof, the following provisions shall apply:

11D(1) **Notices to Subsequent Holder.** If any Note shall have been transferred to another holder pursuant to paragraph 11E and such holder shall have designated in writing the address to which communications with respect to such Note shall be mailed, all notices, certificates, requests, statements and other documents required or permitted to be delivered to you by any provision hereof shall also be delivered to each such holder, except that financial statements and other documents provided for

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in paragraph 5A need not be delivered to any such holder holding less than 10% of the aggregate principal amount of Notes from time to time outstanding.

11D(2) **Pro Rata Payments.** All interest payments and payments or prepayments of principal and premium shall be made and applied pro rata on all Notes at the time outstanding.

11D(3) **Consent by Holders of 66⅔%.** Any consent, approval, notice or demand required or permitted to be given by you by any provision hereof shall be sufficient if given by the registered holder or holders of at least two-thirds of the principal amount of Notes at the time outstanding except that, without the written consent of the holder or holders of all Notes at the time outstanding, no amendment to this Agreement shall extend the maturity of any Note, or reduce the rate of interest or any premium payable with respect to any Note, or affect the time or amount of any required prepayments, or reduce the proportion of the principal amount of the Notes required with respect to any consent.

11E. **Form, Registration, Transfer and Exchange of Notes.** The Notes are issuable only as registered Notes in the denominations of $100,000 and any larger integral multiple of $10,000. The Company shall keep at its principal office a register in which the Company shall provide for the registration of Notes and of transfers of Notes. Upon surrender for registration of transfer of any Note at the office of the Company, the Company shall execute and deliver, at its expense, one or more new Notes of a like aggregate principal amount registered in the name of the designated transferee or transferees. At the option of the holder of any Note, such Note may be exchanged for other Notes of any authorized denominations, of a like aggregate principal amount, upon surrender of the Note to be exchanged at the office of the Company. Whenever any Notes are so surrendered for exchange, the Company shall execute and deliver, at its expense, the Notes which the Note holder making the exchange is entitled to receive. Every Note presented or surrendered for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer duly executed, by the holder of such Note or his attorney duly authorized in writing. Any Note or Notes issued in exchange for any Note or upon transfer thereof shall carry the rights to unpaid interest and interest to accrue which were carried by the Note so exchanged or transferred, and neither gain nor loss of interest shall result from any such transfer or exchange.

11F. **Persons Deemed Owners.** The Company may treat the Person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of (and premium, if any), and interest on, such Note and for all other purposes whatsoever, whether or not such Note shall be overdue, and the Company shall not be affected by notice to the contrary.

11G. **Survival of Representations and Warranties.** All representations and warranties contained herein or made in writing by the Company in connection herewith shall survive the execution and delivery of this Agreement and of the Note.

11H. **Successors and Assigns.** All covenants and agreements in this Agreement contained by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

11I. **Notices.** All communications provided for hereunder shall be sent by first class mail and, if to you, addressed to you in the manner (except as otherwise provided in paragraph 11A with respect to payments of principal of and interest and premium, if any, on the Note) in which this letter is addressed, and if to the Company, at its offices at 3121 Southland Center, Dallas, Texas 75201, or to such other address with respect to either party as such party shall notify the other in writing.

11J. **Descriptive Headings.** The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

11K. **Governing Law.** This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York.

11L. **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

If you are in agreement with the foregoing, please sign the form of acceptance on the enclosed counterpart of this letter and return the same to the undersigned, whereupon this letter shall become a binding agreement between you and the undersigned.

Very truly yours,

TYLER CORPORATION

By J. F. MCKINNEY
President

The foregoing Agreement is hereby accepted as of the date first above written.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By EDWARD B. SIMMONS
Vice President

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EXHIBIT 4.7

TYLER CORPORATION
3100 Southland Center
Dallas, Texas 75201

May 27, 1980

First National Bank in Dallas
P. O. Box 83000
Dallas, Texas 75283

Attention: Mr. Don R. Kuykendall, Vice President

Bank of America National Trust
and Savings Association
1 Allen Center
500 Dallas, Suite 3100
Houston, Texas 77002

Attention: Mr. William R. LaRue, Vice President

Citibank, N.A.
399 Park Avenue
New York, New York 10022

Attention: Mr. Frank G. Creamer, Jr., Vice President

First National Bank in Dallas
Administrative Bank
P. O. Box 83000
Dallas, Texas 75283

Attention: Mr. Don R. Kuykendall, Vice President

RE: Revolving Credit and Term Loan Agreement

Gentlemen:

Reference is made to that certain Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreement dated November 1, 1979 (the "Loan Agreement"), among Tyler Corporation, a Delaware corporation (the "Company"), and each of you. Unless otherwise defined herein, each term used herein with its initial letter capitalized shall have the same meaning as in the Loan Agreement.

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The proceeds of the initial advances being made pursuant to this letter agreement will be used to repay all outstanding indebtedness under the Loan Agreement on the date hereof; and upon and by virtue of such repayment, and in accordance with the intent of the Banks and the Company to discharge and extinguish all liabilities, indebtedness and obligations of the Company to the Banks arising under or by virtue of the presently existing Interim Notes, all such liabilities, indebtedness and obligations shall be discharged, released and terminated, and such presently existing Interim Notes shall be marked "canceled and paid in full" and returned to the Company.

The Company and each of you hereby agree that the Loan Agreement should be, and hereby is, amended as follows:

1. Paragraph (j) of Section 1.01 of the Loan Agreement is amended to read as follows:

(j) "Termination Date" means April 30, 1983.

2. The table in Section 2.01 of the Loan Agreement is amended to read as follows:

Bank	Commitment	% of All Commitments
Dallas	$24,000,000	40.00%
Bank of America	18,000,000	30.00
Citibank	18,000,000	30.00
	$60,000,000	100.00%

3. The last sentence of the first paragraph of Section 2.01 of the Loan Agreement is amended by substituting a semicolon for the period and adding the following:

> provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which the Interim Notes bear below the rate in (i) above until the total amount of interest accrued on the Interim Notes after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect.

4. Exhibits A-1, A-2 and A-3 to the Loan Agreement are hereby amended by deleting in their entirety Exhibits A-1, A-2 and A-3 currently attached to the Loan Agreement and by substituting in lieu thereof the Exhibits A-1, A-2 and A-3, respectively, attached hereto as Appendices A, B and C, respectively; and the term "Interim Notes" as used in the Loan Agreement shall mean the promissory notes of the Company as so attached hereto.

5. The obligations of each Bank to accept new Interim Notes hereunder and to return the presently existing Interim Notes to the Company are subject to the condition that, prior to or simultaneous with such acceptance and return by each Bank, the Administrative Bank shall have received the documents described in Section 5.01 of the Loan Agreement, in form and substance satisfactory to the Administrative Bank and in sufficient number to provide one to each Bank, with the following exceptions:

(a) Documents and legal opinions relating to Significant Subsidiaries shall be eliminated.

(b) The opinion of legal counsel need express no opinion as to the matters contained in paragraphs (d), (e), (g), (h), (i), (j) and (k) of Section 3.01 of the Loan Agreement.

(c) Clauses (iii) and (iv) of paragraph (f) of Section 5.01 of the Loan Agreement shall be eliminated.

Except as expressly amended hereby, the Loan Agreement is and shall be unchanged, and all of the terms, covenants, provisions, and conditions thereof shall remain in full force and effect and are hereby ratified, confirmed, and incorporated herein by reference as if set forth verbatim.

If you are in agreement with the foregoing, please sign the enclosed copies of this letter in the space provided below and return the same to Administrative Bank, whereupon this letter shall become a binding agreement among the Company and each of you.

Very truly yours,

TYLER CORPORATION

By David L. Snead
Treasurer

The foregoing is agreed to:

FIRST NATIONAL BANK IN DALLAS

By Don R. Kuykendall
Don R. Kuykendall
Vice President

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BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By ______________________
William R. LaRue
Vice President

CITIBANK, N.A.

By ______________________
Frank G. Creamer, Jr.
Vice President

FIRST NATIONAL BANK IN DALLAS
ADMINISTRATIVE BANK

By ______________________
Don R. Kuykendall
Vice President

INTERIM PROMISSORY NOTE

$24,000,000 Dallas, Texas May 27, 1980

On April 30, 1983, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of FIRST NATIONAL BANK IN DALLAS, a national banking association ("Bank"), the principal sum of Twenty-Four Million Dollars ($24,000,000), or, if less, the aggregate unpaid principal amount of all Advances made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement (hereinafter defined), together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full, which interest is payable on the last day of each March, June, September and December during the term hereof, and on the maturity hereof, at a rate per annum equal to the lesser of (i) the highest lawful rate, or (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) equal to 106% of the base commercial rate of interest established from time to time by Bank for short-term, unsecured loans to substantial and responsible commercial borrowers, as such rate shall change from time to time, each change in the rate to become effective on the effective date of such change without notice to Company; provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which this Note bears below the rate in (i) above until the total amount of interest accrued on this Note after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect. Both principal and interest are payable in lawful money of the United States of America at the office of Bank, as Administrative Bank under said Revolving Credit and Term Loan Agreement ("Administrative Bank"), at 1401 Elm Street, Dallas, Texas 75202, in immediately available funds.

This Note is one of the Interim Notes referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979 and May 27, 1980 (such Revolving Credit and Term Loan Agreement, as so amended, being herein called the "Revolving Credit and Term Loan Agreement"), among Company, Bank, Administrative Bank, Bank of America National Trust and Savings Association and Citibank, N.A.

Company shall be entitled to prepay the principal of this Note from time to time and at any time, in whole or in part, without premium or penalty. Prepayments shall be applied as provided in the Revolving Credit and Term Loan Agreement.

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 Company or any of its subsidiaries.

TYLER CORPORATION

By ______________________________
Treasurer

EXHIBIT A-1
APPENDIX A

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INTERIM PROMISSORY NOTE

$18,000,000 Dallas, Texas May 27, 1980

On April 30, 1983, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association ("Bank"), the principal sum of Eighteen Million Dollars ($18,000,000), or, if less, the aggregate unpaid principal amount of all Advances made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement (hereinafter defined), together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full, which interest is payable on the last day of each March, June, September and December during the term hereof, and on the maturity hereof, at a rate per annum equal to the lesser of (i) the highest lawful rate, or (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) equal to 106% of the base commercial rate of interest established from time to time by First National Bank in Dallas ("Dallas") for short-term, unsecured loans to substantial and responsible commercial borrowers, as such rate shall change from time to time, each change in the rate to become effective on the effective date of such change without notice to Company; provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which this Note bears below the rate in (i) above until the total amount of interest accrued on this Note after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect. Both principal and interest are payable in lawful money of the United States of America at the office of Dallas, as Administrative Bank under said Revolving Credit and Term Loan Agreement ("Administrative Bank"), at 1401 Elm Street, Dallas, Texas 75202, in immediately available funds.

This Note is one of the Interim Notes referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979 and May 27, 1980 (such Revolving Credit and Term Loan Agreement, as so amended, being herein called the "Revolving Credit and Term Loan Agreement"), among Company, Bank, Administrative Bank, Citibank, N.A., and Dallas.

Company shall be entitled to prepay the principal of this Note from time to time and at any time, in whole or in part, without premium or penalty. Prepayments shall be applied as provided in the Revolving Credit and Term Loan Agreement.

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 Company or any of its subsidiaries.

TYLER CORPORATION

By ______________________________
Treasurer

EXHIBIT A-2
APPENDIX B

INTERIM PROMISSORY NOTE

$18,000,000 Dallas, Texas May 27, 1980

On April 30, 1983, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of CITIBANK, N.A., a national banking association ("Bank"), the principal sum of Eighteen Million Dollars ($18,000,000), or, if less, the aggregate unpaid principal amount of all Advances made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement (hereinafter defined), together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full, which interest is payable on the last day of each March, June, September and December during the term hereof, and on the maturity hereof, at a rate per annum equal to the lesser of (i) the highest lawful rate, or (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) equal to 106% of the base commercial rate of interest established from time to time by First National Bank in Dallas ("Dallas") for short-term, unsecured loans to substantial and responsible commercial borrowers, as such rate shall change from time to time, each change in the rate to become effective on the effective date of such change without notice to Company; provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which this Note bears below the rate in (i) above until the total amount of interest accrued on this Note after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect. Both principal and interest are payable in lawful money of the United States of America at the office of Dallas, as Administrative Bank under said Revolving Credit and Term Loan Agreement ("Administrative Bank"), at 1401 Elm Street, Dallas, Texas 75202, in immediately available funds.

This Note is one of the Interim Notes referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979 and May 27, 1980 (such Revolving Credit and Term Loan Agreement, as so amended, being herein called the "Revolving Credit and Term Loan Agreement"), among Company, Bank, Administrative Bank, Bank of America National Trust and Savings Association and Dallas.

Company shall be entitled to prepay the principal of this Note from time to time and at any time, in whole or in part, without premium or penalty. Prepayments shall be applied as provided in the Revolving Credit and Term Loan Agreement.

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 Company or any of its subsidiaries.

TYLER CORPORATION

By ______________________________
Treasurer

EXHIBIT A-3
APPENDIX C

EXHIBIT 4.8

TYLER CORPORATION
3100 Southland Center
Dallas, Texas 75201

July 1, 1980

First National Bank in Dallas
P. O. Box 83000
Dallas, Texas 75283

Attention: Mr. Don R. Kuykendall, Vice President

Bank of America National Trust
and Savings Association
1 Allen Center
500 Dallas, Suite 3100
Houston, Texas 77002

Attention: Mr. William R. LaRue, Vice President

Citibank, N.A.
399 Park Avenue
New York, New York 10022

Attention: Mr. Frank G. Creamer, Jr., Vice President

First National Bank in Dallas
Administrative Bank
P. O. Box 83000
Dallas, Texas 75283

Attention: Mr. Don R. Kuykendall, Vice President

RE: Revolving Credit and Term Loan Agreement

Gentlemen:

Reference is made to that certain Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979 and May 27, 1980 (the "Loan Agreement"), among Tyler Corporation, a Delaware corporation (the "Company"), and each of you. Unless otherwise defined herein, each term used herein with its initial letter capitalized shall have the same meaning as in the Loan Agreement.

The Company and each of you hereby agree that the Loan Agreement should be, and hereby is, amended as follows:

1. Section 1.01 of the Loan Agreement is amended by the addition of the following at the end thereof:

(k) "Alternate Rate" means an annual rate of interest equal to the lesser of (i) the highest lawful rate, (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) agreed to by the Company and the Administrative Bank (on behalf of all Banks) for the amount of Principal Balance (not less than $5,000,000) and for the number of days (either 30, 60, 90 or 180, as extended to the first Business Day occurring thereafter if any such period ends on a day other than a Business Day) covered by the Request or (iii) 3/4 of 1% above the rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) offered by the Administrative Bank for United States dollar deposits in the London interbank market as of 2:00 p.m., London time, on the date of receipt by the Administrative Bank of a Request, for the amount of Principal Balance (not less than $5,000,000) and for the number of days (either 30, 60, 90 or 180, as extended to the first Business Day occurring thereafter if any such period ends on a day other than a Business Day) covered by the Request.

(l) "Request" means a written or oral request by the Company to the Administrative Bank for a quotation of an Alternate Rate, containing a requested principal amount, term (not extending beyond the Termination Date) and interest rate.

2. Section 2.01 of the Loan Agreement is amended by the addition of the following immediately after the first paragraph thereof:

Notwithstanding the foregoing, upon due acceptance by the Company of an Alternate Rate furnished by the Administrative Bank in response to a Request, the portion of the Principal Balance covered by the Request (applied pro rata to each Interim Note) shall bear interest at the Alternate Rate for the period covered by the acceptance, payable on the last day of each such period. At the expiration of the Alternate Rate period the interest rate with respect to that portion of the Principal Balance shall revert to the rate specified in the immediately preceding paragraph. No prepayment may be made under Section 2.03 hereof of any portion (the "Alternate Rate Loan") of the Principal Balance which is at the time subject to an Alternate Rate.

If 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 Bank's portion of 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, any Bank or shall impose on any Bank or the London

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interbank market any other condition affecting this agreement or any Bank's portion of any Alternate Rate Loan and the result of any of the foregoing is to increase the cost to any Bank of making or maintaining its portion of any Alternate Rate Loan, then the Company shall pay to such Bank upon demand of such Bank as additional interest on the portion of such Alternate Rate Loan or Loans held by such Bank such additional amount or amounts as will compensate such Bank for such additional cost. Each Bank shall give notice to the Company upon becoming aware of any such change or imposition which may result in any such increase. A certificate of such Bank setting forth the basis for the determination of such amount necessary to compensate such Bank as aforesaid shall be delivered to the Company and shall be conclusive as to such determination and such amount, absent manifest error.

3. Exhibits A-1, A-2 and A-3 to the Loan Agreement are hereby amended by deleting in their entirety Exhibits A-1, A-2 and A-3 currently attached to the Loan Agreement and by substituting in lieu thereof the Exhibits A-1, A-2 and A-3, respectively, attached hereto as Appendices A, B and C, respectively; and the term "Interim Notes" as used in the Loan Agreement shall mean the promissory notes of the Company as so attached hereto.

Except as expressly amended hereby, the Loan Agreement is and shall be unchanged, and all of the terms, covenants, provisions, and conditions thereof shall remain in full force and effect and are hereby ratified, confirmed, and incorporated herein by reference as if set forth verbatim.

If you are in agreement with the foregoing, please sign the enclosed copies of this letter in the space provided below and return the same to Administrative Bank, whereupon this letter shall become a binding agreement among the Company and each of you.

Very truly yours,

TYLER CORPORATION

By ______________________
Treasurer

The foregoing is agreed to:

FIRST NATIONAL BANK IN DALLAS

By Don R. Kuykendall
Don R. Kuykendall
Vice President

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BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By ______________________
William R. LaRue
Vice President

CITIBANK, N.A.

