

COMPX INTERNATIONAL INC
Form 10-K/A
February 03, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
(Amendment No. 1)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 – For the fiscal year ended December 31, 2008

Commission file number 1-13905

COMPX INTERNATIONAL INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

57-0981653
(IRS Employer
Identification No.)

5430 LBJ Freeway, Suite 1700,
Three Lincoln Centre, Dallas, Texas
(Address of principal executive offices)

75240-2697
(Zip Code)

Registrant's telephone number, including area code

(972) 448-1400

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

Title of each class
Class A common stock
(\$0.01 par value per share)

Name of each exchange
on which registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of
the Act: None.

Indicate by check mark:

If the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 No

If disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by

Edgar Filing: COMPX INTERNATIONAL INC - Form 10-K/A

reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (as defined in Rule 12b-2 of the Act). Large accelerated filer Accelerated filer Non-accelerated filer S Smaller reporting company

Whether the Registrant is a shell Company (as defined in Rule 12b-2 of the Exchange Act). Yes No S

- 1 -

The aggregate market value of the 1.4 million shares of voting stock held by nonaffiliates of CompX International Inc. as of June 30, 2008 (the last business day of the Registrant's most recently completed second fiscal quarter) approximated \$8.3 million.

As of February 23, 2009, 2,361,307 shares of Class A common stock were outstanding.

Documents incorporated by reference

The information required by Part III is incorporated by reference from the Registrant's definitive proxy statement to be filed with the Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

Explanatory Note Regarding Amendment No. 1

We are filing this Amendment No. 1 on Form 10-K/A ("Form 10-K/A") to amend our Annual Report on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission ("SEC") on February 26, 2009 ("Original Form 10-K"). This amendment is being filed solely to (i) amend the certifications by our Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 to correct the omission of the phrase "and internal control over financial reporting (as defined in Exchange Rules 13a-15(f) and 15d-15(f))" in the introductory portion of paragraph 4 of the certifications, and (ii) to remove the inappropriate inclusion of the word "we" immediately before the word "have" in the same paragraph. This amendment includes new certifications by our Principal Executive Officer and Principal Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, filed as Exhibits 31.1, 31.2 and 32.1 hereto. Each certification was true and correct as of the date of the filing of the Original Form 10-K.

Pursuant to interpretation 246.14 in the Regulation S-K section of the SEC's "Compliance & Disclosure Interpretations," we are also filing full Item 9A disclosures and the Company's consolidated financial statements as part of this Form 10-K/A (collectively "Other Information"). Such Other Information was complete and correct as of the date of the filing of the Original Form 10-K.

Except as described above, we have not modified or updated other disclosures contained in the Original Form 10-K, including without limitation the Other Information. Accordingly, this Form 10-K/A, with the exception of the foregoing, does not reflect events occurring after the date of filing of the Original Form 10-K, or modify or update those disclosures affected by subsequent events. Consequently, all other information not affected by the corrections described above is unchanged and reflects the disclosures and other information made at the date of the filing of the Original Form 10-K and should be read in conjunction with our filings with the SEC subsequent to the filing of the Original Form 10-K, including amendments to those filings, if any.

ITEM 9A.

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We maintain a system of disclosure controls and procedures. The term "disclosure controls and procedures," as defined by regulations of the Securities and Exchange Commission (the "SEC"), means controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Act"), is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit to the SEC under the Act is accumulated and communicated to our management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions to be made regarding required disclosure. Each of David A. Bowers, the Company's Vice Chairman of the Board, President and Chief Executive Officer, and Darryl R. Halbert, the Company's Vice President, Chief Financial Officer and Controller, have evaluated our disclosure controls and procedures as of December 31, 2008. Based upon their evaluation, these executive officers have concluded that our disclosure controls and procedures are effective as of the date of such evaluation.

Scope of Management Report on Internal Control Over Financial Reporting. We also maintain a system of internal control over financial reporting. The term "internal control over financial reporting," as defined by regulations of the SEC, means a process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets.
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Section 404 of the Sarbanes-Oxley Act of 2002, requires us to include a management report on internal control over financial reporting in the Annual Report on Form 10-K for the year ended December 31, 2008. Our independent registered public accounting firm will also be required to annually attest to the effectiveness of our internal control over financial reporting, but under the rules of the SEC this attestation is not required until our Annual Report on Form 10-K for the year ended December 31, 2009.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our evaluation of the effectiveness of our internal control over financial reporting is based upon the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (commonly referred to as the "COSO" framework). Based on our evaluation under that framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2008. This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that

permit us to provide only management's report in this annual report. See "Scope of Management's Report on Internal Control Over Financial Reporting" above.

- 4 -

Changes in Internal Control Over Financial Reporting. There has been no change to our system of internal control over financial reporting during the quarter ended December 31, 2008 that has materially affected, or is reasonably likely to materially affect, our system of internal control over financial reporting.

Certifications. Our chief executive officer is required to annually file a certification with the New York Stock Exchange ("NYSE"), certifying our compliance with the corporate governance listing standards of the NYSE. During 2008, our chief executive officer filed such annual certification with the NYSE, indicating we were in compliance with such listed standards. Our chief executive officer and chief financial officer are also required to, among other things, quarterly file a certification with the SEC regarding the quality of our public disclosures, as required by Section 302 of the Sarbanes-Oxley Act of 2002. We have filed the certifications for the quarter ended December 31, 2008 as exhibits 31.1 and 31.2 to this Annual Report on Form 10-K/A.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) and (c) Financial Statements

The consolidated financial statements listed on the accompanying Index of Financial Statements (see page F-1) are filed as part of this Annual Report on Form 10-K/A.

All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the notes to the consolidated financial statements.

(b) Exhibits

We have retained a signed original of any of these exhibits that contain signatures, and we will provide such exhibits to the Commission or its staff. Included as exhibits are the items listed in the Exhibit Index. We, upon request, will furnish a copy of any of the exhibits listed below upon payment of \$4.00 per exhibit to cover our costs of furnishing the exhibits. Instruments defining the rights of holders of long-term debt issues which do not exceed 10% of consolidated total assets will be furnished to the Commission upon request. We, upon request, will also furnish, without charge, a copy of our Code of Business Conduct and Ethics, as adopted by the board of directors on February 24, 2004, upon request. Such requests should be directed to the attention of our Corporate Secretary at our corporate offices located at 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240.