By ______________________
Frank G. Creamer, Jr.
Vice President

FIRST NATIONAL BANK IN DALLAS
ADMINISTRATIVE BANK

By ______________________
Don R. Kuykendall
Vice President

INTERIM PROMISSORY NOTE

$24,000,000 Dallas, Texas July 1, 1980

On April 30, 1983, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of FIRST NATIONAL BANK IN DALLAS, a national banking association ("Bank"), the principal sum of Twenty-Four Million Dollars ($24,000,000), or, if less, the aggregate unpaid principal amount of all Advances made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement (hereinafter defined), together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full, at a rate per annum equal to the lesser of (i) the highest lawful rate, or (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) equal to 106% of the base commercial rate of interest established from time to time by Bank for short-term, unsecured loans to substantial and responsible commercial borrowers, as such rate shall change from time to time, each change in the rate to become effective on the effective date of such change without notice to Company; provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which this Note bears below the rate in (i) above until the total amount of interest accrued on this Note after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect. Notwithstanding the foregoing, under the terms and conditions set forth in the Revolving Credit and Term Loan Agreement, all or a portion or portions of the principal of this Note shall bear interest at the Alternate Rate or Rates and for the period or periods referred to in the Revolving Credit and Term Loan Agreement. Interest hereon shall be payable on the last day of each March, June, September and December during the term hereof on the portion hereof not subject to an Alternate Rate, on the last day of each applicable period of time as to each portion hereof subject to an Alternate Rate, and on the maturity hereof. Both principal and interest are payable in lawful money of the United States of America at the office of Bank, as Administrative Bank under said Revolving Credit and Term Loan Agreement ("Administrative Bank"), at 1401 Elm Street, Dallas, Texas 75202, in immediately available funds.

This Note is one of the Interim Notes referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979, May 27, 1980 and July 1, 1980 (such Revolving Credit and Term Loan Agreement, as so amended, being herein called the "Revolving Credit and Term Loan Agreement"), among Company, Bank, Administrative Bank, Bank of America National Trust and Savings Association and Citibank, N.A.

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, and no premium or penalty shall be charged in respect of any prepayment which may be made hereunder. Prepayments shall be applied as provided in the Revolving Credit and Term Loan Agreement.

EXHIBIT A-1
APPENDIX A

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 Company or any of its subsidiaries.

TYLER CORPORATION

By ______________________________
Treasurer

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INTERIM PROMISSORY NOTE

$18,000,000 Dallas, Texas July 1, 1980

On April 30, 1983, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association ("Bank"), the principal sum of Eighteen Million Dollars ($18,000,000), or, if less, the aggregate unpaid principal amount of all Advances made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement (hereinafter defined), together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full, at a rate per annum equal to the lesser of (i) the highest lawful rate, or (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) equal to 106% of the base commercial rate of interest established from time to time by First National Bank in Dallas ("Dallas") for short-term, unsecured loans to substantial and responsible commercial borrowers, as such rate shall change from time to time, each change in the rate to become effective on the effective date of such change without notice to Company; provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which this Note bears below the rate in (i) above until the total amount of interest accrued on this Note after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect. Notwithstanding the foregoing, under the terms and conditions set forth in the Revolving Credit and Term Loan Agreement, all or a portion or portions of the principal of this Note shall bear interest at the Alternate Rate or Rates and for the period or periods referred to in the Revolving Credit and Term Loan Agreement. Interest hereon shall be payable on the last day of each March, June, September and December during the term hereof on the portion hereof not subject to an Alternate Rate, on the last day of each applicable period of time as to each portion hereof subject to an Alternate Rate, and on the maturity hereof. Both principal and interest are payable in lawful money of the United States of America at the office of Dallas, as Administrative Bank under said Revolving Credit and Term Loan Agreement ("Administrative Bank"), at 1401 Elm Street, Dallas, Texas 75202, in immediately available funds.

This Note is one of the Interim Notes referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979, May 27, 1980 and July 1, 1980 (such Revolving Credit and Term Loan Agreement, as so amended, being herein called the "Revolving Credit and Term Loan Agreement"), among Company, Bank, Administrative Bank, Citibank, N.A., and Dallas.

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, and no premium or penalty shall be charged in respect of any prepayment which may be made hereunder. Prepayments shall be applied as provided in the Revolving Credit and Term Loan Agreement.

EXHIBIT A-2
APPENDIX B

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 Company or any of its subsidiaries.

TYLER CORPORATION

By ______________________________
Treasurer

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INTERIM PROMISSORY NOTE

$18,000,000 Dallas, Texas July 1, 1980

On April 30, 1983, FOR VALUE RECEIVED, the undersigned, TYLER CORPORATION, a Delaware corporation ("Company"), hereby promises to pay to the order of CITIBANK, N.A., a national banking association ("Bank"), the principal sum of Eighteen Million Dollars ($18,000,000), or, if less, the aggregate unpaid principal amount of all Advances made by Bank to Company pursuant to the Revolving Credit and Term Loan Agreement (hereinafter defined), together with interest on any and all principal amounts remaining unpaid hereunder from time to time from the date hereof until payment in full, at a rate per annum equal to the lesser of (i) the highest lawful rate, or (ii) a rate (calculated on the basis of actual days elapsed but computed as if each calendar year consisted of 360 days) equal to 106% of the base commercial rate of interest established from time to time by First National Bank in Dallas ("Dallas") for short-term, unsecured loans to substantial and responsible commercial borrowers, as such rate shall change from time to time, each change in the rate to become effective on the effective date of such change without notice to Company; provided, however, that if at any time the rate in (i) above prevails, any subsequent reductions in the rate in (ii) above or increases in the rate in (i) above shall not reduce the rate of interest which this Note bears below the rate in (i) above until the total amount of interest accrued on this Note after May 27, 1980 equals the amount of interest which would have thereafter accrued if the rate in (ii) above had at all times been in effect. Notwithstanding the foregoing, under the terms and conditions set forth in the Revolving Credit and Term Loan Agreement, all or a portion or portions of the principal of this Note shall bear interest at the Alternate Rate or Rates and for the period or periods referred to in the Revolving Credit and Term Loan Agreement. Interest hereon shall be payable on the last day of each March, June, September and December during the term hereof on the portion hereof not subject to an Alternate Rate, on the last day of each applicable period of time as to each portion hereof subject to an Alternate Rate, and on the maturity hereof. Both principal and interest are payable in lawful money of the United States of America at the office of Dallas, as Administrative Bank under said Revolving Credit and Term Loan Agreement ("Administrative Bank"), at 1401 Elm Street, Dallas, Texas 75202, in immediately available funds.

This Note is one of the Interim Notes referred to in, and is entitled to the benefits of, the Revolving Credit and Term Loan Agreement dated as of December 31, 1978, as amended by letter agreements dated November 1, 1979, May 27, 1980 and July 1, 1980 (such Revolving Credit and Term Loan Agreement, as so amended, being herein called the "Revolving Credit and Term Loan Agreement"), among Company, Bank, Administrative Bank, Bank of America National Trust and Savings Association and Dallas.

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, and no premium or penalty shall be charged in respect of any prepayment which may be made hereunder. Prepayments shall be applied as provided in the Revolving Credit and Term Loan Agreement.

EXHIBIT A-3
APPENDIX C

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 Company or any of its subsidiaries.

TYLER CORPORATION

By ______________________________
Treasurer

EXHIBIT 10.3

TYLER CORPORATION

STOCK OPTION PLAN

1. Purpose. It is the purpose of the Plan to provide key employees with a proprietary interest in the Company through the granting of options which will

(a) increase the interest in Company's welfare of those key employees who share the primary responsibility for the management, growth and protection of the business of the Company;

(b) furnish an incentive to such employees to continue their services for the Company; and

(c) provide a means through which the Company may attract able persons to enter its employ.

2. Administration. The Plan shall be administered by the Executive Committee of the Board of Directors of the Company, except to the extent that it covers employees who are officers or directors of the Company; and the Compensation Committee of the Board of Directors of the Company shall administer the Plan to the extent that it covers employees who are officers or directors of the Company.

3. Participants. The Committee shall from time to time select the particular employees from among those key employees of the Company or of any subsidiary of the Company to whom options are to be granted, and such employees upon the grant of options to them shall become participants in the Plan.

4. Restrictions on Eligibility. No option shall be granted to

(a) a director of the Company who is not an employee of the Company or of a subsidiary; or

(b) an employee who is sixty-five (65) years of age or over.

5. Shares Subject to Plan. The total number of shares which may be issued pursuant to options granted under the Plan may not exceed 250,000 shares of Common Stock of the Company, but this number may be adjusted to reflect, if deemed appropriate by the Committee, any stock dividend, stock split, share combination, or other recapitalization, of or by the Company. The Committee may grant options for a larger number of shares, but the terms of the options must be such that no more than the number of shares specified in the previous sentence may be issued on exercise of options granted under the Plan. Shares to be optioned and sold may be made available from either authorized but unissued Common Stock or treasury stock held by the Company. Shares that by reason of the expiration of an option or otherwise are no longer subject to purchase pursuant to an option granted under the Plan may be reoffered under the Plan.

6. Allotment of Shares. The Committee shall determine the number of shares of Common Stock to be offered from time to time by grant of options to key employees of the Company or its subsidiaries. The grant of an option to an employee shall not be deemed either to entitle such employee to, or disqualify such employee from participation in any other grant of options under

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the Plan, except no option shall be granted to any employee who owns (or is regarded as owning) stock possessing more than five percent (5%) of the total combined voting power or value of all classes of stock of the Company or a parent or subsidiary.

7. Grants of Options. The Committee is authorized to grant options under the Plan. The grant of options shall be evidenced by stock option agreements containing such terms and provisions as are approved by the Committee, but not inconsistent with the Plan. The Committee may grant Qualified Options, Non-qualified Options, or a combination of both, under the Plan. The Company shall execute stock option agreements upon instructions from the Committee.

8. Option Price. The option price for shares subject to options granted under the Plan shall not be less than 100 percent of the fair market value per share of the Common Stock on the date the option is granted. The fair market value of the stock on the date of grant of the option shall be the reported closing price of the Common Stock on the New York Stock Exchange on the date of grant of the option, or if no sale of the Common Stock shall have been reported on such date of grant, on the next preceding day or the last day prior to the date of grant when a sale was reported.

9. Option Period. The Option Period will begin on the date the option is granted, which will be the date the Committee authorizes the option unless the Committee specifies a later date. The Option Period will be as

specified by the Committee, but may not be longer than five years in the case of Qualified Options and ten years in the case of Nonqualified Options. The Committee may provide for the exercise of options in installments and upon such terms, conditions and restrictions as may be determined by the Committee. The Committee may provide for termination of the option in the case of termination of employment, dishonesty or any other reason.

10. Rights in Event of Death. If a participant dies prior to the termination of his right to exercise an option in accordance with the provisions of the stock option agreement, without having totally exercised the option, the option may be exercised to the extent of the shares with respect to which the option could have been exercised on the date of participant's death, by the participant's estate or a person who acquired the right to exercise the option by bequest or inheritance or by reason of the death of the participant, provided the period during which the option may be exercised shall not continue beyond its date of expiration or one year from the date of the participant's death, whichever first occurs.

11. Payments. Full payment for shares purchased upon exercising an option shall be made at the time of exercise. No shares shall be issued until full payment has been made, and a participant shall have none of the rights of a stockholder until shares are issued to him.

12. Exercise of Option. Options granted under the Plan may be exercisable during the option period, at such times, in such amounts, in

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accordance with such terms and conditions, and subject to such restrictions as are set forth in the stock option agreements evidencing the grant of such options. In no event shall an option be exercised or shares be issued pursuant to an option if any requisite action, approval or consent of any governmental authority of any kind having jurisdiction over the exercise of options shall not have been taken or secured.

13. Capital Adjustments. The number of shares of Common Stock covered by each outstanding option granted under the Plan, and the option price thereof, may be adjusted to reflect, as may be deemed appropriate by the Committee, any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, reorganization, liquidation or the like, of or by the Company.

14. Non-Assignability. Options may not be transferred other than by will or by the laws of descent and distribution. During a participant's lifetime, options granted to him shall be exercisable only by him.

15. Interpretation. The Committee shall interpret the Plan and shall prescribe such rules and regulations in connection with the operation of the Plan as it shall determine to be necessary or advisable for the administration of the Plan consistent with the purposes thereof. The Committee may rescind, amend and modify its rules and regulations.

16. Amendment or Discontinuance. The Plan may be amended, altered or discontinued by the Board without the approval of the shareholders, except the

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Board shall not have the power or authority to change the employees or class of employees who are eligible to receive options or the aggregate number of shares which may be issued under options.

17. Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any officer or employee any right to be granted an option to purchase Common Stock of the Company or any other rights thereunder except as may be evidenced by a stock option agreement, or any amendment thereto, duly executed on behalf of the Company and then only to the extent and on the terms and conditions expressly set forth therein.

18. Term. The Committee may not grant options after February 1, 1976, but options granted before that date shall continue to be effective and subject to the terms of the Plan.

19. Definitions. For the purpose of this Stock Option Plan, unless the context requires otherwise, the following words shall have the meanings indicated:

(a) "Plan" shall mean this Stock Option Plan as the same may be amended from time to time.

(b) "Company" shall mean Tyler Corporation.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Committee" shall mean the Executive Committee or the Compensation Committee of the Board, whichever is administering the Plan with respect to a particular grantee.

(e) "Common Stock" shall mean the common stock which the Company is currently authorized to issue or may in the future be authorized to issue (so long as the common stock varies from that currently authorized, if at all, only in amount of par value).

(f) "Parent" shall mean any corporation in an unbroken chain of corporations ending with the Company if, at the time of the granting of the option, each of the corporations other than the Company owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(g) "Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(h) "Option period" shall mean the period during which an option may be exercised.

(i) "Key employees" shall mean those employees of the Company and its subsidiaries whose principal duties consist of managing or supervising the work of other employees.

(j) "Qualified Option" means an option granted under the Plan which meets the requirements of section 422 of the Internal Revenue Code.

(k) "Nonqualified Option" means an option granted under the Plan which is not a Qualified Option.

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EXHIBIT 10.4

THE

TYLER CORPORATION

1976

STOCK OPTION PLAN

(As amended and restated on February 2, 1977)

1. Purpose. It is the purpose of the Plan to provide key employees with a proprietary interest in the Company through the granting of options which will

(a) increase the interest in the Company's welfare of those key employees who share the primary responsibility for the management, growth and protection of the business of the Company;

(b) furnish an incentive to such employees to continue their services for the Company; and

(c) provide a means through which the Company may attract able persons to enter its employ.

2. Administration. The Executive Committee of the Board of Directors of the Company shall administer the Plan, except that the Compensation Audit Committee of the Board of Directors of the Company shall administer the Plan to the extent that it covers employees who are officers or directors of the Company.

3. Participants. The Committee shall from time to time select the particular employees from among those key employees of the Company or of any subsidiary of the Company to whom options are

to be granted, and such employees upon the grant of options to them shall become participants in the Plan.

4. Restrictions on Eligibility. No option shall be granted to

(a) a director of the Company who is not an employee of the Company or of a subsidiary; or

(b) an employee who is sixty-five (65) years of age or over.

5. Shares Subject to Plan. The total number of shares which may be issued pursuant to options granted under the Plan may not exceed 125,000 shares of Common Stock of the Company, but this number may be adjusted to reflect, if deemed appropriate by the Committee, any stock dividend, stock split, share combination, or other recapitalization of or by the Company. The Committee may grant options for a larger number of shares, but the terms of the options must be such that no more than the number of shares specified in the previous sentence may be issued on exercise of options granted under the Plan. Shares to be optioned and sold may be made available from either authorized but unissued Common Stock or treasury stock held by the Company. Shares that by reason of the expiration of an option or otherwise are no longer subject to purchase pursuant to an option granted under the Plan may be reoffered under the Plan.

6. Allotment of Shares. The Committee shall determine the number of shares of Common Stock to be offered from time to time by grant of options to key employees of the Company or its subsidiaries. The grant of an option to an employee shall not be deemed either to entitle such employee to, or disqualify such employee from, partici-

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pation in any other grant of options under the Plan, except no option shall be granted to any employee who owns (or is regarded owning) stock possessing more than five percent (5%) of the total combined voting power or value of all classes of stock of the Company or a parent or subsidiary.

7. Grants of Options. The Committee is authorized to grant options under the Plan. The grant of options shall be evidenced by stock option agreements containing such terms and provisions as are approved by the Committee, but not inconsistent with the Plan. The Committee may grant Qualified Options, Non-qualified Options, or a combination of both, under the Plan. An option agreement may include a provision that the Committee may determine upon exercise of an option whether to issue stock or pay an amount of cash equal to the excess of the fair market value per share on the date of exercise over the per share exercise price under the option, multiplied by the number of shares covered by the option or portion thereof being exercised. If cash is paid, the employee will not pay the option exercise price. The Company shall execute stock option agreements upon instructions from the Committee.

8. Option Price. The option price for shares subject to option granted under the Plan shall be determined by the Committee and shall not be less than 100 percent of the fair market value per share of the Common Stock on the date the option is granted. The fair market value of the stock on the date of grant of the option shall be the reported closing price of the Common Stock on

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the New York Stock Exchange on the date of grant of the option, or if no sale of the Common Stock shall have been reported on such date of grant, on the next preceding day or the last day prior to the date of grant when a sale was reported.

9. Option Period. The Option Period will begin on the date the option is granted, which will be the date the Committee authorizes the option unless the Committee specifies a later date. The Option Period will be as specified by the Committee, but may not be longer than five years in the case of Qualified Options and ten years in the case of Nonqualified Options. The Committee may provide for the exercise of options in installments and upon such terms, conditions and restrictions as may be determined by the Committee. The Committee may provide for termination of the option in the case of termination of employment, dishonesty or any other reason.

10. Rights in Event of Death. If a participant dies prior to the termination of his right to exercise an option in accordance with the provisions of the stock option agreement, without having totally exercised the option, the option may be exercised to the extent of the shares with respect to which the option could have been exercised on the date of participant's death, by the participant's estate or a person who acquired the right to exercise the option by bequest or inheritance or by reason of the death of the participant, provided the period during which the option may be

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exercised shall not continue beyond its date of expiration or one year from the date of the participant's death, whichever first occurs.

11 Payments. Full payment for shares purchased upon exercising an option shall be made at the time of exercise. No shares shall be issued until full payment has been made, and a participant shall have none of the rights of a stockholder until shares are issued to him.

12. Exercise of Option. Options granted under the Plan may be exercisable during the option period, at such times, in such amounts, in accordance with such terms and conditions, and subject to such restrictions as are set forth in the stock option agreements evidencing the grant of such options. In no event shall an option be exercised or shares be issued pursuant to an option if any requisite action, approval or consent of any governmental authority of any kind having jurisdiction over the exercise of options shall not have been taken or secured The Committee may offer an optionholder the right to receive cash in lieu of stock on exercise of the option (and without payment by the holder of the exercise price) in an amount equal to the excess of the fair market value per share on the date of exercise over the per share exercise price under the option, multiplied by the number of shares covered by the option or portion thereof being exercised.

13. Capital Adjustments. The number of shares of Common Stock covered by each outstanding option granted under the Plan,

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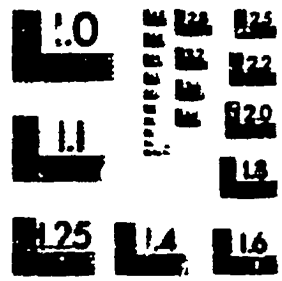
and the option price thereof, may be adjusted to reflect, as may be deemed appropriate by the Committee, any stock dividend, stock split, share combination, exchange of shares, recapitalization, merger, consolidation, reorganization, liquidation or the like, of or by the Company.

14. Non-Assignability. Options may not be transferred other than by will or by the laws of descent and distribution. During a participant's lifetime, options granted to him shall be exercisable only by him or by his guardian or legal representative.

15. Interpretation. The Committee shall interpret the Plan and shall prescribe such rules and regulations in connection with the operation of the Plan as it shall determine to be necessary or advisable for the administration of the Plan consistent with the purposes thereof. The Committee may rescind, amend and modify its rules and regulations.

16. Amendment or Discontinuance. The Plan may be amended, altered or discontinued by the Board without the approval of the shareholders, except the Board shall not have the power or authority to change the employees or class of employees who are eligible to receive options or the aggregate number of shares which may be issued under options.

17. Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to



MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
STANDARD REFERENCE MATERIAL 1010a
(ANSI and ISO TEST CHART No. 2)

DISCLOSURE

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give any officer or employee any right to be granted an option to purchase Common Stock of the Company or any other rights thereunder except as may be evidenced by a stock option agreement, or any amendment thereto, duly executed on behalf of the Company and then only to the extent and on the terms and conditions expressly set forth therein.

18. Term. This Plan shall be effective February 1, 1976, subject to shareholder approval. The Committee may not grant options after January 30, 1986, but options granted before that date shall continue to be effective and subject to the terms of the Plan.

19. Definitions. For the purpose of this Stock Option Plan, unless the context requires otherwise, the following words shall have the meanings indicated:

(a) "Plan" shall mean this Stock Option Plan as the same may be amended from time to time.

(b) "Company" shall mean Tyler Corporation.

(c) "Board" shall mean the Board of Directors of the Company.

(d) "Committee" shall mean the Executive Committee or the Compensation Audit Committee of the Board, whichever is administering the Plan with respect to a particular grantee.

(e) "Common Stock" shall mean the common stock which the Company is currently authorized to issue or may in the future be authorized to issue (so long as the common stock varies from that currently authorized, if at all, only in amount of par value).

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5

(f) "Parent" shall mean any corporation in an unbroken chain of corporations ending with the Company if, at the time of the granting of the option, each of the corporations other than the Company owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(g) "Subsidiary" shall mean any corporation in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

(h) "Option period" shall mean the period during which an option may be exercised.

(i) "Key employees" shall mean those employees of the Company and its subsidiaries whose performance and responsibilities are determined by the Committee to be influential to the success of the Company.

(j) "Qualified Option" means an option granted under the Plan which meets the requirements of section 422 of the Internal Revenue Code.

(k) "Nonqualified Option" means an option granted under the Plan which is not a Qualified Option.

AMENDMENT NO. 1 TO THE TYLER CORPORATION
1976 STOCK OPTION PLAN AS AMENDED AND
RESTATED ON FEBRUARY 2, 1977

Pursuant to paragraph 16 of the Tyler Corporation 1976 Stock Option Plan as amended and restated on February 2, 1977 (the "Plan"), the Board of Directors agree that the Plan shall be amended, effective February 1, 1978, as follows:

1. The second sentence of paragraph 6 shall be amended by deleting the language "except no option shall be granted to any employee who owns (or is regarded as owning) stock possessing more than five percent (5%) of the total combined voting power or value of all classes of stock of the Company or a parent or subsidiary" and by changing the comma that comes immediately before such language to a period.

2. Paragraph 7 shall be amended to read as follows:

> 7. Grants of Options. The Committee is authorized to grant options under the Plan. The grant of options shall be evidenced by stock option agreements containing such terms and provisions as are approved by the Committee, but not inconsistent with the Plan. The Company shall execute stock option agreements upon instructions from the Committee. A stock option agreement may provide, if the Committee so determines, that upon the exercise of the option the Committee may elect to pay, in lieu of receipt from the optionholder of the exercise price and issuance of certificates for the shares of stock exercised, an amount equal to the excess of the fair market value per share on the date of exercise over the per share exercise price of the option, multiplied by the number of shares covered by the option or the portion thereof being exercised ("Stock Appreciation"). If such an election is made, the Stock Appreciation shall be paid to the optionholder either in cash or in Common Stock or in cash and Common Stock (based on the fair market value of such

stock on the date of election by the optionholder), as the Committee shall determine. The option to purchase shares shall terminate with respect to the number of shares for which the Stock Appreciation is paid.

3. The second sentence of paragraph 9 shall be amended to read as follows:

The Option Period will be as specified by the Committee, but may not be longer than ten years.

4. The last sentence of paragraph 1? shall be amended to read as follows:

The Committee may offer an optionholder, upon such conditions and restrictions as it deems advisable and in lieu of receipt from him of the exercise price and issuance of certificates for the shares of stock exercised, the right to elect payment in cash, Common Stock, or a combination of cash and Common Stock as the Committee shall determine in an amount equal to the Stock Appreciation.

5. Paragraph 19 shall be amended by deleting subparagraphs (j) "Qualified Option" and (k) "Non-Qualified Option".

I, Neil J. O'Brien, Secretary of Tyler Corporation, hereby certify that the foregoing was adopted by the Board of Directors of Tyler Corporation at its meeting duly held on the 1st day of February, 1978.

/s/ Neil J. O'Brien
Neil J. O'Brien

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AMENDMENT NO. 2 TO THE TYLER CORPORATION
1976 STOCK OPTION PLAN AS AMENDED AND
RESTATED ON FEBRUARY 2, 1977

Pursuant to Paragraph 16 of The Tyler Corporation 1976 Stock Option Plan as amended and restated on February 2, 1977, Paragraph 4 of the Plan is amended, effective January 1, 1979, to read as follows:

4. Restriction on Eligibility. No option shall be granted to a director of the Company who is not an employee of the Company or of a subsidiary.

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of April 18, 1979.

TYLER CORPORATION

By D C Kline

EXHIBIT 10.5

TYLER CORPORATION SALARY CONTINUATION AGREEMENT

This Salary Continuation Agreement is entered into this ______ day of ____________________, 19____, by and between Tyler Corporation, a Delaware corporation ("Tyler") and ____ ("Employee").

1. Tyler and Employee desire to enter into this Salary Continuation Agreement to provide for payment of compensation to the designee of Employee in the event of his death while employed by Tyler or one of its controlled subsidiaries. This Agreement covers compensation regularly payable to Employee for his customary services to Tyler.

2. If Employee's death occurs while he is an employee of Tyler or one of its controlled subsidiaries and before Employee has attained the age of 65, Tyler will pay to the Beneficiary designated in the manner provided in Schedule A attached to this Agreement (and as amended from time to time by mutual agreement), the amounts per month for the number of months set forth in such Schedule A (as amended), commencing with the first month following his death. In the absence of designation by Employee, Tyler shall make the payments to his wife or to the representative of his estate. If for any reason Tyler has reasonable doubt as to the proper person to whom to make payment, Tyler may withhold payment until instructed to make payment by an order of a court of competent jurisdiction. Any payment of any monthly installment made by Tyler in good faith shall fully discharge Tyler from its obligations with respect to the payment of the monthly installment.

3. Tyler intends to fund its obligation hereunder through the purchase of life insurance on the life of Employee. Employee agrees to cooperate in the securing of life insurance on his life by furnishing such information as Tyler

or the insurance company may require, taking physical examinations that may be necessary, and taking any other action which may be appropriate or necessary to obtain the insurance. Tyler will be the sole owner of the life insurance policy with all incidents of ownership therein, including right to terminate the policy. Employee agrees to pay to Tyler the amount per month set forth in Schedule A attached to this Agreement, and as amended from time to time by mutual agreement, commencing the date this Agreement becomes effective and continuing thereafter during the term of this Agreement or until Employee's death, whichever is first to occur. Tyler shall have no obligation to Employee hereunder if Tyler purchases life insurance on his life pursuant to this Agreement, and for any reason the insurance company fails to pay the proceeds of insurance to Tyler.

4. The Committee shall be the administrator and named fiduciary under this Agreement. As a named fiduciary, the Committee shall discharge its duties solely in the interests of Employee, his designee or any other person with benefits payable hereunder and for the exclusive purpose of providing benefits under this Agreement; discharge its responsibilities with the care, skill, prudence and diligence a prudent man would use in similar circumstances; and conform with the provisions of this Agreement which govern it. The Committee must also refrain from engaging in any prohibited transactions as specified in Sections 406 and 408 of the Employee Retirement Income Security Act of 1974 ("ERISA"). The Committee shall comply with any reporting, disclosure and other obligations that it may have as administrator of this Agreement under ERISA.

5. This Agreement shall become effective on the date that Tyler obtains life insurance in the amount of $__________ on the life of Employee at standard rates, or 60 days from the date hereof, whichever is first to occur. Tyler may terminate this Agreement at any time upon notice to Employee. If Tyler terminates

this Agreement, voluntarily or involuntarily, while a policy of life insurance is in force upon the life of Employee, if Employee's employment with Tyler or one of its controlled subsidiaries terminates other than by death or retirement, or if Tyler determines for any reason to terminate the policy on his life, Employee shall (i) after five years of employment after the date of this Agreement without the consent of Tyler, and (ii) within five years from the date of this Agreement with the consent of Tyler, have the right to purchase the life insurance contract on his life from Tyler by paying to Tyler the cash surrender value thereof.

6. It is agreed that none of the benefits or payments which may be derived from this Agreement may be subject to seizure for payment of any debts or judgments against Employee, his designee or any other person with benefits payable hereunder, and neither Employee, his designee nor any other person with benefits payable hereunder, shall have any right to transfer, modify, anticipate or encumber any benefits or rights hereunder, and none of the payments which may be d [illegible] and owing Employee or any such other person shall be transferable by operation of law in the event Employee becomes insolvent or bankrupt.

7. If Employee's services w[illegible]ler and its controlled subsidiaries are terminated prior to his retirement, [illegible]ement will become void and upon Employee's subsequent death neither E[illegible] wife nor his estate nor any other person shall be entitled to any pay[illegible]eunder.

8. If Tyler should reorga[illegible] consolidate or merge with another corportation, this Agreement shall become an obligation of the new entity or of any business taking over the assets, duties or responsibilities of Tyler.

9. If Tyler liquidates due to insolvency or any other event, this Agreement shall terminate and be considered as fully and completely discharged.

10. Neither Employee nor any other person shall acquire any right, title or interest in or to any benefits hereunder except by actual payment of the amount in accordance with the provisions of this Agreement.

11. This Agreement shall not in any way limit the right of Tyler to terminate the employment of Employee, nor shall any of the terms of this Agreement in any way affect the terms of employment of Employee or give Employee the right of any employment.

12. Notices hereunder shall be effective only if in writing and mailed by registered or certified letter to the person entitled to the notice at whichever of the following addresses is applicable:

If to Employee, to:

____

____

____

If to Tyler, to:

Tyler Corporation
3121 Southland Center
Dallas, Texas 75201

A party may change his address by notice to the other party.

13. This Agreement shall be binding upon the parties hereto, their heirs, assigns, successors, designees, executors and administrators, and the parties agree to execute any and all instruments necessary for fulfillment of the terms hereof. This Agreement may be amended only by instrument in writing signed by the parties.

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14. If Employee is employed by a subsidiary of Tyler the subsidiary will be entitled to the rights conferred on and subject to the obligations imposed on Tyler hereunder.

IN WITNESS WHEREOF, we set our hands and seal the day and year first above written.

TYLER CORPORATION

By______________________________

(Corporate Seal)

____
EMPLOYEE

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TYLER CORPORATION
SALARY CONTINUATION AGREEMENT

Schedule A

1. Employee's Covered Salary: $__________ per month.

   This represents the full amount of Employee's base earnings eligible for coverage at the date of execution of this Schedule A.

2. Death Benefit:

   $__________ per month for 12 months commencing with the first day of the month following his death and $__________ per month commencing with the first day of the 13th month following his death and payable through ____________________ (date of 65th birthday) or until a total of 120 monthly payments hereunder have been made, whichever is later.

3. Required Employee Contribution: $__________ per month.

4. Employee hereby designates as Primary Beneficiary under this Agreement ____

   and Employee hereby designates as Secondary Beneficiary under this Agreement ____

   The term Beneficiary, as used herein, shall mean the Primary Beneficiary, if such Primary Beneficiary survives Employee by at least 30 days, and shall mean the Secondary Beneficiary if Primary Beneficiary does not survive Employee by at least 30 days, and shall mean the estate of Employee if neither Primary Beneficiary nor Secondary Beneficiary survives Employee by at least 30 days. Employee shall have the right to change Employee's designation of Primary Beneficiary and/or Secondary Beneficiary from time to time in such manner as shall be required by Tyler, it being agreed that no change in Beneficiary shall be effective until acknowledged in writing by Tyler. (If Beneficiary is to be irrevocable, strike and initial previous sentence.)

   IN WITNESS WHEREOF, Tyler and Employee have executed this Schedule A as of ____________________, 19___.

TYLER CORPORATION

By:______________________________

____
EMPLOYEE

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EXHIBIT 10.6

TYLER CORPORATION MANAGEMENT SECURITY AGREEMENT

This Agreement is made and entered into as of ________________, 19____ by and between TYLER CORPORATION, a Delaware corporation, and ________________ ________________________ (hereinafter referred to as "Employee") for the purpose of enrolling Employee in the Management Security Program.

Company shall be defined to include Tyler Corporation, and its majority-owned subsidiaries (including majority-owned subsidiaries of such subsidiaries) which are hereinafter collectively referred to as "Company".

In consideration of each other's undertakings in this Agreement, Company and Employee agree as follows:

1. Retirement Benefit after Age 65. If Employee has remained an active, full-time employee of Company until age 65, and if this Agreement has been kept in force until such time, Company will pay to Employee out of Company's general assets, as a Retirement Benefit, the amounts per month for the number of months set forth in Schedule A attached to this Agreement, and as amended from time to time by mutual agreement, commencing on the first day of the month following Employee's retirement from Company after attaining age 65, unless a different method of payment is selected under Paragraph 3 hereof. If Employee dies after becoming entitled to such Retirement Benefit payments, or before all such payments are made, the remaining Retirement Benefit payments shall be paid monthly to Employee's Beneficiary. If Employee dies while employed by Company after attaining age 65, all such Retirement Benefit payments shall be paid monthly to Employee's Beneficiary. Should Employee retire prior to age 65 with the consent of the Tyler Corporation Employee Welfare and Benefits Committee (hereinafter referred to as the "Committee"), Employee shall be entitled to a Retirement Benefit for the same number of months set forth in Schedule A after such retirement date in a lesser amount to be determined exclusively by the Committee.

2. Definition of "Beneficiary". The term "Beneficiary" as used in this Agreement shall mean the person or the estate of Employee entitled to receive any death benefits under this Agreement, as further defined in Schedule A. Employee shall have the right to designate and to change Beneficiary, as provided in Schedule A. If Company has any doubt as to the proper person to receive any payments due hereunder, Company shall have the right to withhold such payments until the matter is finally adjudicated. In any event, each payment made by Company in good faith, under this Agreement, shall fully discharge Company from all further obligations with respect to such payment.

3. Payment Options. After written application by Employee to the Committee at least 12 months prior to retirement, and with the consent of the Committee, Employee may receive in a lump sum the discounted cash value of any Retirement Benefit payable hereunder or may receive any Retirement Benefit payable hereunder over a period of months longer than that set forth in Schedule A, with an appropriate reduction in the amount of the monthly payments, as determined exclusively by the Committee. Payment will be made under these options, if Employee becomes entitled to payment, on the first day of the month following the earlier of Employee's actual retirement or Employee's death after attaining age 65.

4. Termination of Employment. This Agreement does not in any way obligate Company to continue the employment of Employee with Company, nor does this Agreement limit the right of Company to terminate Employee's employment at any time and for any reason with Company. Termination of Employee's employment with Company prior to attainment of age 65 for any reason, whether by action of Company or Employee, shall immediately terminate this Agreement and all further obligations hereunder. In no event shall this Agreement by its terms or implications constitute an employment contract of any nature whatsoever between Company and Employee.

5. Termination of Amendment of Agreement. Company reserves in its sole discretion the right to elect to amend or discontinue at any time and from time to time the program to which this Agreement pertains and to terminate or amend this Agreement by giving Employee not less than 30 days' written notice to such effect; provided, however, that Company shall not have the right to terminate or amend this Agreement after the payment of any benefits under this Agreement has commenced.

6. Other Benefits and Agreements. The benefits provided for Employee and Employee's Beneficiary hereunder are in addition to any other benefits available to Employee under any other plan or program of Company for its respective employees, and, except as otherwise expressly provided for hereunder, this Agreement shall supplement and shall not supersede any other plan or program of Company.

7. Restrictions on Alienation of Benefits. The parties hereto expressly agree that neither Employee, his designee nor any other person shall have any right to transfer, modify, anticipate, or encumber any benefit or rights hereunder.

8. Notices. Any notice which shall be or may be given under this Agreement shall be in writing and shall be mailed by United States mail, postage prepaid, addressed as follows:

(a) Notice to Employee:

____

____

____

(b) Notice to Company or the Committee:

Tyler Corporation
3121 Southland Center
Dallas, Texas 75201
ATTN: Dwain C. Kline

Any party hereto may, from time to time, change the address to which notices shall be mailed by giving written notice of such new address.

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9. Miscellaneous.

(a) If Tyler Corporation liquidates due to insolvency or any other event, this Agreement shall terminate and be considered fully and completely discharged without any obligation whatsoever to Company.

(b) It is understood and agreed that payment of Retirement Benefits hereunder is not funded by any specific assets of Company and that Employee will look only to Company's general assets for payment hereunder.

(c) This Agreement shall be binding upon the parties hereto, their heirs, assigns, successors, designees, executors, and administrators, and the parties hereto expressly agree to execute any and all instruments necessary for fulfillment of the terms and conditions hereof. This Agreement may be amended only by instrument in writing signed by the parties hereto duly authorized.

(d) This Agreement shall be governed and construed under the laws of the State of Texas as in effect at the time of its execution.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the day, month and year first written above.