Item No. Exhibit Item

3.1 Restated Certificate of Incorporation of Registrant - incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).

Item No.	Exhibit Item (continued)
3.2	Amended and Restated Bylaws of Registrant, adopted by the Board of Directors October 24, 2007 – incorporated by reference to Exhibit 3.1 of the Registrant’s Current Report on Form 8-K filed October 30, 2007 (File No 1-13905).
10.1	Share Purchase Agreement with Subordinated Loan schedule between the Registrant and Anchor Holding B.V. dated January 24, 2005 - incorporated by reference to Exhibit 10.1 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2004. All related schedules and annexes will be provided to the SEC upon request.
10.2	Intercorporate Services Agreement between the Registrant and Contran Corporation effective as of January 1, 2004 – incorporated by reference to Exhibit 10.2 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2003.
10.3*	CompX International Inc. 1997 Long-Term Incentive Plan – incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form S-1 (File No. 333-42643).
10.4	Tax Sharing Agreement between the Registrant, NL Industries, Inc. and Contran Corporation dated as of October 5, 2004 - incorporated by reference to Exhibit 10.6 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2004.
10.5	Stock Purchase Agreement dated October 16, 2007 between the Registrant and TIMET Finance Management Company – incorporated by reference to Exhibit 10.1 of the registrants Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.6	Agreement and Plan of Merger dated as of October 16, 2007 among Registrant, CompX Group, Inc. and CompX KDL LLC - incorporated by reference to Exhibit 10.2 of the registrant’s Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.7	Form of Subordination Agreement among the Registrant, TIMET Finance Management Company, CompX Security Products Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association as administrative agent for itself, Compass Bank and Comerica Bank – incorporated by reference to Exhibit 10.4 of the Registrant’s Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.8	Subordinated Term Loan Promissory Note dated October 26, 2007 executed by the Registrant and payable to the order of TIMET Finance Management Company – incorporated by reference to Exhibit 10.4 of the Registrant’s Current Report on Form 8-K filed on October 30, 2007 (File No. 1-13905).
10.9	Agreement Regarding Shared Insurance between the Registrant, Contran Corporation, Keystone Consolidated Industries, Inc., Kronos Worldwide, Inc., NL

Industries, Inc., Titanium Metals Corporation, and Valhi, Inc. dated October 30, 2003 – incorporated by reference to Exhibit 10.12 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2003.

- 10.10 \$50,000,000 Credit Agreement between the Registrant and Wachovia Bank, National Association, as Agent and various lending institutions dated December 23, 2005 – incorporated by reference to Exhibit 10.12 of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2006 Certain exhibits, annexes and similar attachments to this Exhibit 10.12 have not been filed; upon request, the Registrant will furnish supplementally to the SEC a copy of any omitted exhibit, annex, or attachment.

Item No.	Exhibit Item (continued)
10.11	First Amendment to Credit Agreement dated as of October 16, 2007 among CompX International Inc., CompX Security Products Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association for itself and as administrative agent for Compass Bank and Comerica Bank - incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed on October 22, 2007 (File No. 1-13905).
10.12	Second Amendment to Credit Agreement dated as of January 15, 2009 among CompX International Inc., CompX Security Products Inc., CompX Precision Slides Inc., CompX Marine Inc., Custom Marine Inc., Livorsi Marine Inc., Wachovia Bank, National Association for itself and as administrative agent for Compass Bank and Comerica Bank - incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on January 21, 2009 (File No. 1-13905).
21.1**	Subsidiaries of the Registrant.
23.1***	Consent of PricewaterhouseCoopers LLP.
31.1***	Certification
31.2***	Certification
32.1***	Certification

* Management contract, compensatory plan or agreement.

** Previously filed

*** Filed herewith

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.

COMPX INTERNATIONAL INC.

Date: February 2, 2010

By: /s/Darryl R. Halbert

Vice President, Chief Financial
Officer and Controller

(Principal Financial and Accounting Officer)

Annual Report on Form 10-K/A

Items 8 and 15(a)

Index of Financial Statements

Financial Statements	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets - December 31, 2007 and 2008	F-3
Consolidated Statements of Operations - Years ended December 31, 2006, 2007 and 2008	F-5
Consolidated Statements of Comprehensive Income (Loss) - Years ended December 31, 2006, 2007 and 2008	F-6
Consolidated Statements of Cash Flows - Years ended December 31, 2006, 2007 and 2008	F-7
Consolidated Statements of Stockholders' Equity - Years ended December 31, 2006, 2007 and 2008	F-9
Notes to Consolidated Financial Statements	F-10

All financial statement schedules have been omitted either because they are not applicable or required, or the information that would be required to be included is disclosed in the notes to the consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of CompX International Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of CompX International Inc. and its Subsidiaries at December 31, 2007 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/PricewaterhouseCoopers LLP

Dallas, Texas

February 25, 2009

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

ASSETS	December 31,	
	2007	2008
Current assets:		
Cash and cash equivalents	\$18,399	\$14,411
Accounts receivable, less allowance for doubtful accounts of \$682 and \$711	20,447	16,837
Receivables from affiliates	223	1,472
Refundable income taxes	68	83
Inventories	24,277	22,661
Prepaid expenses and other current assets	1,324	1,300
Deferred income taxes	2,123	1,841
Current portion of note and interest receivable	1,306	943
Total current assets	68,167	59,548
Other assets:		
Goodwill	40,784	30,827
Other intangible assets	2,569	1,991
Note receivable	261	-
Assets held for sale	3,117	3,517
Other	666	90
Total other assets	47,397	36,425
Property and equipment:		
Land	11,612	11,858
Buildings	38,990	36,642
Equipment	124,238	110,915
Construction in progress	2,659	4,406
	177,499	163,821
Less accumulated depreciation	105,348	96,392
Net property and equipment	72,151	67,429
Total assets	\$187,715	\$163,402

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(In thousands, except share data)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31,	
	2007	2008
Current liabilities:		
Current maturities of note payable to affiliate	\$250	\$1,000
Accounts payable and accrued liabilities	17,652	14,256
Interest payable to affiliate	559	528
Income taxes payable to affiliates and other	282	20
Income taxes	170	1,167
Total current liabilities	18,913	16,971
Noncurrent liabilities:		
Note payable to affiliate	49,730	41,980
Deferred income taxes and other	14,969	13,174
Total noncurrent liabilities	64,699	55,154
Stockholders' equity:		
Preferred stock, \$.01 par value; 1,000 shares authorized, none issued	-	-
Class A common stock, \$.01 par value; 20,000,000 shares authorized; 2,478,760 and 2,361,307 shares issued and outstanding	25	24
Class B common stock, \$.01 par value; 10,000,000 shares authorized, issued and outstanding	100	100
Additional paid-in capital	55,824	54,873
Retained earnings	37,080	27,798
Accumulated other comprehensive income	11,074	8,482
Total stockholders' equity	104,103	91,277
Total liabilities and stockholders' equity	\$187,715	\$163,402

Commitments and contingencies (Note 12)

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Years Ended December 31,		
	2006	2007	2008
Net sales	\$ 190,123	\$ 177,683	\$ 165,502
Cost of goods sold	143,649	132,455	125,248
Gross margin	46,474	45,228	40,254
Selling, general and administrative expense	26,060	25,846	24,818
Goodwill impairment	-	-	9,881
Facility consolidation expense	-	2,665	-
Other operating income (expense):			
Currency transaction gains (losses), net	145	(1,086)	679
Disposition of property and equipment	(258)	(75)	(48)
Operating income	20,301	15,556	6,186
Other non-operating income, net	1,270	1,133	240
Interest expense	(219)	(760)	(2,362)
Income before income taxes	21,352	15,929	4,064
Provision for income taxes	9,696	6,949	7,165
Net income (loss)	\$ 11,656	\$ 8,980	\$(3,101)
Basic and diluted earnings (loss) per common share	\$.76	\$.61	\$(.25)
Cash dividends per share	\$.50	\$.50	\$.50
Shares used in the calculation of earnings per share amounts for:			
Basic earnings per share	15,244	14,764	12,386
Dilutive impact of stock options	13	8	-
Diluted shares	15,257	14,772	12,386

See accompanying Notes to Consolidated Financial Statements.

F - 5

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Years Ended December 31,		
	2006	2007	2008
Net income (loss)	\$ 11,656	\$ 8,980	\$(3,101)
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(883)	2,996	(2,718)
Impact from cash flow hedges, net	(110)	-	126
Total other comprehensive income (loss), net	(993)	2,996	(2,592)
Comprehensive income (loss)	\$ 10,663	\$ 11,976	\$(5,693)

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2006	2007	2008
Cash flows from operating activities:			
Net income (loss)	\$ 11,656	\$ 8,980	\$(3,101)
Depreciation and amortization	11,797	11,010	9,231
Goodwill impairment	-	-	9,881
Deferred income taxes	1,536	(6,549)	(45)
Other, net	1,375	1,079	522
Change in assets and liabilities:			
Accounts receivable	1,035	633	2,441
Inventories	2,258	(1,813)	389
Accounts payable and accrued liabilities	(2,891)	(619)	(2,810)
Accounts with affiliates	(274)	182	(1,531)
Income taxes	890	(715)	1,047
Other, net	63	(296)	(307)
Net cash provided by operating activities	27,445	11,892	15,717
Cash flows from investing activities:			
Capital expenditures	(12,044)	(13,820)	(6,791)
Acquisition, net of cash acquired	(9,832)	-	-
Proceeds from disposal of assets held for sale	-	-	250
Proceeds from sale of fixed assets	1,316	73	127
Cash collected on note receivable	1,306	1,306	1,306
Net cash used by investing activities	(19,254)	(12,441)	(5,108)
Cash flows from financing activities:			
Principal payments on long-term debt	(1,563)	-	-
Repayment of loan from affiliate	-	(2,600)	(7,000)
Issuance of common stock	347	1,395	-
Dividends paid	(7,623)	(7,294)	(6,181)
Tax benefit from exercise of stock options	111	73	-
Treasury stock acquired	-	(3,309)	(1,006)
Other, net	(110)	-	(56)
Net cash used by financing activities	(8,838)	(11,735)	(14,243)
Net decrease	\$(647)	\$(12,284)	\$(3,634)

F - 7

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

	Years Ended December 31,		
	2006	2007	2008
Cash and cash equivalents:			
Net decrease from -			
Operating, investing and financing activities	\$(647)	\$(12,284)	\$(3,634)
Effect of exchange rate on cash	(257)	995	(354)
Balance at beginning of year	30,592	29,688	18,399
 Balance at end of year	 \$29,688	 \$18,399	 \$14,411
 Supplemental disclosures:			
Cash paid for:			
Interest	\$139	\$109	\$2,278
Income taxes	7,418	14,365	8,062
 Noncash investing and financing activities:			
Note payable to affiliate issued for repurchase of common stock	\$-	\$52,580	\$-
Accrual for capital expenditures	\$-	\$665	\$511

See accompanying Notes to Consolidated Financial Statements.

COMPX INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2006, 2007 and 2008

(In thousands)

	Common stock		Additional paid-in Capital	Retained earnings	Accumulated other comprehensive income		Treasury stock	Total stockholders' equity
	Class A	Class B			Currency translation	Hedging derivatives		
Balance at December 31, 2005	\$52	\$100	\$ 109,556	\$31,320	\$8,961	\$ 110	\$-	\$ 150,099
Net income	-	-	-	11,656	-	-	-	11,656
Other comprehensive income	-	-	-	-	(883)	(110)	-	(993)
Cash dividends	-	-	-	(7,623)	-	-	-	(7,623)
Issuance of common stock and other, net	1	-	550	-	-	-	-	551
Balance at December 31, 2006	53	100	110,106	35,353	8,078	-	-	153,690
Net income	-	-	-	8,980	-	-	-	8,980
Other comprehensive income	-	-	-	-	2,996	-	-	2,996
Change in accounting principle- FIN No. 48	-	-	-	41	-	-	-	41
Cash dividends	-	-	-	(7,294)	-	-	-	(7,294)
Issuance of common stock and other, net	-	-	1,579	-	-	-	-	1,579
Treasury stock:								
Acquired	-	-	-	-	-	-	(55,889)	(55,889)
Retired	(28)	-	(55,861)	-	-	-	55,889	-
Balance at December 31, 2007	25	100	55,824	37,080	11,074	-	-	104,103
Net income	-	-	-	(3,101)	-	-	-	(3,101)
Other comprehensive income	-	-	-	-	(2,718)	126	-	(2,592)
Cash dividends	-	-	-	(6,181)	-	-	-	(6,181)

Edgar Filing: COMPX INTERNATIONAL INC - Form 10-K/A

Issuance of common stock and other, net	-	-	54	-	-	-	-	54
Treasury stock:								
Acquired	-	-	-	-	-	-	(1,006)	(1,006)
Retired	(1)	-	(1,005)	-	-	-	1,006	-
Balance at December 31, 2008	\$24	\$100	\$ 54,873	\$27,798	\$8,356	\$ 126	\$-	\$ 91,277

See accompanying Notes to Consolidated Financial Statements.

F - 9

COMPX INTERNATIONAL INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 1 - Summary of significant accounting policies:

Organization. We (NYSE: CIX) are 87% owned by NL Industries, Inc. (NYSE: NL) at December 31, 2008. We manufacture and sell component products (security products, precision ball bearing slides, ergonomic computer support systems and performance marine components). At December 31, 2008, (i) Valhi, Inc. holds approximately 83% of NL's outstanding common stock and (ii) subsidiaries of Contran Corporation hold approximately 94% of Valhi's outstanding common stock. Substantially all of Contran's outstanding voting stock is held by trusts established for the benefit of certain children and grandchildren of Harold C. Simmons (of which Mr. Simmons is sole trustee), or is held by Mr. Simmons or persons or other entities related to Mr. Simmons. Consequently, Mr. Simmons may be deemed to control each of these companies and us.

Unless otherwise indicated, references in this report to "we," "us," or "our" refer to CompX International Inc. and its subsidiaries, taken as a whole.

Management estimates. In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at each balance sheet date and the reported amounts of our revenues and expenses during each reporting period. Actual results may differ significantly from previously-estimated amounts under different assumptions or conditions.

Principles of consolidation. Our consolidated financial statements include the accounts of CompX International Inc. and our majority-owned subsidiaries. We eliminate all material intercompany accounts and balances. We have no involvement with any variable interest entity covered by the scope of FASB Interpretation No. 46R, Consolidation of Variable Interest Entities.

Fiscal year. Our fiscal year end is always the Sunday closest to December 31, and our operations are reported on a 52 or 53-week fiscal year. Each of the years ended December 31, 2006, 2007 and 2008 consisted of 52 weeks.

Translation of foreign currencies. We translate the assets and liabilities of our subsidiaries whose functional currency is other than the U.S. dollar at year-end rates of exchange, while we translate their revenues and expenses at average exchange rates prevailing during the year. We accumulate the resulting translation adjustments in stockholders' equity as part of accumulated other comprehensive income, net of related deferred income taxes. We recognize currency transaction gains and losses in income.

Cash and cash equivalents. We classify as cash and cash equivalents bank time deposits and government and commercial notes and bills with original maturities of three months or less.