TYLER CORPORATION

By:________________________

____

EMPLOYEE

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TYLER CORPORATION
MANAGEMENT SECURITY AGREEMENT

Schedule A

1. Employee's Covered Salary: $__________ per month.

   This represents the full amount of Employee's base earnings eligible for coverage at the date of execution of this Schedule A.

2. Retirement Benefit (after age 65):

   $__________ per month for 60 months.

3. Employee hereby designates as Primary Beneficiary under this Agreement

   ____

   ____

   and Employee hereby designates as Secondary Beneficiary under this Agreement

   ____

   The term Beneficiary, as used herein, shall mean the Primary Beneficiary if such Primary Beneficiary survives Employee by at least 30 days, and shall mean the Secondary Beneficiary if Primary Beneficiary does not survive Employee by at least 30 days, and shall mean the estate of Employee if neither Primary Beneficiary nor Secondary Beneficiary survives Employee by at least 30 days. Employee shall have the right to change Employee's designation of Primary Beneficiary and/or Secondary Beneficiary from time to time in such manner as shall be required by Company, it being agreed that no change in Beneficiary shall be effective until acknowledged in writing by Company. (If Beneficiary is to be irrevocable, strike and initial previous sentence.)

   IN WITNESS WHEREOF, Company and Employee have executed this Schedule A as of ____________________, 19___.

TYLER CORPORATION

By:______________________________

____
EMPLOYEE

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EXHIBIT 10.7

EMPLOYMENT AGREEMENT

This employment agreement is between Atlas Powder Company (the "Company") and H. Joseph Burchell.

1. Employment:

The Company hereby employs Burchell, and Burchell hereby accepts employment with the Company upon the terms and conditions hereinafter set forth.

2. Term:

Except as otherwise provided herein, the term of this agreement shall begin on the first day Burchell is ready for employment and shall terminate three years later or upon Burchell's prior death. Burchell will be ready for employment not later than August 1, 1978.

3. Duties:

Burchell is engaged by the Company to serve in an executive capacity as President of the Company subject to the direction and control of the Board of Directors of the Company. Burchell shall not, during the term of this agreement, be engaged in any other business activity, whether or not such business activity is pursued for gain or other pecuniary advantage, except investments of assets in such form and manner as will not require his services, except for his acting as a director of a business or charitable organization where there would be no conflict of interest or except with the Company's prior consent.

4. Compensation:

For the services to be rendered by Burchell under this agreement, the Company shall pay Burchell a minimum of $100,000 in U.S. Funds a year, payable in equal monthly installments, less usual withholdings, plus travel and other appropriate expenses, during the term of this agreement and while this agreement is in force. Burchell shall have an opportunity to earn up to a 60% bonus on his previous year's earnings depending upon performance as outlined in the Tyler Discretionary Bonus Plan for paying bonuses. Burchell shall have the same rights and privileges and be entitled to the same benefits including savings plans and stock option plans as a senior executive would have with 27 and ½ years' service with the Company.

Pension benefits will accrue as if Burchell's entire working life to date had been spent at the Company. This pension will then be paid to Burchell on terms of the Company's pension. Whatever CIL pays Burchell in pension will offset the amount paid by the Company so that his total effective pension will be as if it were all earned at the Company.

5. Convenant Not To Compete:

Burchell convenants and agrees, which convenant and agreement he acknowledges are of the essence of this agreement, that he will not, for a period of three years from August 1, 1978, engage, directly or indirectly, in the commercial explosives business except for benefit of the Company. The Company has the right to enforce this restriction by suit for specific performance or by seeking injunctive relief or in any other legal manner except with our prior written consent.

6. Termination:

The Company may not terminate Burchell's employment under this agreement except (i) for fraud, misappropriation, embezzlement, dishonesty or similar conduct, or (ii) if Burchell becomes so disabled as to preclude him from rendering the services called for hereunder for in excess of six months, or (iii) if Burchell shall have committed a material breach of any provision of this agreement.

IN WITNESS WHEREOF, the parties have executed this agreement on the day and year above set forth.

ATLAS POWDER COMPANY

By [signature] 6-30-78

[signature] 15/7/78
H. JOSEPH BURCHELL

EXHIBIT 11

Earnings per share computations for the years ended December 31, 1978, 1979 and 1980 are as follows:

	1978	1979	1980
Earnings per common and common equivalent shares:			
Net income for computation of earnings per common and common equivalent share	$23,059,000	$23,457,000	$23,836,000*
Weighted average number of common shares outstanding during the year	10,591,000	9,867,000	9,572,000
Net shares to be issued upon exercise of dilutive stock options after applying treasury stock method	173,000	173,000	126,000
Weighted average number of common and common equivalent shares outstanding during the year	10,764,000	10,040,000	9,698,000

Note: Share amount for 1978 reflects a two-for-one split in August 1978.

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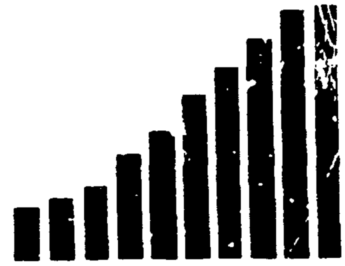
* Before an extraordinary charge related to the write-off of the entire cost of route permits associated with trucking operations amounting to $10,192,000.

EXHIBIT 13

Tyler Corporation

Annual Report 1980



A Decade of Growth

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Duain C. Kline

Vice President — Finance and Director
December 29, 1931 – November 11, 1980

No one made a greater contribution to the development of Tyler Corporation.

His loss is incomparable, his legacy is deathless. The example of his brilliant life and his long, courageous and good-humored final battle is a reservoir of inspiration.

His associates are permanently enriched from the experience of knowing him and working with him.

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Tyler Corporation, with headquarters in Dallas, provides products and services to industrial customers through four operating subsidiaries:

Atlas Powder — The nation's second largest manufacturer of commercial and industrial explosives.

C & H Transportation — The largest motor carrier specializing in hauling heavy and cumbersome items.

Thurston Motor Lines — One of the nation's leading regional general commodity carriers.

Tyler Pipe — The largest manufacturer of pipe and fittings for drain, waste and vent applications.

Tyler Corporation's sales growth has earned entry of the Company into the Fortune 500 listing of U.S. industrial companies in recent years. Throughout the decade of the 1970's, Tyler has ranked in or close to the top ten percent of these companies in terms of return (before extraordinary charges) on shareholders' equity.

Most of the Company's products and services are marketed throughout the United States. Only a small part of revenues is derived from exports and operations have little vulnerability to foreign competition.

With its primary objective of superior long-term rewards to shareholders, Tyler has built an organization composed of a few, large industry-leading operations capable of realizing outstanding returns on those assets employed in their businesses. Each unit seeks to produce a 25% pretax return on its assets with emphasis on high asset turnover. Strong cash flow from consistently exceeding this standard has permitted Tyler to finance relatively rapid expansion. This cash flow has also allowed major acquisitions made in pursuit of diversification, supplemental acquisitions to strengthen industry position, accelerated debt repayment, repurchase of common stock and regular cash dividend increases.

Tyler Corporation's management has stated a goal of realizing 15% annual growth in fully diluted earnings per share. This goal has been exceeded in eight of the last ten years. Five-year and ten-year compound growth rates in fully diluted earnings per share before extraordinary charges have been 16% and 23%, respectively.

At the end of 1980, Tyler had approximately 7,900 employees and 6,204 shareholders of record.

Highlights

	Years Ended December 31 1979	1980	1980 Over 1979	Five-Year Compound Growth Rate	Ten-Year Compound Growth Rate
Earnings Per Share (assuming full dilution) Before Extraordinary Charge	$ 2.34	$ 2.46*	5%	16%	23%
Income Before Extraordinary Charge	23,457,000	23,836,000*	2%	10%	20%
Net Sales and Operating Revenues..	519,242,000	563,841,000	9%	14%	16%
Dividend (year-end annual rate)	.45	.50			
Pretax Return on Assets Used in Operations	27%	26%			
Return on Ending Shareholders' Equity......................	20.3%	19.8%			

***Throughout this report, 1980 earnings and earnings per share are before an extraordinary charge relating to the write-off of the entire cost of route permits associated with trucking operations and amounting to $10,192,000, or $1.05 per share.**

Major events and achievements of 1980 include:

- Record sales and profit performance for the tenth successive year;
- Overall pretax return of 26% on assets used in the operations, exceeding the Company's goal for the tenth consecutive year;
- Return of 19.8% on ending shareholders' equity;
- Increases in the annual cash dividend from $.45 to $.50 per share in February 1980 and to $.55 per share in January 1981;
- Strong cash flow which permitted:
  - Net capital investments of $20.6 million, including initial expenditures on a $9 million expansion of Tyler Pipe's major foundry;
  - Reduction of total debt, mostly in borrowings sensitive to the prime interest rate, from $108.6 million to $81.4 million;
  - Further purchases of the Company's common stock, reducing by 35% the fully diluted number of shares since the stock repurchase program began in 1972.

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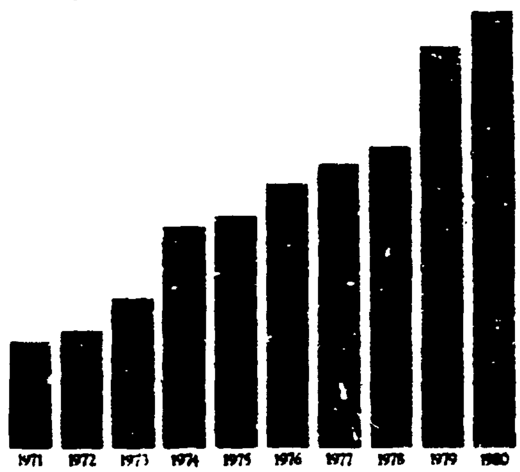
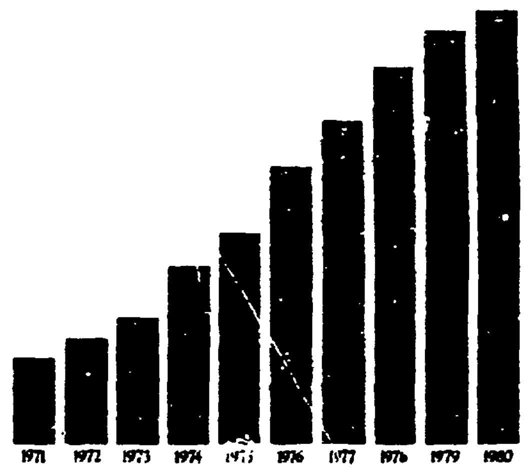
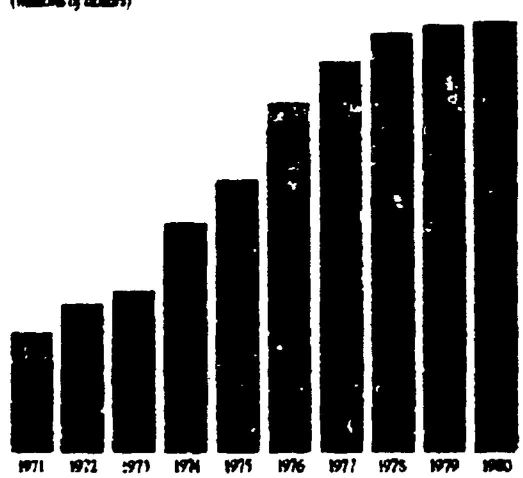
Net Sales and Operating Revenues
(millions of dollars)



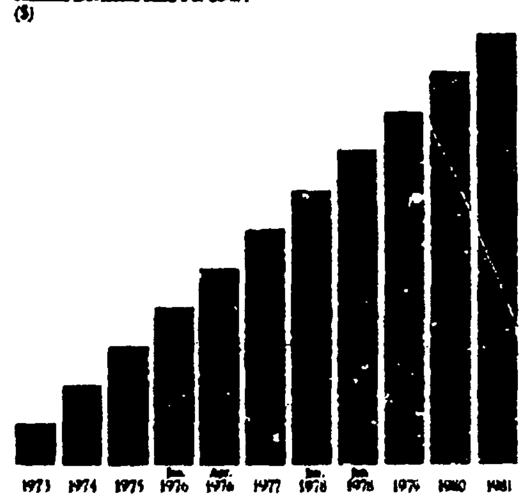
Earnings Per Share Before Extraordinary Charge
(assuming full dilution)($)



Income Before Extraordinary Charge
(millions of dollars)



Annual Dividend Rate Per Share
($)



Presi. ·nt's Letter

In many ways, the past year was the most satisfying i·· the history of Tyler Corporation. I w ·ld like to quote from the President's Letter in our 1979 Annual Report:

"Looking ahead, 1960 shapes up as a very stiff challenge .. xtending our string to ten years of record ean ·s per share, a cherished ambition for quite a while, will be an uphill battle."

It soon became appa. ·it that "uphill" was r ore than 90 degrees because physical volume and profits nosed over in late April and the decline continued until October. We had all but abandoned our hopes for a ··nth straight earnings-per-share record.

Because of the strength of our operating people, however, we have the enormous pleasure of reporting that per share earnings for 1980 reached $2.46 versus $2 34 for 1979. This was done in a year:

- When the prime interest rate swung wildly to 20%, then 11%, then 21½% affecting both interest expense and construction activity;
- When recession and double-digit inflation demonstrated their willingness to co-exist;
- When the first stages of trucking deregulation let slip the dogs of rate war into an already recessive environment;
- When for most of the year our general commodity hauler was preoccupied with its eventually successful fight to defeat the Teamsters' unionization bid.

Contrary to our traditional pattern of seasonality, the fourth quarter was the year's best in sales and income. Earnings per share in the final three months rose to $1.04 versus $.53 a year earlier. For the full year sales reached $563.8 million and income before the extraordinary charge reached $23.8 million.

The extraordinary charge, amounting to $10.2 million, was announced on October 2, 1980, and refers to the write-off of trucking authorities which we considered devalued by deregulation legislation. We intend to claim most of the write-off as a deduction for Federal income tax purposes, but, due to uncertainty regarding the ultimate treatment, no tax benefit has been recorded in the financial statements.

If earnings performance was impressive, the job done by our operating people in the areas of asset management and cash production was a masterpiece. Receivables and inventories were held to a minimum. Overall asset turnover actually rose to 2.5 times. Total debt was reduced from $108.6 million to $81.4 million. Prime-rate-sensitive debt was slashed from

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$47.2 million at year-end 1979 to $22.5 million at year-end 1980, *after* $20.6 million for internal capital spending, about $5 million in cash dividends and the continuation of common stock purchases out of the market.

Our consolidated return on assets goal was met for the tenth consecutive year. As noted in the past, the corollary of a successful strategy emphasizing return on assets is superior ability to service debt. In the past decade, we have completed two major diversifying acquisitions and a dozen smaller supplemental ones, all for cash. We have spent $8.3 million on pollution control at Tyler Pipe alone and have added aggressively, though selectively, to our growing plant and equipment accounts for modernization and increased productivity.

Ten years ago, debt represented 70% of our total capitalization; in 1979, 46%; and at the end of 1980, 40%. Again, this is after diverting a substantial amount of cash from possible debt reduction to common stock repurchase, a transaction which simultaneously reduces our equity account.

Since beginning stock repurchases in 1972, the fully diluted number of shares has diminished from 14,640,000 to 9,463,000 at December 31, 1980.

All of our companies did a solid, professional job in coping with the bizarre economy of 1980. Atlas Powder increased sales in the seismic and coal industries, though this was partially offset by a decline in the construction and quarrying areas. Profits increased less than sales primarily due to inflationary cost pressures.

C & H maintained its outstanding return on assets performance in spite of the early impact of deregulation of the trucking industry. Profits, however, were below the 1979 level.

The decisive action of Thurston employees in voting down the Teamsters and that company's good performance in the fourth quarter indicate a desire to grow and improve productivity. Much remains to be done, but 1980 was a year of substantial progress for Thurston.

A special salute must be directed to the thoroughbred performers at Tyler Pipe. That company's day-and-night commitment to improving productivity, increasing market share and maintaining leadership position in its industry was never more apparent than in

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...competitive superiority was widened through the efforts of every employee.

In April 1980, Perry J. Lewis was elected to the Board of Directors. Lewis is president of MacKay-Lewis Inc., a financial consulting firm, and was previously a director of Smith Barney, Harris Upham & Co. Incorporated, investment bankers.

For nine years, we have sponsored the Tyler Cup Invitational, a two-mile run for senior corporate executives designed to promote physical fitness programs throughout the business community. The 1980 event, run on October 18, included 180 invited business leaders from the United States and Europe who represented more than two million employees.

Executive Vice President Frederick R. Meyer and President Joseph F. McKinney

In association with Tyler Cup IX, we were pleased to award the second annual Kenneth H. Cooper Prize for Aerobics Leadership to Jess A. Bell, President of Bonne Bell, Inc., in recognition of his outstanding contribution to preventive medicine through physical fitness.

In December, we were happy to join members of the medical and business communities in saluting the completion of ten years of outstanding work by Dr. Cooper at the Institute for Aerobics Research in Dallas. Unfortunately, Dr. Cooper's Aerobics Activity Center, physically apart from the Institute, was seriously damaged by fire on January 2. Reconstruction has begun and the new facility should be in full operation on an expanded basis within a year.

At the moment, 1981 is unreadable. It is difficult not to have confidence, though, after 1980's flying finish. We thank our employees, many of them stockholders, for hammering out the results that make this kind of letter possible.

Yours very truly,

Joseph F. McKinney
President and Chief Executive Officer

February 5, 1981

1980 became the tenth consecutive year in which the corporate goal of 25% return on assets used in the business has been exceeded. While less than the 27% return recorded in 1979, the 1980 return of 26% was particularly notable in a difficult year and was primarily the result of excellent asset management by the operating units.

The highlights of the Company's ten-year operating record are tabulated in the Operating Performance Summary shown below.

Operating profits of $57.3 million were 1% higher than in 1979 and represented a 17% compound growth rate over the past ten years.

The operating profit margin narrowed to 10% in 1980, the first time in ten years that this indicator slipped below 11%. The reduction was due in large part to the continuing low margin of Thurston Motor Lines at only 2%.

The success of the subsidiaries' asset management programs is evidenced by the increase in asset turnover to 2.5 times. Much of the benefit resulted from a reduction in accounts receivable and good inventory management. This performance is especially noteworthy in a year in which, due to high interest rates, customers generally take longer to pay their bills.

Sales in 1980 advanced 9% to $563.8 million, rounding out a ten-year compound growth rate of 16%. All operating units except Tyler Pipe recorded sales gains.