Net sales. We record sales when products are shipped and title and other risks and rewards of ownership have passed to the customer. Amounts charged to customers for shipping and handling are not material. Sales are stated net of price, early payment and distributor discounts and volume rebates. We report any tax assessed by a governmental authority that we collect from our customers that is both imposed on and concurrent with our revenue producing activities (such as sales, use, value added and excise taxes) on a net basis (meaning we do not recognize these taxes either in our revenues or in our costs and expenses.)

F - 10

Accounts receivable. We provide an allowance for doubtful accounts for known and estimated potential losses rising from our sales to customers based on a periodic review of these accounts.

Inventories and cost of sales. We state inventories at the lower of cost or market, net of allowance for obsolete and slow-moving inventories. We generally base inventory costs on average cost that approximates the first-in, first-out method. We allocate fixed manufacturing overheads based on normal production capacity and recognize abnormal manufacturing costs as period costs. Our cost of sales includes costs for materials, packing and finishing, utilities, salary and benefits, maintenance and depreciation.

Selling, general and administrative expenses; advertising costs. Selling, general and administrative expenses include costs related to marketing, sales, distribution, research and development and administrative functions such as accounting, treasury and finance, and includes costs for salaries and benefits, travel and entertainment, promotional materials and professional fees. We expense advertising and research development costs as incurred. Advertising costs were approximately \$872,000 in 2006, \$804,000 in 2007, and \$840,000 in 2008.

Goodwill and other intangible assets; amortization expense. Goodwill represents the excess of cost over fair value of individual net assets acquired in business combinations. Goodwill is not subject to periodic amortization. We amortize other intangible assets, consisting principally of certain acquired patents and tradenames, using the straight line method over their estimated lives (approximately 3 to 8 years remaining at December 31, 2008). We assess goodwill and other intangible assets for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, Goodwill and Other Intangible Assets. See Note 4.

Property and equipment; depreciation expense. We state property and equipment, including purchased computer software for internal use, at cost. We compute depreciation of property and equipment for financial reporting purposes principally by the straight-line method over the estimated useful lives of 15 to 40 years for buildings and 3 to 20 years for equipment and software. We use accelerated depreciation methods for income tax purposes, as permitted. Depreciation expense was \$11.4 million in 2006, \$10.4 million in 2007, and \$8.6 million in 2008. Upon sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized in income currently. Expenditures for maintenance, repairs and minor renewals are expensed; expenditures for major improvements are capitalized.

We evaluate assets for impairment when events or changes in circumstances indicate that assets may be impaired to determine if an impairment exists. Such events or changes in circumstances include, among other things, (i) significant current and prior periods or current and projected periods with operating losses, (ii) a significant decrease in the market value of an asset or (iii) a significant change in the extent or manner in which an asset is used. We consider all relevant factors. We perform the impairment evaluation by comparing the estimated future undiscounted cash flows (exclusive of interest expense) associated with the asset to the asset's net carrying value to determine if a write-down to market value or discounted cash flow value is required. We assess impairment of property and equipment in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. See Note 9.

Employee benefit plans. We maintain various defined contribution plans in which we make contributions based on matching or other formulas. Defined contribution plan expense approximated \$2.2 million in 2006, \$2.5 million in 2007 and \$2.1 million in 2008.

Self-insurance. We are partially self-insured for workers' compensation and certain employee health benefits and self-insured for most environmental issues. We purchase coverage in order to limit our exposure to any significant levels of workers' compensation or employee health benefit claims. We accrue self-insured losses based upon estimates of the aggregate liability for uninsured claims incurred using certain actuarial assumptions followed in the insurance industry and our own historical claims experience.

Derivatives and hedging activities. Certain of our sales generated by our non-U.S. operations are denominated in U.S. dollars. We periodically use currency forward contracts to manage a portion of currency exchange rate market risk associated with receivables, or similar exchange rate risk associated with future sales, denominated in a currency other than the holder's functional currency. We have not entered into these contracts for trading or speculative purposes in the past, nor do we anticipate entering into such contracts for trading or speculative purposes in the future. Most of our currency forward contracts meet the criteria for hedge accounting under GAAP and are designated as cash flow hedges. For these currency forward contracts, gains and losses representing the effective portion of our hedges are deferred as a component of accumulated other comprehensive income, and are subsequently recognized in earnings at the time the hedged item affects earnings. Occasionally, we enter into currency forward contracts which do not meet the criteria for hedge accounting. For these contracts, we mark-to-market the estimated fair value of the contracts at each balance sheet date based on quoted market prices for the forward contracts, with any resulting gain or loss recognized in income currently as part of net currency transactions. The quoted market prices for the forward contracts are a Level 1 input as defined by Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements. See Note 13. To manage such currency exchange rate risk, at December 31, 2008, we held a series of contracts to exchange an aggregate of U.S. \$7.5 million for an equivalent value of Canadian dollars at exchange rates ranging from Cdn. \$1.25 to \$1.26 per U.S. dollar. These contracts qualified for hedge accounting and mature through June 2009. The exchange rate was \$1.22 per U.S. dollar at December 31, 2008. The estimated fair value of the contracts was not material at December 31, 2008. We had no currency forward contracts outstanding at December 31, 2007.

Income taxes. We are a member of the Contran Tax Group. We have been and currently are a part of the consolidated tax returns filed by Contran in certain United States state jurisdictions. As a member of the Contran Tax Group, we are jointly and severally liable for the federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. See Note 12.

As a member of the Contran Tax Group, we are a party to a tax sharing agreement which provides that we compute our provision for U.S. income taxes on a separate-company basis. Pursuant to the tax sharing agreement, we make payments to or receive payments from NL in amounts we would have paid to or received from the U.S. Internal Revenue Service or the applicable state tax authority had we not been a member of the Contran Tax Group. The separate company provisions and payments are computed using the tax elections made by Contran. Under certain circumstances, such tax regulations could require Contran to treat items differently than we would on a stand alone basis, and in such instances GAAP requires us to conform to Contran's tax election. We made net cash payments for taxes of \$5.6 million in 2006, \$9.5 million in 2007, and \$5.2 million in 2008 to NL Industries, Inc.

Deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the income tax and financial reporting carrying amounts of assets and liabilities, including undistributed earnings of foreign subsidiaries which are not permanently reinvested. Earnings of foreign subsidiaries subject to permanent reinvestment plans aggregated \$5.6 million, \$5.7 million, and \$5.6 million at December 31, 2006, 2007 and 2008, respectively. Determination of the amount of unrecognized deferred tax liability on such permanent reinvestment plans was not practicable. We periodically evaluate our deferred tax assets in the various taxing jurisdictions in which we operate and adjust any related valuation allowance based on the estimate of the amount of such deferred tax assets which we believe do not meet the more-likely-than-not recognition criteria.

Prior to 2007, we provided a reserve for uncertain income tax positions when we believed it was probable a tax position would not prevail with the applicable tax authority and the amount of the lost benefit associated with such tax position was reasonably estimable. Beginning in 2007, we record a reserve for uncertain tax positions in accordance with FIN No. 48, Accounting for Uncertain Tax Positions, for each tax position where we believe it is more-likely-than-not our position will not prevail with the applicable tax authorities. See Note 13.