C & H TRANSPORTATION

C & H Transportation, the nation's largest carrier of heavy and cumbersome items, has been a dynamic member of the heavy hauling industry for 30 years. The company transports machine tools, building materials, pipe, power transformers, structural steel, refinery and oil field equipment, construction equipment and other heavy machinery. Generally, loads are transported from point of origin to final destination with no cargo transfers enroute.

C & H has long led its industry as measured by principal performance indicators, including sales and profits. With the industry's most extensive geographic and market coverage, the company operates in 49 continental states and sections of Canada and Mexico.

From Dallas headquarters, C & H operates 42 terminals nationwide. At the end of 1980, this unit had 1,496 tractors, of which 17 percent were company-owned and 83 percent were leased from their owner-operators, 2,744 company-owned trailers and about 1,800 drivers.

In 1980, C & H Transportation reported a 10% gain in revenues, but operating profits declined 8%. 1979 benefited

Operating Performance Summary
(Dollars in Millions)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Sales and operating revenues	$128.7	131.5	193.9	286.0	293.6	336.1	364.7	390.9	519.2	[illegible]
Operating profits (1)	$ 17.1	19.2	22.4	32.0	36.8	45.0	46.6	50.9	56.9	57.3
Operating profit margin	13.3%	12.6%	11.6%	11.2%	12.5%	13.4%	12.8%	13.0%	11.0%	10.2%
Average assets employed in operations	$ 55.0	63.1	[illegible]	118.4	128.6	135.4	138.5	153.7	214.8	221.8
Asset turnover (2)	2.3	2.4	2.2	2.4	2.3	2.5	2.6	2.5	2.4	2.5
Return on assets (3)	31%	30%	26%	27%	29%	33%	34%	33%	27%	26%

(1) Operating profits = Profits before taxes and before corporate overhead including interest expense
(2) Asset turnover = Sales and operating revenues ÷ Average assets
(3) Return on assets = Asset turnover × Operating profit margin

from unusually large gains involving fixed assets. An important factor in the revenue gain and margin shrinkage is a fuel surcharge which is included in revenues but which is passed on to the company's contract drivers.

Over the past ten years, revenues have grown at a compound rate of 14% while operating income has advanced at a rate of 12%.

In 1980, the company's operating ratio (the ratio of costs and expenses to revenues) was 90%, reflecting in part the effect of the fuel surcharge referred to above. This was the thinnest profit margin in more than a decade and the first time that the operating ratio exceeded 89%. Nevertheless, of the hundred largest U.S. truckers of all types, C & H continues as one of only two ranked among the top ten in terms of profitability in each of the past ten years.

Despite the decline in profits, C & H managed to achieve an impressive 37% return on assets. Over the past ten years, return on assets has averaged 37%, well above Tyler Corporation's goal of 25%, and has not been below 32%. An outstanding feature of C & H's asset management in 1980 was a reduction in accounts receivable despite the gain in revenues.

C & H has acquired a site in Laredo, Texas and has begun construction of a major terminal which will serve the company's increasing business in Mexico. In addition, the company acquired a terminal facility in Charlotte, North Carolina. This facility is centrally located on the main trucking thoroughfare between the Southwest and the Eastern states and will permit better coverage of the Southeast.

The nominal deregulation of the interstate trucking industry has, of course, affected the operations of C & H and its competitors. Easier entry into the business has resulted in more but weaker competitors. Price competition has increased pressure for greater efficiency. The result will eventually be fewer but larger and more efficient trucking companies. C & H expects to continue to be the industry leader.

1980 market conditions appear to be extending into 1981, with cost increases, smaller rate increases and continuing margin pressures. Business for heavy haulers will be available, but 1981 will not be a period of much growth in the total market.

TYLER PIPE

Tyler Pipe is the nation's leading manufacturer of pipe and fittings for drain, waste and vent applications in commercial, industrial and residential construction and of cast iron water and sewage fittings for use by municipalities. Within its industry, which has estimated sales of around $750 million, the unit is ranked first in sales, profits and profit margins.

For 45 years, Tyler Pipe has been manufacturing products with cast iron and has added plastic products to its catalogs. With headquarters and principal production facilities in Tyler, Texas, the company also has a plant in Pennsylvania.

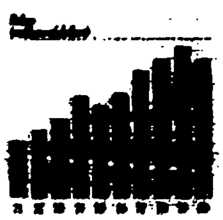
Tyler Pipe has a long-standing record of innovation in the design, manufacture and application of its broad range of products. It introduced soil pipe in ten-foot lengths and was the first domestic manufacturer to employ centrifugal casting of soil pipe in one-piece metal molds. Tyler Pipe has led the industry in the use of service-weight and no-hub products, replacing the heavier, more costly and more energy-intensive extra-heavy-weight pipe and fittings.

Operating profits for Tyler Pipe increased 8% in 1980 despite a 7% decline in revenues and a sharp drop in physical volume of products sold. Sales were below 1979 levels

primarily as a result of a general slowdown in commercial and industrial construction. While sales were lower in each of the company's major product lines, a gain in operating profits from cast iron drain, waste and vent products more than offset declines in income from water and sewage fittings and plastic pipe and fittings.

The gain in profit margin resulted primarily from an effective program of cost reduction and productivity improvement.

The company has recorded a ten-year compound growth rate of 12% in sales and 14% in operating profits. Return on assets in 1980 was 36% marking ten consecutive years of meeting or exceeding the 25% standard. Over this period, return on assets has averaged 32%.



Tyler Pipe continued to lead its industry, increasing its market share to approximately 26% overall and to more than 40% in cast iron drain, waste and vent products. In order to expand its capacity to maintain market leadership, and its position as the lowest-cost producer in its industry, the company is implementing a major expansion at its foundry in Tyler, Texas. The new facilities, budgeted at about $9 million, include an automatic molding system, sand supply, pouring stations and related facilities. Virtually a new foundry, the addition will assure improved productivity and customer service and availability of all cast iron products.

For 1981, Tyler Pipe expects to continue to increase market penetration in drain, waste and vent pipe and fittings and in water and sewage fittings. As the year progresses, the total market should also improve.

ATLAS POWDER

Atlas Powder, ranked second in sales among domestic manufacturers of commercial and industrial explosives, has earned a reputation for superior products and outstanding marketing and technical service assistance throughout its 69-year life. Over the last several years, Atlas has expanded its share of the total explosives market which is estimated at over $500 million.

With headquarters in Dallas, Atlas has production facilities in Missouri, Pennsylvania and Texas. Besides these manufacturing facilities, it operates mix plants at 12 sites throughout the nation.

Atlas produces and distributes a complete product line which includes nitroglycerine-based dynamites, gels, slurries, ANFO, ammonium nitrate, electric blasting caps and other related supplies. About half of all industrial explosives consumed in the U.S. is used by the coal mining industry. Other major users are the quarrying, construction, metal mining and seismic industries.

Atlas Powder's net sales were up 14% in 1980, and operating profit increased 1%. A decline in physical volume of products sold reflected a slowdown in general construction spending.

In each full year since Atlas Powder became a part of Tyler Corporation in 1973, it has met the return-on-assets goal, achieving 26% in 1980. Over the same six years, it has had a compound growth rate of 12% in net sales and 13% in operating profits.

Note: Atlas Powder was acquired in July 1973 on a purchase basis. Because its assets had previously been combined with those of other entities, comparable data before acquisition are not available.

During 1980, the company expanded its capacity for the manufacture of packaged slurry explosives. In addition, sales of high

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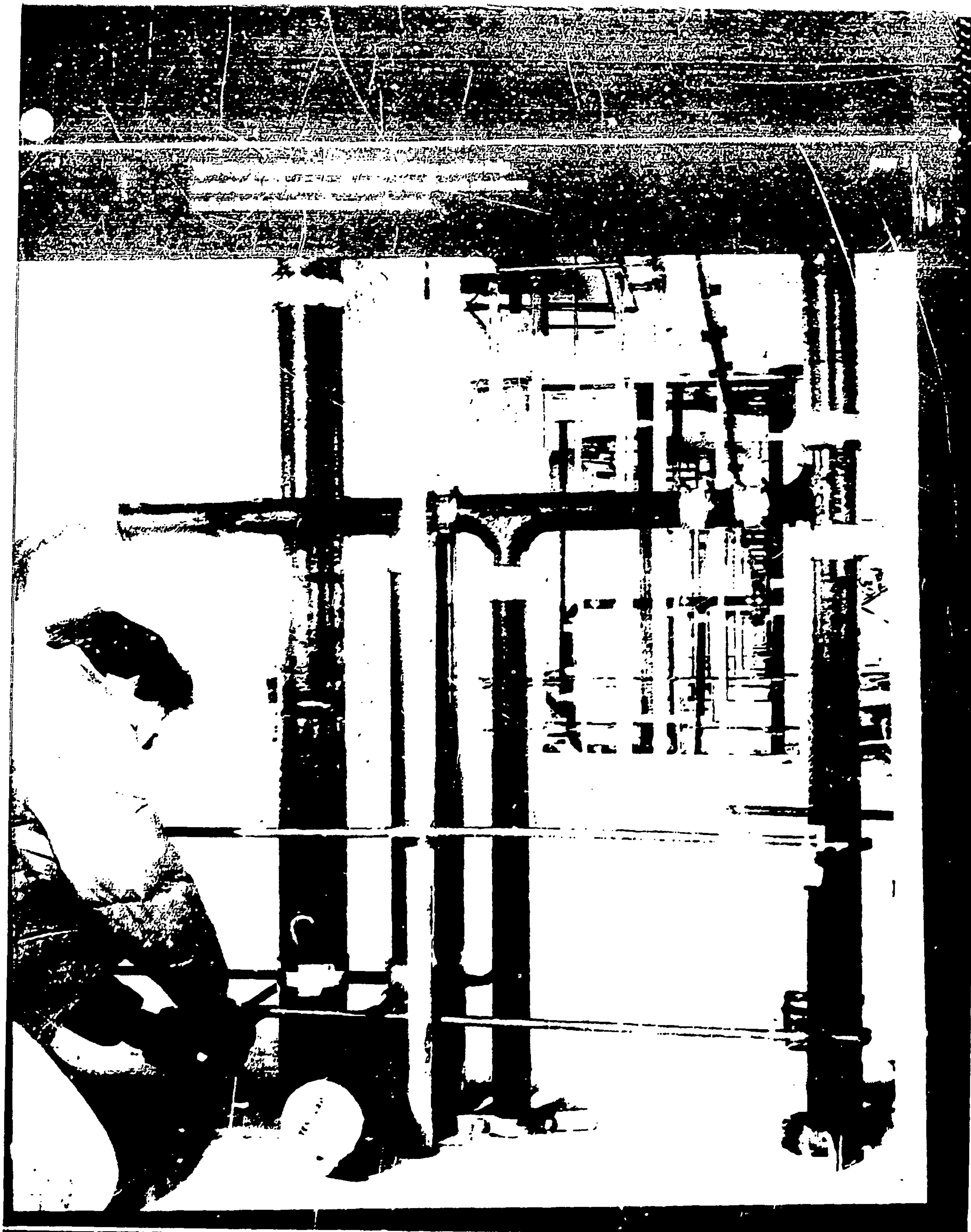

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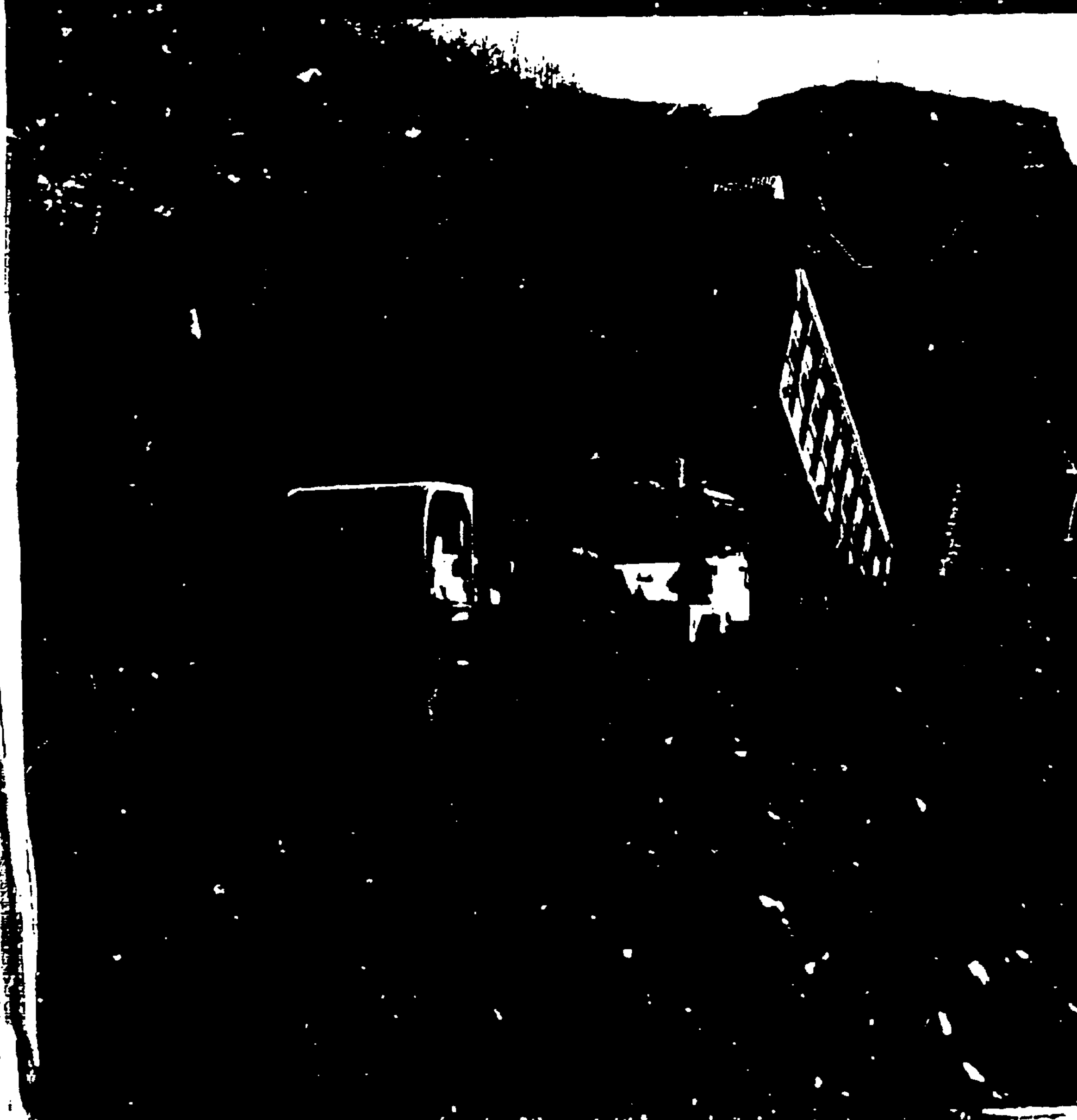
Increasing coal mining activity, the nation's major user of explosive products, is providing an expanding market for Atlas Powder's industrial explosives and technical service.



quality explosives to the seismic industry increased, reflecting the oil industry's expanding search for oil and gas.

The major market for industrial explosives, the coal mining industry, has excellent long-term growth prospects. The economic advantage of coal as an energy source, even with environmental expenses, is overwhelming. A possible coal strike in early 1981 could slow but not reverse this growth trend.

The quarry and construction industries will probably continue to be soft, especially in the first half of 1981, but this will be offset partially by the growth in oil and gas exploration.

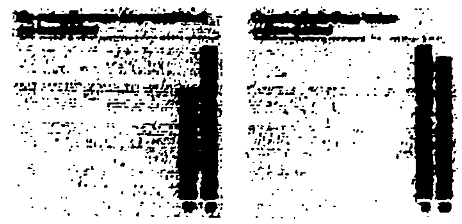
THURSTON MOTOR LINES

Thurston Motor Lines, headquartered in Charlotte, North Carolina, is one of the nation's leading regional general commodity carriers. Founded in 1932, Thurston has operations in 23 states, concentrated in the Southeastern states. The business and assets of Thurston were purchased by Tyler in 1979. New route authorities have increased substantially the unit's coverage of the Southeastern United States and the Eastern Seaboard. Service has recently been extended to the Dallas/Ft. Worth and Birmingham markets with temporary authorities.

Thurston's motor fleet at the end of 1980 consisted of 910 tractors, 2,516 trailers, 139 straight trucks and 44 automobiles and service units. Services are coordinated through 43 terminals. At the end of 1980, Thurston had 2,230 full-time employees.

Cargo handled by Thurston represents a broad range of products, but typically the major commodities shipped are textiles and synthetic fibers, automotive parts, drugs and toilet preparations, furniture, chemicals and allied products and paper products.

In its first full year as a member of the Tyler family, Thurston Motor Lines was hard hit by the effects of the economic recession and a union organizing effort. While year-to-year comparisons are not available, overall results for 1980 were below standard. Return on assets was an unsatisfactory 4%. It is encouraging that most of the return was earned in the latter part of the year and the annualized return on assets for the fourth quarter was significantly better, although still below the 25% standard.



Note: Thurston Motor Lines was acquired in April 1979 on a purchase basis. Operating profits for prior years are not comparable to those reported for subsequent periods because of changes in certain accounting policies and because of amortization of the goodwill resulting from the acquisition.

During the second half of the year, Thurston made considerable progress toward increasing its business volume and profitability. It extended its operating territory by obtaining new authorities and starting operations in Birmingham, Dallas and Albany, Georgia. Further extensions of its routes are in process. It began operation of a new break-bulk terminal in Charlotte, North Carolina to increase efficiency of its services.

In July, the employees of Thurston voted by more than two to one to reject representation by the International Brotherhood of Teamsters. The election represented an important step in improving the operations at Thurston.

In 1981, Thurston expects to increase its market share in a very competitive environment. Thurston also expects to continue productivity improvement programs which will result in an improved operating ratio and improved return on assets.