Earnings per share. Basic earnings per share of common stock is computed using the weighted average number of common shares actually outstanding during each period. Diluted earnings per share of common stock includes the impact of outstanding dilutive stock options. The weighted average number of outstanding stock options excluded from the calculation of diluted earnings per share because their impact would have been antidilutive aggregated approximately 397,000 in 2006, 368,000 in 2007 and 172,000 in 2008.

Fair value of financial instruments. The carrying amounts of accounts receivable and accounts payable approximates fair value due to their short-term nature. We adopted SFAS No. 157, Fair Value Measurements, which establishes a framework for measuring fair value on January 1, 2008. The statement requires fair value measurements to be classified and disclosed in one of the following three categories:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 – Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the assets or liability; and
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

These estimated fair value amounts have been determined using available market information or other appropriate valuation methodologies. The carrying amount of our indebtedness approximates fair value due to the stated variable interest rate approximating a market rate. The fair value of our indebtedness is a Level 2 input. See Note 13.

Note 2 - Business and geographic segments:

Our operating segments are defined as components of our operations about which separate financial information is available that is regularly evaluated by our chief operating decision maker in determining how to allocate resources and in assessing performance. Our chief operating decision maker is Mr. David A. Bowers, our president and chief executive officer. We have three operating segments – Security Products, Furniture Components and Marine Components. The Security Products segment, with a facility in South Carolina and a facility shared with Marine Components in Illinois, manufactures locking mechanisms and other security products for sale to the office furniture, transportation, postal, banking, vending and other industries. The Furniture Components segment, with facilities in Canada, Michigan and Taiwan, manufactures and distributes a complete line of precision ball bearing slides and ergonomic computer support systems for use in office furniture, computer-related equipment, tool storage cabinets, appliances and other applications. Our Marine Components segment with a facility in Wisconsin and a facility shared with Security Products in Illinois manufactures and distributes marine instruments, hardware and accessories for performance boats.

In April 2006, we completed a marine component product business acquisition for aggregate cash consideration of \$9.8 million, net of cash acquired. The purchase price was allocated among tangible and intangible net assets acquired based upon an estimate of the fair value of such net assets.

The chief operating decision maker evaluates segment performance based on segment operating income, which is defined as income before income taxes, and interest expense, exclusive of certain general corporate income and expense items (primarily interest income) and certain non-recurring items (such as gains or losses on the disposition of business units and other long-lived assets outside the ordinary course of business). The accounting policies of the reportable operating segments are the same as those described in Note 1. Capital expenditures include additions to property and equipment, but exclude amounts attributable to business combinations.

Segment assets are comprised of all assets attributable to the reportable segments. Corporate assets are not attributable to the operating segments and consist primarily of cash, cash equivalents and notes receivable and, at December 31, 2007 and 2008, assets held for sale. See Note 9. For geographic information, net sales are attributable to the place of manufacture (point of origin) and the location of the customer (point of destination); property and equipment are attributable to their physical location. At December 31, 2007 and 2008, the net assets of non-U.S. subsidiaries included in consolidated net assets approximated \$40.5 million and \$32.8 million, respectively.

	Years ended December 31,		
	2006	2007	2008
	(In thousands)		
Net sales:			
Security Products	\$81,684	\$80,085	\$77,094
Furniture Components	92,983	81,331	76,405
Marine Components	15,456	16,267	12,003
 Total net sales	 \$190,123	 \$177,683	 \$165,502
Operating income:			
Security Products	\$14,620	\$12,218	* \$12,715
Furniture Components	10,036	8,001	9,205
Marine Components	822	799	(10,456) **
Corporate operating expenses	(5,177)	(5,462)	(5,278)
 Total operating income	 20,301	 15,556	 6,186
 Other non-operating income, net	 1,270	 1,133	 240
Interest expense	(219)	(760)	(2,362)
 Income from continuing operations before income taxes	 \$21,352	 \$15,929	 \$4,064
Depreciation and amortization:			
Security Products	\$4,309	\$4,574	\$3,557
Furniture Components	6,798	5,457	4,583
Marine Components	666	958	1,080
Corporate Depreciation	24	21	11
 Total	 \$11,797	 \$11,010	 \$9,231
Capital expenditures:			
Security Products	\$5,335	\$12,240	\$4,348
Furniture Components	1,504	1,349	1,823
Marine Components	5,205	896	1,131
 Total	 \$12,044	 \$14,485	 \$7,302
Goodwill:			
Security Products	\$23,742	\$23,742	\$23,742
Furniture Components	7,135	7,160	7,085
Marine Components	9,882	9,882	- **
 Total	 \$40,759	 \$40,784	 \$30,827

* Includes \$2.7 million of costs related to the consolidation of three of our northern Illinois facilities into one facility. See Note 9.

** We recorded a \$9.9 million goodwill impairment charge for Marine Components in 2008. This represents all of the goodwill we had previously recognized for this reporting unit. See Note 4.

F - 15

	Years ended December 31,		
	2006	2007	2008
	(In thousands)		
Net sales:			
Point of origin:			
United States	\$ 127,620	\$ 118,460	\$ 115,470
Canada	52,395	52,684	46,519
Taiwan	15,910	11,714	8,268
Eliminations	(5,802)	(5,175)	(4,755)
Total	\$ 190,123	\$ 177,683	\$ 165,502
Point of destination:			
United States	\$ 153,942	\$ 147,716	\$ 134,247
Canada	19,985	19,251	16,920
Other	16,196	10,716	14,335
Total	\$ 190,123	\$ 177,683	\$ 165,502
		December 31,	
	2006	2007	2008
	(In thousands)		
Total assets:			
Security Products	\$ 74,887	\$ 80,051	\$ 77,681
Furniture Components	77,781	67,184	59,148
Marine Components	26,607	26,436	14,953
Corporate and eliminations	12,751	14,044	11,620
Total	\$ 192,026	\$ 187,715	\$ 163,402
Net property and equipment:			
United States	\$ 47,865	\$ 50,876	\$ 51,327
Canada	14,144	13,912	8,987
Taiwan	7,679	7,363	7,115
Total	\$ 69,688	\$ 72,151	\$ 67,429

Note 3 - Inventories:

	2007	December 31,	2008
	(In thousands)		
Raw materials	\$ 6,341	\$	7,552
Work in process	9,783		8,225

Finished products	8,153	6,884
Total	\$ 24,277	\$ 22,661

F - 16

Note 4 – Goodwill and other intangible assets:

We have assigned goodwill to each of our reporting units (as that term is defined in SFAS No. 142) which correspond to our operating segments. In accordance with SFAS No. 142 we test for goodwill impairment at the reporting unit level. In accordance with the requirements of SFAS No. 142, we review goodwill for each of our three reporting units for impairment during the third quarter of each year or when circumstances arise that indicate an impairment might be present. In determining the estimated fair value of the reporting units, we use appropriate valuation techniques, such as discounted cash flows. Such discounted cash flows are a Level 3 input as defined by SFAS No. 157. If the fair value of an evaluated asset is less than its book value, the asset is written down to fair value.