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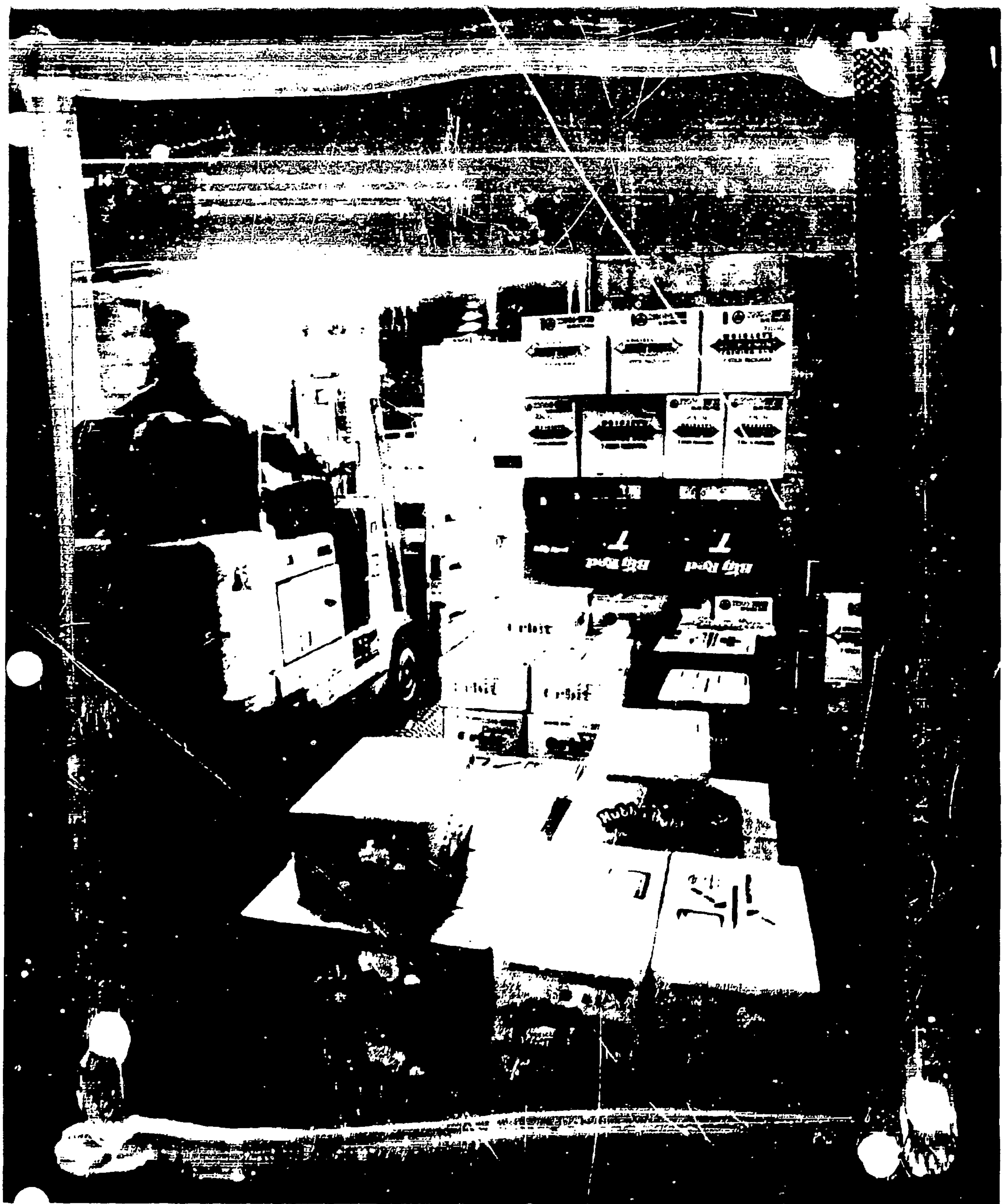


Financial Comment

Despite some minor disappointments, Tyler Corporation ended 1980 with a generally good record and in strong financial condition, as measured by several key indicators. (As earlier indicated, references in this Financial Comment section to income relate to income before an extraordinary charge.)

Income

For the tenth consecutive year, Tyler posted record income in 1980. Income has increased more than six times in the decade, from $3.7 million in 1970 to $23.8 million in 1980.

Return on Equity

Income of $23.8 million in 1980 resulted in a return on year-end shareholders' equity of 19.8% compared with 20.3% in 1979.

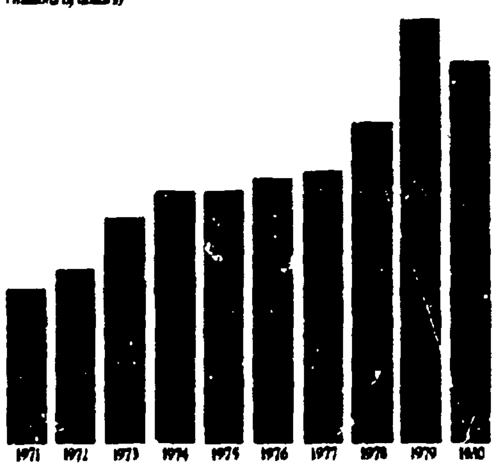
Return on equity is usually considered by investors to be an important gauge of a company's performance. By this measure, Tyler Corporation has an impressive record, generally ranking among the top ten percent of the 500 leading industrial companies as listed by Fortune magazine. The Company's record is set forth in the table and chart below.

Return on Equity
(Dollars in Millions)

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Net income	$ 6.5	8.1	8.8	12.6	15.0	19.3	21.4	23.1	23.5	23.8*
Shareholders' equity	$40.9	40.9	47.4	59.0	72.4	97.4	102.2	107.9	115.5	120.5
Return on ending equity	15.9%	19.7%	18.5%	21.4%	20.7%	19.8%	20.9%	21.4%	20.3%	19.8%*

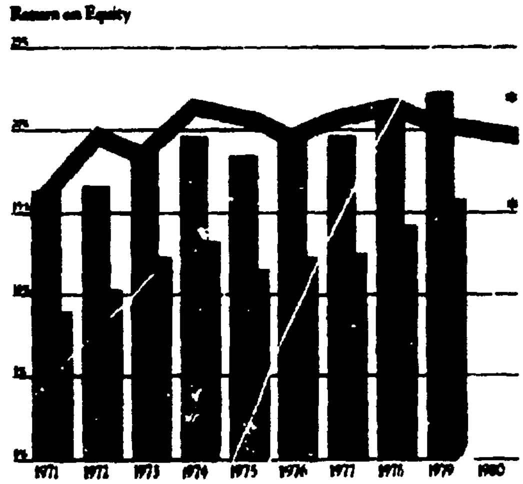
* Before extraordinary charge of $10.2 million

Capitalization
(millions of dollars)



- *Long-term Debt (including current maturities)*
- *Subordinated Debentures*
- *Shareholders' Equity*

Return on Equity



- *Tyler Corporation*
- *Top 10% of Fortune "500" (1)*
- *Median of Fortune "500"*

(1) 50th company in Fortune "500"

** Fortune "500" data for 1980 are not available at the time this report is published. This material is usually included in a May issue.*

According to Fortune Magazine's formula, return on equity equals net income divided by ending shareholders' equity.

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Cash Flow

The sum of depreciation and amortization charges of $17.4 million added to income produced cash flow of $41.2 million in 1980.

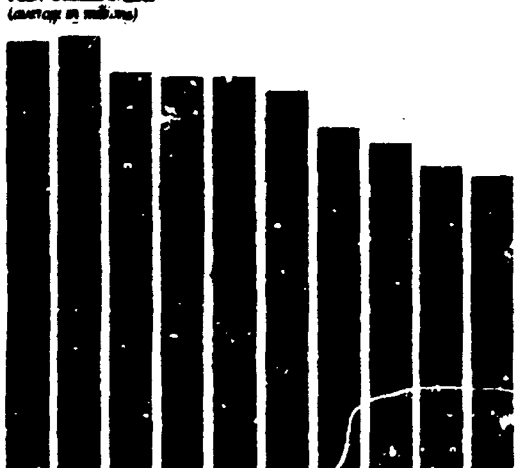
Because Tyler operating managers generally have met or exceeded the Company's standard for return on assets, subsidiaries have been able to finance their own growth without corporate capital contributions. In addition, the regular flow of cash from the operating units to the Company in recent years has permitted:

- internal net capital investment in 1980 of $20.6 million, of which about two-thirds was spent for plant modernization and productivity improvements and one-third for transportation equipment;
- annual increases (with two increases each in 1976 and 1978) of the cash dividend from its initial level of $.05 per share in 1973 to the present rate of $.55 per share declared in January 1981;
- a stock repurchase program which, since its inception in late 1972, has reduced the fully diluted number of shares by 35% at the end of 1980;
- the spin-off of a former subsidiary to Tyler shareholders as a tax-free stock dividend;
- early retirement of a previous $21.3 million issue of convertible subordinated debentures;
- acquisitions of major and supplemental operating units;
- reduction in long-term debt during 1980 of $27.2 million, mostly in borrowings sensitive to the prime rate.

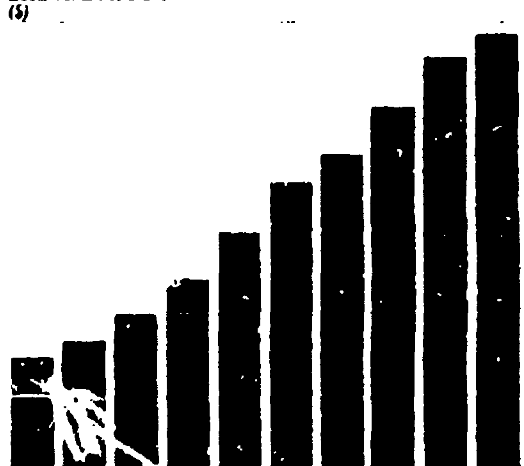
Capitalization

At the end of 1980, the Company's total capitalization of $201.9 million consisted of $120.5 million in shareholders' equity and $81.4 million in total debt.

Fully Diluted Shares
(average in millions)



Book Value Per Share
($)



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Early in 1980, the Company increased its unsecured line of credit to $60 million. Exceptional cash generation during the year made it possible to reduce substantially the outstanding balance of this line of credit from $43.0 million at year-end 1979 to $21.5 million at year-end 1980. Interest is at ¼% over the London Interbank Offered Rate or, at the option of the Company, at 106% of prime rate through April 1983 and at prime rate plus ½% for the remaining five years of the loan agreement.

Total debt includes $30 million principal amount of 10½% subordinated debentures issued in June 1978 and due in 1998 and a $27 million remaining balance on an 8¾% loan from The Prudential Insurance Company of America.

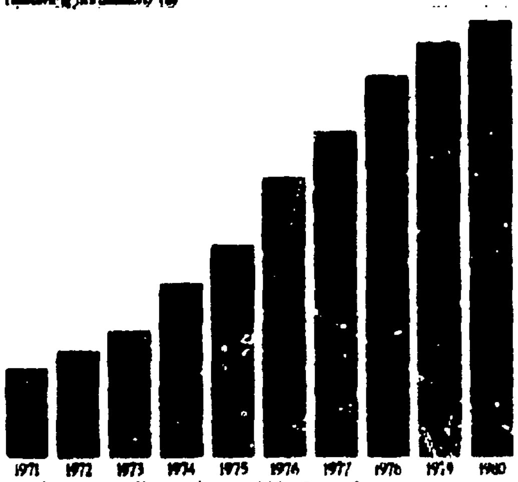
In addition, the Company has unsecured credit agreements with its banks for $25 million at prime rate for working capital. There were no borrowings under these agreements in 1980.

Tyler's capital structure has varied considerably over the past ten years (see chart on page 15). From the end of 1970 to the end of 1980, shareholders' equity has grown from $26.1 million to $120.5 million. Changes in debt position, including current maturities of long-term debt, have produced year-end debt/equity ratios of 70/30 in 1970, 48/52 in 1979 and 40/60 in 1980.

Industry Standings

In recent years, the Company has ranked high in *Fortune* magazine's ten-year analyses of the nation's largest industrial companies in terms of key indicators of corporate performance. The study of 1980 performance is not available as this report is published. However, according to the tabulation in the magazine's May 5, 1980 issue which analyzes 1979 results, Tyler Corporation was ranked 88th in return on equity for the year and 88th in ten-year growth of earnings per share. In total return to shareholders, the Company ranked 34th for the ten years through 1979.

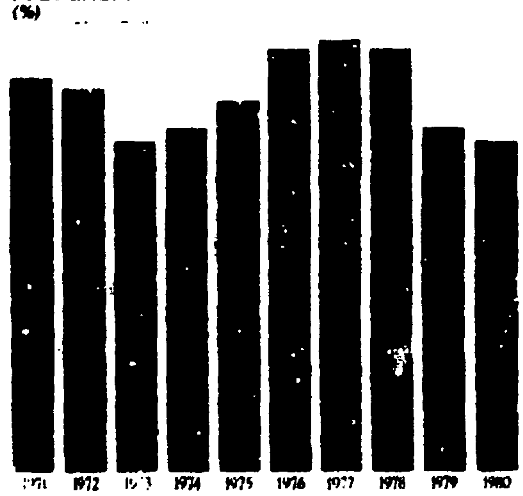
Earnings Per Share By Quarter
(assuming full dilution) ($)



**Before extraordinary charge of $1.05 per share*

Fourth quarter
Third quarter
Second quarter
First quarter

Return on Assets
(%)



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Management Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

By generally exceeding the Company's goal of a 25% return on assets with emphasis on high asset turnover, the Company's subsidiaries have been able to service their own cash needs for capital expansion and other purposes from operations while also providing cash flow to the Company. During 1980, a decrease in accounts receivable and basically level inventories permitted significant cash flow from operations while sales and operating revenues continued to increase. Sales and operating revenues increased 44% from 1978 to 1980, but accounts receivable as a percentage of total assets declined from 23% in 1978 to 22% in 1980 and inventories remained fixed at 13% of total assets.

In addition to the cash from operations, the Company has available $25,000,000 under credit commitments with certain banks and $66,000,000 under unsecured revolving lines of bank credit. At December 31, 1980, the Company could obtain an additional $68,500,000 under these arrangements.

The Company intends to maintain a debt-to-equity relationship in its capital structure that will permit the Company to have access to long-term funding as future needs arise.

Analysis of Results of Operations

1979 Compared with 1978

Net sales and operating revenues of the Company increased 33% over 1978 levels with 19% of the increase attributable to the inclusion of the general commodity carrier acquired on April 6, 1979. Heavy hauling revenues increased due to continued improvement in load ratio and the mix of commodities hauled and to an increase in the number of trucks operated. At the industrial explosives unit, physical volume was up, led by demand for slurry products. Unit volume decreased for water and sewage fittings and cast iron products but increased for plastics at the pipe and fittings unit. Most product and service prices were raised in 1979.

Pretax profits as a percent of sales declined from 10.8% to 8.2% and gross profit margins dropped from 21.2% to 18.4%. The gains realized from an improved load ratio and gains involving fixed assets for the heavy hauler and volume increases at the industrial explosives unit were more than offset by a drop in margin at the pipe and fittings unit and the low margin of the general commodity carrier included since acquisition, and because of increased costs of labor, materials, fuel,

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maintenance, depreciation and amortization, payroll taxes and interest. Excluding the general commodity carrier, which contributed 21% of the 37% total increase in costs and expenses, maintenance costs were up 18% as outside repair costs on transportation equipment continued to increase and as plant capacity was more fully utilized. Depreciation and amortization of property, plant and equipment rose 8% due to inflation's effect on asset additions. Payroll taxes increased 10% because of a slight increase in the average number of employees in 1979 and legislated increases in FICA taxes.

Compared to a 23% increase in 1978, interest expense (net of interest income) increased 125% in 1979 due to sharply higher rates and increased borrowings used to acquire the general commodity carrier.

1980 Compared with 1979

Net sales and operating revenues advanced 9% in 1980. Inclusion of twelve months of revenue in 1980 versus nine months in 1979 for the general commodity carrier contributed 5% of the increase. The heavy hauling unit's gain reflected primarily a larger amount for diesel fuel surcharge during 1980 in addition to an improved commodity mix and slightly higher rates. The industrial explosives unit's advance resulted from price increases that more than offset the physical volume decline in all product lines. The pipe and fittings unit experienced a substantial drop in physical volume for all of its major product lines.

Pretax profits as a percent of sales declined from 8.2% to 7.4% and gross profit margins decreased from 18.4% to 18.2%. The profit margin gains realized from cost reductions and productivity improvements at the pipe and fittings unit were offset by the especially low margin at the general commodity carrier, a lower load ratio and the fuel surcharge passed through to contract drivers at the heavy hauler and a physical volume decrease at the industrial explosives unit. The profit margin was also penalized by generally increased costs of labor, materials, fuel, maintenance, depreciation and amortization.

Inflation Accounting

For a discussion of the impact of general inflation and changes in specific prices, see "Inflation Accounting Data" on page 32.

Financial Summary Table

	1971	1972	1973
Net sales and operating revenues	$128,719	$151,520	$193,948
Costs and expenses	112,996	133,851	173,293
Interest expense			
Corporate	3,015	2,341	4,439
Operating companies	456	396	284
Income before income tax	12,252	14,932	15,932
Income tax	5,762	6,869	7,169
Net income	6,490	8,063	8,763
Net income to sales and operating revenues	5.04%	5.32%	4.52%
Tax rate	47%	46%	45%
Earnings per common share — assuming full dilution	$ .50	$ .60	$ .71
Average shares	14,240	14,428	13,160
Earnings per common and common equivalent share	$ .64	$ .68	$ .80
Average shares	10,176	11,920	10,956
Total assets	$ 97,873	$107,757	$144,095
Long-term debt, including current maturities	40,442	51,225	72,829
Debt/equity ratio	50/50	56/44	61/39
Capital expenditures (net)	$ 6,513	$ 9,364	$ 10,388
Depreciation and amortization	4,264	4,596	5,978
Dividend (year-end annual rate) +	$ —	$ —	$ .05
Stock trading price range	6⅞-3⅜	8¾-5⅜	6⅜-2⅞
Price/earnings ratio range	14-7	14-9	9-4
Book value per share	$ 3.26	$ 3.70	$ 4.47
Industry segment summary:			
Net sales and operating revenues			
Pipe and fittings	$ 69,080	$ 81,135	$ 96,583
Heavy hauling	48,532	51,880	62,572
Industrial explosives	—	—	19,280
General commodity carrier	—	—	—
Other	11,107	18,505	15,558
	$128,719	$151,520	$193,948
Operating profit:			
Pipe and fittings	$ 11,321	$ 12,163	$ 12,837
Heavy hauling	5,793	6,112	7,213
Industrial explosives	—	—	1,737
General commodity carrier	—	—	—
Other	25	902	607
	17,139	19,177	22,394
Unallocated corporate expense			
Interest	(3,015)	(2,341)	(4,439)
Other	(1,872)	(1,904)	(2,023)
Income before income tax	$ 12,252	$ 14,932	$ 15,932

000 omitted from all dollar amounts (except per share data) and from average shares.
*Before an extraordinary charge related to the write-off of the entire cost of motor permits associated with trucking operations amounting to $10,192,[illegible] or $[illegible] per share.
+ Equal to cash dividends per share except 1976 and 1978 when cash dividends were $.238 and $.375, respectively.

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1974	1975	1976	1977	1978	1979	1980
$286,001	$293,645	$336,080	$364,724	$390,873	$519,242	$563,841
256,066	260,255	296,147	321,849	343,576	465,700	510,179
5,883	5,868	4,696	3,973	4,897	10,577	11,306
301	40	120	68	89	635	239
23,751	27,482	35,117	38,834	42,311	42,330	41,817*
11,163	12,504	15,803	17,474	19,252	18,873	17,481
12,588	14,978	19,314	21,360	23,059	23,457	23,036*
4.40%	5.10%	5.75%	5.86%	5.90%	4.52%	4.2%*
47%	45.5%	45%	45%	45.5%	44.6%	43%
$ 1.01	$ 1.19	$ 1.56	$ 1.83	$ 2.14	$ 2.34	$ 2.46*
13,094	13,[illegible]	12,536	11,704	10,787	10,040	9,698
$ 1.16	$ 1.38	$ 1.68	$ 1.83	$ 2.14	$ 2.34	$ 2.46*
10,912	10,864	11,514	11,690	10,764	10,040	9,698
$164,806	$170,808	$177,493	$177,295	$206,921	$272,577	$264,648
75,026	61,745	43,675	40,564	62,928	108,561	81,374
56/44	46/54	31/69	28/72	37/63	48/52	40/60
$ 21,473	$ 10,164	$ 16,342	$ 16,482	$ 15,529	$ 21,691	$ 20,645
8,279	9,231	9,309	9,576	11,314	15,206	17,378
$ .10	$ .15	$ .25	$ .30	$ .40	$ .45	$ .50
5¼-3¼	6¼-3⅛	11⅜-5⅛	12⅝-9¾	19¼-10⅛	18⅝-14	17⅝-10⅝
5-3	5-3	7-3	7-5	9-5	[illegible]-6	7-4*
$ 5.55	$ 6.81	$ 8.40	$ 9.17	$ 10.61	$ 12.16	$ 12.93
$125,614	$111,895	$128,106	$154,608	$171,863	$185,132	$171,361
77,591	83,051	91,078	102,625	113,754	138,101	151,483
68,390	74,096	87,153	96,544	105,256	121,775	138,323
—	—	—	—	—	74,234	102,174
14,406	24,603	29,743	10,947	—	—	—
$286,001	$293,645	$336,080	$364,724	$390,873	$519,242	$563,841
$ 15,121	$ 13,589	$ 15,612	$ 22,763	$ 24,735	$ 22,430	$ 24,267
10,574	9,695	10,670	11,862	12,984	16,682	15,370
7,400	17,327	17,387	11,350	13,185	15,335	15,481
—	—	—	—	—	2,438	2,202
(1,123)	(3,600)	1,352	657	—	—	—
31,972	36,811	45,021	46,632	50,904	56,[illegible]	57,320
(5,883)	(5,868)	(4,696)	(3,973)	(4,897)	(10,577)	(11,306)
(2,338)	(3,461)	(5,208)	(3,825)	(3,696)	([illegible],978)	(4,197)
$ 23,751	$ 27,482	$ 35,117	$ 38,834	$ 42,311	$ 42,330	$ 41,817*

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Consolidated Statements of Income

Years ended December 31

	1978	1979	1980
Net sales	$277,119,000	$306,907,000	$310,184,000
Operating revenues	113,754,000	212,335,000	253,657,000
	390,873,000	519,242,000	563,841,000
Costs and expenses			
Cost of sales	213,770,000	244,994,000	242,861,000
Operating costs	94,394,000	178,952,000	218,4[illegible],000
Selling, administrative and general expenses (all operations)	35,412,000	41,754,000	49,167,000
Interest expense	4,986,000	11,212,000	11,545,000
	348,562,000	476,912,000	522,024,000
Income before income tax and extraordinary charge	42,311,000	42,330,000	41,817,000
Income tax			
Current	17,502,000	17,128,000	17,584,000
Deferred	1,750,000	1,745,000	397,000
	19,252,000	18,873,000	17,981,000
Income before extraordinary charge	23,059,000	23,457,000	23,836,000
Extraordinary charge	—	—	10,192,000
Net income	$ 23,059,000	$ 23,457,000	$ 13,644,000
Per common share			
Earnings before extraordinary charge	$ 2.14	$ 2.34	$ 2.46
Extraordinary charge	—	—	1.05
Net earnings	$ 2.14	$ 2.34	$ 1.41
Average shares	10,764,000	10,040,000	9,698,000

See accompanying notes.

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Consolidated Balance Sheets

December 31

	1979	1980
Assets		
Current assets		
Cash and short-term investments	$ 6,822,000	$ 8,542,000
Accounts receivable (less allowance for losses of $2,946,000 in 1979 and $3,313,000 in 1980)	62,391,000	58,848,000
Inventories	34,849,000	35,540,000
Prepaid expense	5,023,000	4,107,000
Total current assets	109,085,000	107,037,000
Property, plant and equipment, at cost	174,872,000	190,945,000
Less allowance for depreciation	68,699,000	81,270,000
	106,173,000	109,675,000
Other assets		
Cost in excess of net assets of businesses acquired and other intangible assets	49,702,000	39,255,000
Sundry	7,617,000	8,681,000
	57,319,000	47,936,000
	$272,577,000	$264,648,000
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 38,145,000	$ 45,758,000
Income tax	4,662,000	9,908,000
Current maturities of long-term debt	4,366,000	3,530,000
Total current liabilities	47,173,000	59,196,000
Deferred income tax	5,674,000	7,118,000
Long-term debt, less current maturities	74,195,000	47,844,000
Subordinated debentures	30,000,000	30,000,000
Shareholders' equity (common shares outstanding at end of year 1979—9,499,713; 1980—9,320,752)	115,535,000	120,490,000
	$272,577,000	$264,648,000

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Years ended December 31, 1978, 1979 and 1980

	Common stock $.10 par value	Capital surplus	Retained earnings	Treasury stock
Balance at December 31, 1977	$ 648,000	$29,748,000	$ 85,213,000	$(13,397,000)
Two-for-one stock split effected by a 100% stock dividend	648,000	(648,000)	—	—
Issuance of 68,470 treasury shares upon exercise of stock options	—	(45[illegible],000)	—	749,000
Sale of 209,298 treasury shares to the Tyler Corporation Savings and Investment Plan Trust	—	35,000	—	2,607,000
Purchase of 1,260,600 shares of common stock	—	—	—	(16,558,000)
Federal income tax benefits from exercise of nonqualified stock options	—	262,000	—	—
Net income	—	—	23,059,000	—
Dividends ($.375 per share)	—	—	(3,983,000)	—
Balance at December 31, 1978	1,296,000	28,940,000	104,289,000	(26,599,000)
Issuance of 37,150 treasury shares upon exercise of stock options	—	(425,000)	—	622,000
Sale of 255,239 treasury shares to the Tyler Corporation Savings and Investment Plan Trust	—	(167,000)	—	4,199,000
Purchase of 960,094 shares of common stock	—	—	—	(15,819,000)
Federal income tax benefits from exercise of nonqualified stock options	—	191,000	—	—
Net income	—	—	23,457,000	—
Dividends ($.45 per share)	—	—	(4,449,000)	—
Balance at December 31, 1979	1,296,000	28,539,000	123,297,000	(37,597,000)
Issuance of 66,194 treasury shares upon exercise of stock options	—	(717,000)	—	1,075,000
Sale of 305,216 treasury shares to the Tyler Corporation Savings and Investment Plan Trust	—	(696,000)	—	5,029,000
Purchase of 550,371 shares of common stock	—	—	—	(8,851,000)
Federal income tax benefits from exercise of nonqualified stock options	—	279,000	—	—
Net income	—	—	13,644,000	—
Dividends ($.50 per share)	—	—	(4,808,000)	—
Balance at December 31, 1980	$1,296,000	$27,405,000	$132,133,000	$(40,314,000)

See accompanying notes.

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Consolidated Statements of Changes in Financial Position

Years ended December 31

	1978	1979	1980
Source of Funds:			
Income before extraordinary charge	$23,059,000	$23,457,000	$ 23,836,000
Charges against income not involving working capital			
Depreciation and amortization	11,314,000	15,206,000	17,378,000
Deferred income tax	1,215,000	2,122,000	1,444,000
Total from operations	35,588,000	40,785,000	42,658,000
Long-term borrowings	5,000,000	50,000,000	5,900,000
Issuance of subordinated debentures	30,000,000	—	—
Undepreciated value of asset disposals	1,802,000	2,217,000	2,707,000
Issuance of common stock	3,196,000	4,420,000	4,970,000
Refund of escrow deposit on acquisition	—	2,500,000	—
	$75,586,000	$99,922,000	$ 56,235,000
Application of Funds:			
Additions to property, plant and equipment	$17,331,000	$23,908,000	$ 23,352,000
Reductions of long-term debt	12,635,000	11,173,000	32,251,000
Acquired business less working capital acquired of $3,986,000			
Property, plant and equipment	—	37,018,000	—
Intangibles	—	9,273,000	—
Other assets	—	342,000	—
Long-term debt	—	(5,076,000)	—
Escrow deposit on acquisition	2,500,000	—	—
Cash dividends	3,983,000	4,449,000	4,808,000
Acquisition of treasury shares	16,558,000	15,819,000	8,851,000
Other	3,137,000	1,249,000	1,044,000
Increase (decrease) in working capital	19,442,000	1,767,000	(14,071,000)
	$75,586,000	$99,922,000	$ 56,235,000
Changes in Components of Working Capital:			
Increase (decrease) in current assets:			
Cash and short-term investments	$ 7,646,000	$ (7,367,000)	$ 1,720,000
Accounts receivable	10,491,000	14,190,000	(3,543,000)
Inventories	1,526,000	7,110,000	691,000
Prepaid expense	111,000	(144,000)	(916,000)
(Increase) decrease in current liabilities:			
Accounts payable and accrued liabilities	(1,776,000)	(9,851,000)	(7,613,000)
Income tax	1,443,000	(441,000)	(5,246,000)
Current maturities of long-term debt	1,000	(1,730,000)	836,000
Increase (decrease) in working capital	$19,442,000	$ 1,767,000	$(14,071,000)

See accompanying notes.

Notes to Consolidated Financial Statements

Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

Cost in excess of net assets of businesses acquired after October 1970 is amortized over 40 years. Cost in excess of net assets of businesses acquired before October 30, 1970 is not amortized. Accumulated amortization at December 31, 1979 and 1980 is $183,000 and $414,000, respectively.

Inventories are valued at the lower of cost or net realizable value. Costs of inventories are determined by the last-in, first-out (LIFO) method.

Depreciation, for financial statement purposes, is provided principally by the straight-line method over the estimated useful lives of the various assets. For income tax purposes, accelerated depreciation is used with recognition of deferred income taxes for the resulting timing differences.

Investment tax credits are applied as a reduction of income taxes by the flow-through method and amounted to $1,179,000 in 1978, $1,865,000 in 1979 and $1,134,000 in 1980.

Pension plans are in effect which provide income and death benefits for substantially all employees of the Company. The Company's policy is to fund pension cost accrued and generally amortize prior service cost over ten years.

Acquisition of General Commodity Carrier

On April 6, 1979, the Company acquired all of the business and assets of Thurston, Inc. The acquisition is being accounted for by the purchase method of accounting; and, accordingly, the financial statements include the results of operations of the acquired business since the acquisition date.

The following information summarizes the combined operating results of the acquired business and the Company for the years ended December 31, 1978 and 1979 on a pro forma basis as though the business was acquired January 1, 1978:

	1978	1979
Net sales and operating revenues	$480,048,000	$540,327,000
Net income	$ 25,069,000	$ 23,072,000
Earnings per common share	$ 2.33	$ 2.29

Write-off of Route Permits

In accordance with the requirements of Statement of Financial Accounting Standards No. 44, Accounting for Intangible Assets of Motor Carriers, the Company has written off the entire cost of route permits associated with its trucking operations as an extraordinary charge of $10,192,000 or $1.05 per share. No tax benefit from the write off has been recorded in the financial statements.

Compensating Balance Arrangements

Under informal agreements with lending banks, the Company maintained an average of $985,000 as compensating balances during 1980 after adjustments for estimated float of $3,794,000 and average uncollected funds of $2,279,000. There were no outstanding borrowings related to these agreements during 1980

Estimated float represents the average end-of-month difference between bank and book ledger balances; average uncollected funds were computed from reports furnished the Company by lending banks.

Inventories

	1979	1980
Finished goods	$37,463,000	[illegible]
Work in process	1,557,000	1,553,000
Raw materials and supplies	12,367,000	15,936,000
	51,387,000	56,378,000
Allowance to state inventories at LIFO cost	16,538,000	20,838,000
	$34,849,000	$35,540,000

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Current replacement cost approximates the amounts shown above before the allowance to state inventories at LIFO cost.

Property, Plant and Equipment

	Depreciation lives (in years)	1979	1980
Land........		$ 6,857,000	$ 8,794,000
Buildings and leasehold improvements.....	10 to 20	38,427,000	40,835,000
Machinery and equipment......	3 to 15	72,044,000	77,956,000
Transportation equipment......	3 to 8	57,544,000	63,360,000
		$174,872,000	$190,945,000

Credit Commitments From Banks

Under commitments from banks, the Company may borrow at the then effective prime rate of interest up to $25,000,000 on an unsecured short-term basis. The Company is required to be free from borrowings under the commitments for at least 60 consecutive days during the preceding twelve months.

There were no borrowings outstanding under these commitments at December 31, 1979 and 1980.

Long-Term Debt

	1979	1980
Parent:		
8¾% unsecured note due in annual installments of $3,000,000	$30,000,000	$27,000,000
Unsecured $60,000,000 revolving line of credit............	43,000,000	21,500,000
Mortgage note due May 1983	—	1,400,000
Subsidiaries:		
Unsecured $6,000,000 revolving line of credit, interest at prime rate	4,150,000	1,000,000
6% to 8% secured notes..............	1,411,000	474,000
	78,561,000	51,374,000
Less current maturities	4,366,000	3,530,000
	$74,195,000	$47,844,000

The unsecured $60,000,000 revolving bank line of credit converts in April 1983 to a term loan payable quarterly over five years. Interest is at ¼% over the London Interbank Offered Rate or, at the option of the Company, at 106% of prime rate through April 1983 and at prime rate plus ½% thereafter.

Scheduled repayments of long-term debt during the five years following December 31, 1980, are as follows: 1981 — $3,530,000; 1982 — $3,215,000; 1983 — $7,840,000; 1984 — $7,515,000; 1985 — $7,515,000.

Subordinated Debentures

On June 1, 1978, the Company issued $30,000,000 of 10½% subordinated debentures due June 1, 1998. Sinking fund payments beginning June 1, 1988 are calculated to retire 75% of the issue prior to maturity. The debentures may be redeemed at 108.40% of the principal amount prior to June 1, 1981 and at declining premiums thereafter to 1988. No redemption may occur prior to 1988 out of the proceeds from a borrowing having an annual interest rate less than 10½%.

Dividend Restrictions

The Company's loan agreements limit retained earnings currently available for dividends to $9,325,000.

The Interstate Commerce Commission limits dividends payable to the Company by the trucking subsidiaries to 50% of those subsidiaries' net income for each accounting period.

Income Tax

As a result of the application of Accounting Principles Board Opinion No. 16, in accounting for the acquisition of industrial explosives businesses, the book basis of inventories exceeded the tax basis by $5,347,000 at December 31, 1978 and by $5,128,000 at December 31, 1979 and 1980.

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Taxable income for federal income tax purposes exceeded income for financial statement purposes by $219,000 in 1979 as a result of the difference in bases.

In 1978, 1979 and 1980, no individual permanent difference exceeded 5% of the amount resulting from multiplying consolidated income before income tax and extraordinary charge by the statutory income tax rate except investment tax credit. In 1978, the tax effect of each individual timing difference was less than 5% of the amount resulting from multiplying consolidated income before income tax and extraordinary charge by the statutory income tax rate. In 1979 and 1980 the tax effect of $1,353,000 and $1,216,000, respectively, for excess tax over book depreciation was the only timing difference exceeding 5% of the amount resulting from multiplying consolidated income before income tax and extraordinary charge by the statutory income tax rate.

State income tax expense was $922,000 in 1978, $1,240,000 in 1979, and $1,174,000 in 1980.

Employee Benefit Plans

Substantially all employees are participants in non-contributory pension plans. Pension expense was $4,415,000 in 1978, $4,223,000 in 1979 and $5,065,000 in 1980. The increased cost in 1980 primarily results from a newly adopted plan for the general commodity carrier.

The following information summarizes accumulated benefits and net assets available for benefits as of January 1, 1980.

	1980
Actuarial present value of accumulated plan benefits:	
Vested	$19,753,000
Non-vested	4,809,000
	$24,562,000
Net assets available for benefits	$21,736,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%.

Cost related to the Company's savings and investment plan was $1,601,000 in 1978, $1,618,000 in 1979 and $1,970,000 in 1980. The plan provides that the Company will contribute not less than 50% of the eligible amount of employee contributions. Additional discretionary contributions may be made provided each subsidiary has earnings from which to pay its contributions.

Shareholders' Equity

	1979	1980
Common stock, $.10 par value, 30,000,000 shares authorized, 12,957,162 shares issued	$ 1,296,000	$ 1,296,000
Capital surplus	28,539,000	27,405,000
Retained earnings	123,297,000	132,133,000
	153,132,000	160,834,000
Less 3,457,449 treasury shares in 1979 and 3,636,410 shares in 1980, at cost	37,597,000	40,344,000
	$115,535,000	$120,490,000

The Company has authorized 990,022 shares of $10 par value voting preferred stock.

The 1976 Stock Option Plan provides for the granting of nonqualified options to key employees of the Company and its subsidiaries at prices which represent fair market value at dates of grant. A summary of option transactions during 1979 and 1980 follows:

	1979		1980	
	Shares	Total option price	Shares	Total option price
Outstanding at beginning of year	369,994	$2,878,000	432,844	$4,412,000
Granted	112,500	1,879,000	49,000	753,000
Cancelled	(12,500)	(148,000)	(21,800)	(297,000)
Exercised	(37,150)	(197,000)	(66,194)	(358,000)
Outstanding at end of year and reserved for issuance	432,844	$4,412,000	393,850	$4,510,000
Exercisable at end of year	289,094	$2,366,000	281,850	$2,811,000
Reserved for future options	185,250		158,050	

Industry Segments

The Company sells products and services to industrial customers through its four principal operating units. Selected financial information is presented below for 1978, 1979 and 1980 ($000 omitted).