During the third quarter of 2008, we recorded a goodwill impairment charge of \$9.9 million for our Marine Components reporting unit, which represented all of the goodwill we had previously recognized for this reporting unit. We used a discounted cash flow methodology in determining the estimated fair value of our Marine Components reporting unit. The factors that led us to conclude goodwill associated with our Marine Components reporting unit was fully impaired include the continued decline in consumer spending in the marine market as well as the overall negative economic outlook, both of which resulted in near-term and longer-term reduced revenue, profit and cash flow forecasts for the Marine Components unit. While we continue to believe in the long term potential of the Marine Components reporting unit, due to the extraordinary economic downturn in the marine industry we are not currently able to foresee when the industry and our business will recover. In response to the present economic conditions, we have taken steps to reduce operating costs without inhibiting our ability to take advantage of opportunities to expand our market share. When we performed this analysis in the third quarter, we also reviewed the goodwill associated with our Security Products and Furniture Components reporting units and concluded there was no impairment of goodwill for those reporting units. Due to the continued weakening of the economy, we re-evaluated the goodwill associated with our Furniture Components reporting unit again in the fourth quarter of 2008 and concluded no additional impairments were present. Our 2006 and 2007 annual impairment reviews of goodwill indicated no impairments.

Changes in the carrying amount of goodwill related to our operations during the past three years are presented in the table below. Goodwill was generated principally from acquisitions of certain business units during 1998, 1999, 2000, and Marine Components acquisitions in August 2005 and April 2006.

	Security Products	Furniture Components	Marine Components	Total
	(In millions)			
Balance at December 31, 2005	\$23.7	\$ 6.6	\$ 5.4	\$35.7
Goodwill acquired during the year	-	0.4	4.5	4.9
Changes in currency exchange rates	-	0.1	-	0.1
Balance at December 31, 2006	23.7	7.1	9.9	40.7
Changes in currency exchange rates	-	0.1	-	0.1
Balance at December 31, 2007	23.7	7.2	9.9	40.8
Goodwill impairment	-	-	(9.9)	(9.9)

Changes in currency exchange rates	-	(0.1)	-	(0.1)
Balance at December 31, 2008	\$23.7	\$ 7.1	\$ -	\$30.8

F - 17

Other intangible assets are stated net of accumulated amortization of \$3.1 million at December 31, 2007 and \$2.0 million at December 31, 2008.

Amortization of intangible assets was \$441,000 in 2006, \$604,000 in 2007, and \$591,000 in 2008, respectively. Estimated aggregate intangible asset amortization expense for the next five years is as follows:

Years ending December 31,		Amount (In thousands)
2009	\$	600
2010		600
2011		400
2012		300
2013		100
Total	\$	2,000

Note 5 - Accounts payable and accrued liabilities:

	December 31, 2007 2008 (In thousands)	
Accounts payable	\$7,139	\$4,985
Accrued liabilities:		
Employee benefits	7,196	6,571
Customer tooling	736	787
Taxes other than on income	572	447
Insurance	502	458
Professional	252	222
Reserve for uncertain tax positions	237	-
Other	1,018	786
Total	\$17,652	\$14,256

Note 6 - Credit facility:

At December 31, 2008, we had a \$50 million revolving bank credit facility that matured in January 2009. At December 31, 2008, we had no outstanding draws against the credit facility and the full amount of the facility was available for borrowing. In January 2009, we amended the terms of the credit facility to extend the maturity date to January 15, 2012 and to reduce the size of the facility from \$50.0 million to \$37.5 million. The amended credit facility bears interest, at our option, at either the prime rate plus a margin or LIBOR plus a margin. The credit facility is collateralized by 65% of the ownership interests in our first-tier non-U.S. subsidiaries. The facility contains certain covenants and restrictions customary in lending transactions of this type, which among other things, restricts our ability and that of our subsidiaries to incur debt, incur liens, pay dividends or merge or consolidate with, or transfer all or substantially all assets to, another entity. The facility also requires maintenance of specified levels of net worth (as defined). In the event of a change of control, as defined, the lenders would have the right to accelerate the maturity of the facility.

The credit facility permits us to pay dividends and/or repurchase common stock in an amount equal to the sum of (i) a dividend of \$.125 per share in any calendar quarter, not to exceed \$8.0 million in any calendar year, plus (ii) \$20.0 million plus 50% of aggregate net income over the term of the credit facility. In addition to the permitted \$.125 per share amount to repurchase our common stock and/or to pay dividends, at December 31, 2008, \$20.4 million was available for dividends and/or repurchases of our common stock under the terms of the facility.

F - 18

Note 7 - Income taxes:

The components of pre-tax income, the provision for income taxes attributable to continuing operations, the difference between the provision for income taxes and the amount that would be expected using the U.S. federal statutory income tax rate of 35%, and the comprehensive provision for income taxes are presented below.

	Years ended December 31,		
	2006	2007	2008
	(In thousands)		
Components of pre-tax income:			
United States	\$ 14,022	\$ 8,647	\$(5,253)
Non-U.S.	7,330	7,282	9,317
Total	\$ 21,352	\$ 15,929	\$ 4,064
Provision for income taxes:			
Currently payable:			
U.S. federal and state	\$ 5,651	\$ 9,902	\$ 3,570
Foreign	2,509	3,596	3,640
	8,160	13,498	7,210
Deferred income taxes (benefit):			
U.S. federal and state	2,074	(6,503)	117
Foreign	(538)	(46)	(162)
	1,536	(6,549)	(45)
Total	\$ 9,696	\$ 6,949	\$ 7,165
Expected tax expense, at the U.S. federal statutory income tax rate of 35%	\$ 7,473	\$ 5,575	\$ 1,422
Non-U.S. tax rates	(298)	(237)	(328)
Incremental U.S. tax on earnings of foreign subsidiaries	2,138	1,384	2,777
State income taxes and other, net	535	404	255
No income tax benefit on goodwill impairment	-	-	3,459
Canadian tax rate change	(142)	152	(4)
Tax credits	(432)	(329)	(195)
Tax contingency reserve adjustments, net	422	-	(221)
Total	\$ 9,696	\$ 6,949	\$ 7,165
Comprehensive provision for income taxes allocable to:			
Income from operations	\$ 9,696	\$ 6,949	\$ 7,165
Other comprehensive income – currency translation	1,210	1,580	1,479
Total	\$ 10,906	\$ 8,529	\$ 8,644

The goodwill impairment charge is not deductible for income tax purposes, and therefore we did not recognize an income tax benefit related to the charge.

The components of net deferred tax assets (liabilities) are summarized below.

	December 31,	
	2007	2008
	(In thousands)	
Tax effect of temporary differences related to:		
Inventories	\$1,049	\$850
Tax on unremitted earnings of non-U.S. subsidiaries	(8,265)	(5,615)
Property and equipment	(4,669)	(5,442)
Accrued liabilities and other deductible differences	1,113	987
Tax loss and credit carryforwards	4,191	4,112
Other taxable differences	(2,364)	(2,291)
Valuation allowance	(3,901)	(3,901)
 Total	 \$(12,846)	 \$(11,300)
 Net current deferred tax assets	 2,123	 1,821
Net noncurrent deferred tax liabilities	(14,969)	(13,121)
 Total	 \$(12,846)	 \$(11,300)

At December 31, 2008, we had, for U.S. federal income tax purposes, net operating loss carryforwards of approximately \$400,000 which expire in 2009 through 2017. Utilization of such net operating loss carryforwards is limited to approximately \$400,000 per tax year, and we utilized such \$400,000 amount of the carryforwards in each of 2006, 2007, and 2008. We believe it is more-likely-than-not that the carryforwards will be utilized to reduce future income tax liabilities, and accordingly we have not provided a deferred income tax asset valuation allowance to offset the benefit of the carryforwards.

We generated a \$3.9 million federal income tax benefit associated with a U.S. capital loss realized in 2005. We determined based on the weight of the available evidence that realization of the benefit of the capital loss did not and continues not to meet the more-likely-than-not recognition criteria. Therefore, we have also recognized a deferred income tax asset valuation allowance to fully offset the deferred tax asset related to the capital loss carryforward. The capital loss carryforward discussed above expires in 2010.

Note 8 – Stockholders’ equity:

	Shares of common stock			Class B Issued and outstanding
	Class A	Treasury	Outstanding	
	Issued			
Balance at December 31, 2005	5,234,280	-	5,234,280	10,000,000
Issued	32,700	-	32,700	-
Balance at December 31, 2006	5,266,980	-	5,266,980	10,000,000
Affiliate repurchase:				
Issued	374,000	-	374,000	10,000,000
Reacquired	-	(483,600)	(483,600)	-
Retirement	(3,070,420)	483,600	(2,586,820)	(10,000,000)
Total affiliate repurchase	(2,696,420)	-	(2,696,420)	-
Other:				
Issued	87,300	-	87,300	-
Reacquired	-	(179,100)	(179,100)	-
Retirement	(179,100)	179,100	-	-
Total other	(91,800)	-	(91,800)	-
Balance at December 31, 2007	2,478,760	-	2,478,760	10,000,000
Issued	9,000	-	9,000	-
Reacquired	-	(126,453)	(126,453)	-
Retirement	(126,453)	126,453	-	-
Balance at December 31, 2008	2,361,307	-	2,361,307	10,000,000

Class A and Class B common stock. The shares of Class A common stock and Class B common stock are identical in all respects, except for certain voting rights and certain conversion rights in respect of the shares of the Class B common stock. Holders of Class A common stock are entitled to one vote per share. NL Industries, Inc. (“NL”), which holds all of the outstanding shares of Class B common stock, is entitled to one vote per share in all matters except for election of directors, for which NL is entitled to ten votes per share. Holders of all classes of common stock entitled to vote will vote together as a single class on all matters presented to the stockholders for their vote or approval, except as otherwise required by applicable law. Each share of Class A common stock and Class B common stock have an equal and ratable right to receive dividends to be paid from our assets when, and if declared by the board of directors. In the event of the dissolution, liquidation or winding up of our operations, the holders of Class A common stock and Class B common stock will be entitled to share equally and ratably in the assets available for distribution after payments are made to our creditors and to the holders of any of our preferred stock that may be outstanding at the time. Shares of the Class A common stock have no conversion rights. Under certain conditions, shares of Class B common stock will convert, on a share-for-share basis, into shares of Class A common stock.

Share repurchases and cancellations. In August 2007, our board of directors authorized the repurchase of up to 500,000 shares of our Class A common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. This authorization was in addition to the 467,000 shares of Class A common stock that remained available at the close of business on August 9, 2007 for repurchase under prior authorizations of our board of directors. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We will use cash on hand to acquire the shares. Repurchased shares will be added to our treasury and cancelled.

F - 21

During 2007 and 2008, we purchased approximately 179,100 and 126,453 shares of our Class A common stock in market transactions for an aggregate of \$3.3 million and \$1.0 million in cash, respectively. We cancelled these treasury shares and allocated their cost to common stock at par value and additional paid-in capital. At December 31, 2008, approximately 678,000 shares were available for purchase under these repurchase authorizations.

In October 2007, our board of directors authorized the repurchase or cancellation of a net 2.7 million shares of our Class A common stock held directly and indirectly by TIMET. We purchased or cancelled these shares for \$19.50 per share, or aggregate consideration of \$52.6 million, which we paid in the form of a promissory note. The price per share was determined based on our open market repurchases of our Class A common stock around the time the repurchase or cancellation of these shares was approved. The authorization for the repurchase or cancellation of these Class A shares from TIMET was in addition to the share repurchase authorizations discussed above. See Note 11. We allocated the cost of these repurchases and/or cancellations to common stock at par value and additional paid-in capital.

Incentive compensation plan. The CompX International Inc. 1997 Long-Term Incentive Plan provides for the award or grant of stock options, stock appreciation rights, performance grants and other awards to employees and other individuals who provide services to us. Up to 1.5 million shares of Class A Common Stock may be issued pursuant to the plan. Employee stock options are granted at prices not less than the market price of our stock on the date of grant, vest over five years and expire ten years from the date of grant. The following table sets forth changes in outstanding options during the past three years.

	Shares (In 000's)	Exercise price per share	Amount payable upon exercise	Weighted average exercise price
Outstanding at December 31, 2005	470	\$ 10.00 – 20.00	\$8,637	\$ 18.38
Exercised	(27)	13.00	(347)	13.00
Canceled	(6)	20.00	(120)	20.00
Outstanding at December 31, 2006	437	\$ 10.00 – 20.00	\$8,170	\$ 18.70
Exercised	(81)	10.00 – 20.00	(1,394)	17.21
Canceled	(7)	20.00	(133)	19.00
Outstanding at December 31, 2007	349	\$ 12.15 – 20.00	\$6,643	\$ 19.03
Canceled	(215)	20.00	(4,300)	20.00
Outstanding at December 31, 2008	134	\$ 12.15 – 19.25	\$2,343	\$ 17.49

Outstanding options at December 31, 2008 represent approximately 1% of our total outstanding shares of common stock at that date and expire at various dates through 2012 with a weighted-average remaining term of approximately 1 year. Our market price per share at December 31, 2008 was \$5.28. Of the 134,000 outstanding options, which were fully vested at December 31, 2008, all 134,000 options were exercisable at prices higher than the December 31, 2008 market price per share. At December 31, 2008, an aggregate of 878,820 shares were available for future

grants. Shares issued under the incentive stock plan are generally newly-issued shares. The intrinsic value of our options exercised aggregate approximately \$123,900 in 2006 and \$241,400 in 2007 and the related income tax benefit from the exercises was \$44,000 in 2006 and \$77,000 in 2007. No stock options were exercised in 2008.

F - 22

Note 9 – Facility consolidation

Prior to 2007, we had three facilities in northern Illinois, two Security Products facilities (located in Lake Bluff, Illinois and River Grove, Illinois) and one Marine Components facility (located in Grayslake, Illinois). In order to create opportunities to reduce operating costs and improve operating efficiencies, we determined that it would be more effective to consolidate these three operations into one location. In 2006, we acquired land adjacent to the Marine Components facility for approximately \$1.8 million in order to expand the facility, and during 2007 we incurred approximately \$9.6 million of capital expenditures in connection with the expansion.

In addition to the capital expenditures, during 2007, we incurred approximately \$2.7 million in expenses relating to the facility consolidation including physical move costs, equipment installation, redundant labor and recruiting fees and write downs for fixed assets no longer in use, all of which are included in facility consolidation expense in the accompanying Consolidated Statement of Income. The majority of these costs were incurred during the fourth quarter of 2007.