	Pipe & fittings	Heavy hauling	Industrial explosives	General commodity carrier	Other	Consolidated
1978						
Capital expenditures	$ 7,696	$ 5,896	$ 3,683	$ —	$ 56	$ 17,331
Capital asset disposals	(574)	(194)	(1,013)	—	(21)	(1,802)
Capital expenditures, net	$ 7,122	$ 5,702	$ 2,670	$ —	$ 35	$ 15,529
Depreciation and amortization	$ 5,929	$ 2,955	$ 2,122	$ —	$ 308	$ 11,314
Tangible assets	$59,743	$35,719	$53,521	$ —	$17,350	$166,333
Intangible assets	30,374	10,164	50	—	—	40,588
Identifiable assets	$90,117	$45,883	$53,571	$ —	$17,350	$206,921
1979						
Capital expenditures	$ 8,443	$ 7,117	$ 2,388	$ 5,918	$ 42	$ 23,908
Capital asset disposals	(307)	(655)	(851)	(402)	(2)	(2,217)
Capital expenditures, net	$ 8,136	$ 6,462	$ 1,537	$ 5,516	$ [illegible]	$ 21,691
Depreciation and amortization	$ 6,331	$ 3,357	$ 2,056	$ 3,298	$ 164	$ 15,206
Tangible assets	$65,912	$42,099	$56,474	$53,148	$ 5,242	$222,875
Intangible assets	30,374	10,192	41	9,095	—	49,702
Identifiable assets	$96,286	$52,291	$56,515	$62,243	$ 5,242	$272,577
1980						
Capital expenditures	$ 8,878	$ 4,087	$ 3,448	$ 5,025	$ 1,914	$ 23,352
Capital asset disposals	(197)	(412)	(510)	(1,588)	—	(2,707)
Capital expenditures, net	$ 8,681	$ 3,[illegible]75	$ 2,938	$ 3,437	$ 1,914	$ 20,645
Depreciation and amortization	$ 6,996	$ 3,664	$ 2,231	$ 4,423	$ [illegible]4	$ 17,378
Tangible assets	$64,886	$41,781	$59,379	$51,200	$ 8,147	$225,393
Intangible asset	30,374	—	6	8,875	—	39,255
Identifiable assets	$95,260	$41,781	$59,385	$60,075	$ 8,147	$264,648

Net sales and operating revenues, operating profits and unallocated corporate overhead and interest expense for 1978, 1979 and 1980, presented on page 20 under the heading "Industry segment summary," are an integral part of this note.

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Report of Certified Public Accountants

The Board of Directors
and Shareholders of Tyler Corporation

We have examined the accompanying consolidated balance sheets of Tyler Corporation at December 31, 1979 and 1980 and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Tyler Corporation at December 31, 1979 and 1980 and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

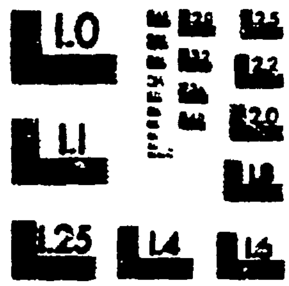
Dallas, Texas
January [illegible] 1981

Supplementary Financial Information

Quarterly Financial Data

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales and operating revenues					
1979	$ 89,386,000	$143,610,000	$147,165,000	$139,081,000	$519,242,000
1980	133,377,000	138,130,000	142,653,000	149,681,000	563,841,000
Gross Profit					
1979	14,654,000	28,8[illegible],000	27,961,000	23,797,000	95,796,000
1980	19,885,000	24,4[illegible],000	26,367,000	31,823,000	102,529,000
Income before extraordinary charge					
1979	2,595,000	8,046,000	7,573,000	5,243,000	23,457,000
1980	2,656,000	4,903,000	6,191,000	10,086,000	23,836,000
Net income (loss)					
1979	2,595,000	8,046,000	7,573,000	5,243,000	23,457,000
1980	2,656,000	4,903,000	(4,001,000)*	10,086,000	13,644,000*
Earnings per common share before extraordinary charge					
1979	.25	.80	.76	.53	2.34
1980	.27	.51	.63	1.04	2.46
Net earnings (loss) per common share					
1979	.25	.80	.76	.53	2.34
1980	.27	.51	(.42)*	1.04	1.61*
Stock trading price range					
1979	18⅞-16	17⅝-15¼	16⅞-14½	17½-14	19⅜-14
1980	17 -11	13⅛-10⅝	16⅞-11⅛	17⅝-14⅛	17⅝-11⅝
Dividends					
1979	1,122,000	1,115,000	1,108,000	1,100,000	4,449,000
1980	1,194,000	1,194,000	1,206,000	1,214,000	4,808,000

*After extraordinary charge of $10,192,000 ($1.05 per share) relating to the write-off of the entire cost of route permits associated with trucking operations.



Inflation Accounting Data

Introduction

During periods of high inflation, changing prices can have a significant impact on business enterprises. The accompanying Statement of Income Adjusted for Effects of Changing Prices and Five-Year Summary of Financial Data Adjusted for Effects of Changing Prices have been prepared in accordance with Statement of Financial Accounting Standards No. 33, Financial Reporting and Changing Prices, in order to provide users of the financial statements with supplementary information to assess the impact of inflation on Tyler Corporation and the Company's ability to manage in an inflationary environment.

Inflation Management

The basic operating philosophy of Tyler Corporation works toward the effective management of operations and capital in an inflationary environment.

The primary operating goal of the Company is to achieve a 25% return on assets through emphasis on asset turnover and operating profit margins.

- Asset turnover places a premium on effective management of assets, including strong cash flow from receivables, rapid inventory turnover and close scrutiny of return on capital expenditures.
- Maintaining and improving operating profit margins requires effective control of operating costs together with expansion of sales volume to spread fixed costs. The LIFO inventory accounting method is used in the historical financial statements to reflect cost increases in operations on a timely basis.

The Company has also prudently used long-term debt to leverage its capital structure. Long-term debt has been the primary vehicle for financing the acquisition of each of the four operating units. Strong cash flow from the operating units has been used to repay long-term debt with dollars having less purchasing power.

As a result of the basic operating philosophy, operations on a constant dollar basis and current cost/constant dollar basis compare favorably with historical results.

Statement of Income Adjusted for General Inflation (Constant Dollar)

The supplementary data presented on a constant-dollar basis are expressed in year-end 1980 dollars and reflect adjustments to the historical financial statements for changes which have occurred in the purchasing power of the dollar as measured by the Consumer Price Index for All Urban Consumers (CPI-U). The amounts do not purport to represent appraised values or any other measure of current value. In order to provide a more complete picture of the effects of inflation, the constant dollar computations comprehensively restate shareholders' equity and income statement items. The underlying accounting principles are not changed.

The principal increase in constant-dollar costs is additional depreciation of plant and equipment costs expressed in year end 1980 dollars. The purchase of approximately 82% of property, plant and equipment since 1973 has mitigated the effect of additional depreciation on constant-dollar operating results.

The Company uses the LIFO inventory accounting method in the historical financial statements. Since inventories turn over approximately six times a year, the December 31, 1980 inventory cost before allowance to state inventories at LIFO in the historical financial statements is representative of inflation-adjusted costs. Accordingly, historical cost of sales reflects a reasonable inflation adjusted cost at the time of sale.

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Statement of Income Adjusted for Changes in Specific Prices (Current Cost/Constant Dollar)

The supplementary data on a current cost/constant dollar basis are expressed in year-end 1980 dollars and reflect adjustments to the historical financial statements for changes which have occurred in the purchasing power of the dollar and adjustments to reflect a current cost of inventories and property, plant and equipment of $58,773,000 and $171,552,000, respectively.

The current cost of inventories is based upon year-end 1980 production costs. The current cost of property, plant and equipment and the related depreciation expense are based on estimates of amounts the existing assets would cost at December 31, 1980. Several methods, including equipment and building cost indexing and independent appraisals, were used in estimating these amounts. The values represent the estimated current cost of existing assets and do not consider technological improvements and efficiencies associated with the normal replacement of productive capacity.

Income Tax

Income tax on the constant dollar and current cost/constant dollar basis represents historical expense for 1980 expressed in year-end 1980 dollars. The expense has not been reduced for the tax effect of additional constant dollar and current cost depreciation or for the adjustments to express income statement items in year-end 1980 dollars.

The resulting effective tax rates of 53% (constant dollar) and 57% (current cost/constant dollar) illustrate that federal tax laws do not provide adequately for capital recovery and "real" income tax rates are substantially higher than statutory rates.

Gain From Decline in Purchasing Power of Net Amounts Owed

Monetary assets such as cash and accounts receivable lose purchasing power during inflationary periods. Conversely, less purchasing power will be required to satisfy liabilities such as long-term debt during such periods.

During 1980, the Company's net monetary liabilities' position resulted in an unrealized gain of $10,348,000.

During the three years ended 1980, the Company also invested substantial amounts of cash in treasury stock, utilizing a monetary asset with declining value to increasingly leverage the capital structure of the Company.

Five-Year Summary of Financial Data — Net Sales and Operating Revenues

Net sales and operating revenues are presented for the four principal operating units in year-end 1980 dollars. Net sales of the heat transfer unit, which was distributed as a dividend to the Company's shareholders in April 1977, are excluded from the table. The heat transfer unit's sales in year-end 1980 dollars were $44,977,000 in 1976 and $15,991,000 in 1977.

Increase in Current Cost of Inventories and Property, Plant and Equipment

As a result of general inflation, inventories and property, plant and equipment during 1980 increased an estimated $4,732,000 in excess of the estimated $15,273,000 increase from specific prices.

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Statement of Income Adjusted for Effects of Changing Prices
Year Ended December 31, 1980

	Historical Financial Statements	Adjusted for General Inflation (Constant Dollar)	Adjusted for Changes in Specific Prices (Current Cost/ Constant Dollar)
Net sales and operating revenues	$563,841,000	$590,061,000	$590,061,000
Costs and expenses			
Cost of sales and operating expenses	446,702,000	471,025,000	471,025,000
Selling, administrative and general expenses	47,634,000	48,855,000	48,855,000
Depreciation	17,143,000	23,170,000	25,485,000
Interest expense	11,545,000	12,175,000	12,175,000
	522,024,000	555,225,000	557,540,000
Income before income tax, extraordinary charge and gain from decline in purchasing power of net amounts owed	41,817,000	34,836,000	32,521,000
Income tax	17,981,000	18,527,000	18,527,000
Income before extraordinary charge and gain from decline in purchasing power of net amounts owed	23,836,000	16,309,000	13,994,000
Gain from decline in purchasing power of net amounts owed	—	10,348,000	10,348,000
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed	$ 23,836,000	$ 26,657,000	$ 24,342,000
Per common share			
Income before extraordinary charge and gain from decline in purchasing power of net amounts owed	$ 2.46	$ 1.68	$ 1.44
Gain from decline in purchasing power of net amounts owed	—	1.07	1.07
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed	$ 2.46	$ 2.75	$ 2.51
Average shares	9,698,000	9,698,000	9,698,000

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Five-Year Summary of Financial Data Adjusted for Effects of Changing Prices
(In Year-end 1980 Dollars)

	Years Ended December 31				
	1976	1977	1978	1979	1980
Net sales and operating revenues	$463,966,000	$503,225,000	$515,847,000	$614,801,000	**$590,061,000**
Historical cost/constant dollar information adjusted for general inflation:					
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed				31,564,000	**26,457,000**
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed per common share				3.14	**2.75**
Shareholders' equity at year end				231,340,000	**222,006,000**
Current cost information:					
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed				28,260,000	**24,342,000**
Income before extraordinary charge and including gain from decline in purchasing power of net amounts owed per common share				2.81	**2.51**
Excess of increase in the general price level over increase in specific prices				(994,000)	**4,732,000**
Shareholders' equity at year end				269,922,000	**254,298,000**
Gain from decline in purchasing power of net amounts owed				9,631,000	**10,348,000**
Cash dividends per common share	.36	.43	.49	.54	**.52**
Market price per common share at year end	16.86	17.53	20.69	17.29	**16.13**
Year-end consumer price index	174.3	186.1	202.9	229.9	**258.4**

Joseph P. McKinney
Howard O. Smith
Thomas W. Landry
Frederick R. Meyer
John A. Warner
Ira C. Corn
Perry J. Lewis
Ben R. Murphy
H. Joseph Burchell
C. Jackson Grayson, Jr.
Neil J. O'Brien
Samuel S. Greeley
C. A. Burchell, Jr.

Joseph F. McKinney* *President, Chief Executive Officer, Chairman of the Board and Director of the Company*

Mr. McKinney has headed management since the Company's formation in 1966 and was elected Chairman of the Board in 1972. He owns 530,410 shares of the Company's stock.

Frederick R. Meyer* *Executive Vice President and Director of the Company*

Director since 1967, Mr. Meyer was named to his current position in 1977. He owns 126,346 shares of the Company's stock.

Howard O. Smith* *President and Chief Executive Officer of C & H Transportation and Director of the Company*

Director since 1967, Mr. Smith has been with C & H for 29 years, serving as President of that unit since 1968. He owns 25,121 shares of the Company's stock.

John A. Warner* *President and Chief Executive Officer of Tyler Pipe and Director of the Company*

Mr. Warner has been with Tyler Pipe for 31 years and has served as President since 1965. Elected Director in 1968, he owns 91,347 shares of the Company's stock.

Max E. Colson** *Director of the Company and Chairman of Atlas Powder*

Prior to his retirement, Mr. Colson was with Atlas for 39 years. Elected Director in 1974, he owns 14,500 shares of the Company's stock.

Ira G. Corn*** *Director of the Company*

Chairman and Chief Executive Officer of Michigan General Corporation, Mr. Corn was elected Director in 1966. He is trustee of his children's trust which owns 26,000 shares of the Company's stock.

C. Jackson Grayson, Jr.** *Director of the Company*

Director since 1973, Mr. Grayson is Founder and Chairman of the American Productivity Center. He owns 13,500 shares of the Company's stock.

Samuel S. Greeley*** *Director of the Company*

Director since 1976, Mr. Greeley is Chairman of Masonite Corporation. He owns 1,000 shares of the Company's stock.

Thomas W. Landry** *Director of the Company*

Elected a Director in 1976, Mr. Landry is Head Coach of the Dallas Cowboys football team. He owns 1,500 shares of the Company's stock.

Perry J. Lewis** *Director of the Company*

President of MacKay-Lewis Inc., Mr. Lewis was elected Director in 1980. He owns 500 shares of the Company's stock.

Neil J. O'Brien*** *Secretary and Director of the Company*

Elected Director in 1966, Mr. O'Brien is a partner in the law firm of Gardere & Wynne. He owns 30,008 shares of the Company's stock.

C. A. Rundell, Jr.*** *Director of the Company*

President and Chief Executive Officer of Cronus Industries, Inc., Mr. Rundell was elected Director in 1966. He owns 14,328 shares of the Company's stock.

D. J. Thurston, Jr. *Director of the Company*

Mr. Thurston is Founder and Chairman of Thurston Motor Lines. Elected Director in 1979, he owns 36,014 shares of the Company's stock.

H. Joseph Burchell *President and Chief Executive Officer of Atlas Powder*

Mr. Burchell joined Atlas Powder in his present position in 1978. He owns 4,218 shares of the Company's stock.

Franz F. Holscher *President and Chief Executive Officer of Thurston Motor Lines*

Mr. Holscher has been with Thurston for 11 years. He has served as President since 1977 and was named CEO in 1979. He owns 1,663 shares of the Company's stock.

Ben R. Murphy *Vice President*

Mr. Murphy, a CPA, joined Tyler in 1970. He owns 85,638 shares of the Company's stock.

James E. Russell *Controller*

Mr. Russell joined corporate management in 1979 following 11 years with Tyler Pipe. A CPA, he owns 6,319 shares of the Company's stock.

Gerald L. Smart *Treasurer*

Mr. Smart has been associated with Tyler since 1970 and was named treasurer in 1979. A CPA, he owns 5,671 shares of the Company's stock.

**Member of the Executive Committee*
***Member of the Audit Committee*
****Member of the Compensation Audit Committee*

Note: Stock holdings of directors and management include shares owned of record as well as beneficial interest in shares held by the employees' savings and investment plan and various personal trusts.

Corporate Data and Directory

Legal Counsel
Gardere & Wynne, Dallas, Texas

Auditors
Arthur Young & Company

Transfer Agent and Registrar
First National Bank in Dallas,
Dallas, Texas

Trustees
10½% Subordinated Debentures
Due 1998
First National Bank in Dallas,
Dallas, Texas

Operating Companies

Atlas Powder Company
12700 Park Central Place
Suite 1700
Dallas, Texas 75251
214/387-2400

C & H Transportation Co., Inc.
P.O. Box 270535
Dallas, Texas 75227
214/288-3000

Thurston Motor Lines, Inc
600 Johnston Road
Charlotte, North Carolina 28206
704/373-1933

Tyler Pipe Industries, Inc.
P.O. Box 2027
Tyler, Texas 75710
214/882-5511

Tyler Corporation common stock is traded on both the New York and Philadelphia Stock Exchanges. The Company's stock symbol is TYL.

Annual stockholders' meeting will be held at 10 A.M., April 22, 1981 in the Cafe D'Or Room on the second floor of the Sheraton Dallas Hotel.

The Company's Form 10-K and/or the Company's Statistical Data booklet may be obtained without charge by writing:

Mr. Ben R. Murphy
Tyler Corporation
3100 Southland Center
Dallas, Texas 75201
214/747-8251

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EXHIBIT 22

Name	State of Incorporation
Tyler Corporation	Delaware
C & H Transportation Co., Inc.	Texas
Tyler Pipe Industries, Inc.	Delaware
Tyler Pipe Industries of Texas, Inc.	Texas
Wade, Inc.	Virginia
Tyler Plastics Company	Texas
Tyler Pipe Industries, Inc.	Pennsylvania
East Penn Foundry Company	Pennsylvania
Atlas Powder Company	Delaware
East Kentucky Explosives, Inc.	Kentucky
Atlas International, Inc.	Delaware
Tyler Transportation Company	Delaware
Thurston Motor Lines, Inc.	North Carolina

The financial statements of the foregoing subsidiaries are included in the consolidated financial statements of Tyler Corporation.

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