The fixed asset write downs amounted to \$765,000 of which \$600,000 related to the classification of the River Grove facility as an “asset held for sale” in November 2007 as it was no longer being utilized and met all of the criteria under GAAP to be classified as an “asset held for sale.” In classifying the facility and related assets (primarily land, building, and building improvements) as held for sale, we concluded that the carrying amount of the assets exceeded the estimated fair value less costs to sell such assets. In determining the estimated fair value of such assets, we considered recent sales prices for other property near the facility, Level 2 inputs as defined by SFAS No. 157. Accordingly, we recognized \$600,000 to write-down the assets to their estimated net realizable value of approximately \$3.1 million at December 31, 2007. We expect to dispose of the River Grove facility during 2009. The Lake Bluff, Illinois facility was sold in 2006 for approximately \$1.3 million which approximated book value and was leased-back until we vacated the facility in October 2007.

Note 10 – Other non-operating income, net:

	Years ended December 31,		
	2006	2007	2008
	(In thousands)		
Interest income	\$ 1,278	\$ 1,324	\$ 389
Other income (expense), net	(8)	(191)	(149)
Total	\$ 1,270	\$ 1,133	\$ 240

Note 11 - Related party transactions:

We may be deemed to be controlled by Harold C. Simmons. See Note 1. Corporations that may be deemed to be controlled by or affiliated with Mr. Simmons sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held minority equity interest in another related party. We continuously consider, review and evaluate, and

understand that Contran and related entities consider, review and evaluate such transactions. Depending upon the business, tax and other objectives then relevant, it is possible that we might be a party to one or more such transactions in the future.

F - 23

In 2007, we purchased and/or cancelled a net 2.7 million shares of our Class A common stock from TIMET. A subsidiary of Contran and persons and other entities related to Mr. Simmons own an aggregate of approximately 52% of TIMET's outstanding common stock at December 31, 2007. We purchased and/or cancelled these shares for \$19.50 per share, or aggregate consideration of \$52.6 million, which we paid in the form of a promissory note. The price per share was determined based on our open market repurchases of our Class A common stock around the time the repurchase from TIMET was approved. The promissory note bears interest at LIBOR plus 1% (5.05% at December 31, 2008) and provides for quarterly principal repayments of \$250,000 commencing in September 2008, with the balance due at maturity in September 2014. The promissory note is subordinated to our U.S. revolving bank credit agreement. See Note 6. We may make prepayments on the promissory note payable to TIMET at any time, in any amount, without penalty. During 2007 and 2008, we prepaid approximately \$2.6 million and \$7.0 million, respectively, of the promissory note. At December 31, 2007 and 2008, approximately \$50.0 million and \$43.0 million, respectively, was outstanding under the promissory note, of which \$250,000 and \$1.0 million, respectively, was classified as a current liability. The scheduled repayments of the promissory note are shown in the table below.

Years ending December 31,	Amount (In thousands)
2009	\$ 1,000
2010	1,000
2011	1,000
2012	1,000
2013	1,000
2014	37,980
Total	\$42,980

Under the terms of various Intercorporate Service Agreements ("ISAs") with Contran, employees of Contran perform certain management, tax planning, financial, legal and administrative services for us on a fee basis. Such fees are based upon estimates of time devoted to our affairs by individual Contran employees and the compensation of such persons. Because of the large number of companies affiliated with Contran, we believe we benefit from cost savings and economies of scale gained by not having certain management, financial and administrative staffs duplicated at each entity, thus allowing certain individuals to provide services to multiple companies but only be compensated by one entity. Fees pursuant to these agreements aggregated \$2.7 million in 2006, \$2.9 million in 2007 and \$3.1 million in 2008.

Tall Pines Insurance Company and EWI RE, Inc. provide for or broker certain insurance policies for Contran and certain of its subsidiaries and affiliates, including us. Tall Pines and EWI are subsidiaries of Valhi. Consistent with insurance industry practices, Tall Pines and EWI receive commissions from the insurance and reinsurance underwriters and/or assess fees for the policies that they provide or broker. The aggregate premiums paid to Tall Pines and EWI were approximately \$1.2 million in 2006, \$1.1 million in 2007 and \$1.2 million in 2008. These amounts principally included payments for insurance, but also included commissions paid to Tall Pines and EWI. Tall Pines purchases reinsurance for substantially all of the risks it underwrites. We expect that these relationships with Tall Pines and EWI will continue in 2009.

Contran and certain of its subsidiaries and affiliates, including us, purchase certain of their insurance policies as a group, with the costs of the jointly-owned policies being apportioned among the participating companies. With respect to certain of these policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, Contran and certain of its subsidiaries and affiliates, including us, have entered into a loss sharing agreement under which any uninsured loss is shared by those entities who have submitted claims under the relevant policy. We believe the benefits in the form of reduced premiums and broader coverage associated with the group coverage for such policies justifies the risk associated with the potential for any uninsured loss.

Note 12 - Commitments and contingencies:

Legal proceedings. We are involved, from time to time, in various contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. On February 10, 2009, a complaint was filed with the U.S. International Trade Commission (“ITC”) by Humanscale Corporation requesting that the ITC commence an investigation pursuant to Section 337 of the Tariff Act of 1930 to determine allegations concerning the unlawful importation of certain adjustable keyboard related products into the U.S. by our Canadian subsidiary. The products are alleged to infringe certain claims under a U.S. patent held by Humanscale. The complaint seeks as relief the barring of future imports of the products into the U.S. until the expiration of the related patent in March 2011. Additionally, on February 13, 2009, a complaint for patent infringement was filed in the United States District Court, Eastern District of Virginia, by Humanscale against us and our Canadian subsidiary. We have not been served in this matter as of the filing of our annual report on Form 10-K, however, we deny the allegations of infringement noted in this complaint. We intend to deny the infringement before the ITC and seek to dismiss the complaint. We currently believe that the disposition of all claims and disputes, individually or in the aggregate, if any, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

Environmental matters and litigation. Our operations are governed by various federal, state, local and foreign environmental laws and regulations. Our policy is to comply with environmental laws and regulations at all of our plants and to continually strive to improve environmental performance in association with applicable industry initiatives. We believe that our operations are in substantial compliance with applicable requirements of environmental laws. From time to time, we may be subject to environmental regulatory enforcement under various statutes, resolution of which typically involves the establishment of compliance programs.

Income taxes. From time to time, we undergo examinations of our income tax returns, and tax authorities have or may propose tax deficiencies. We believe that we have adequately provided accruals for additional income taxes and related interest expense which may ultimately result from such examinations and we believe that the ultimate disposition of all such examinations should not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

We have agreed to a policy with Contran providing for the allocation of tax liabilities and tax payments as described in Note 1. Under applicable law, we, as well as every other member of the Contran Tax Group, are each jointly and severally liable for the aggregate federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. NL has agreed, however, to indemnify us for any liability for income taxes of the Contran Tax Group in excess of our tax liability previously computed and paid by us in accordance with the tax allocation policy.

Concentration of credit risk. Our products are sold primarily in North America to original equipment manufacturers. The ten largest customers accounted for approximately 38% of sales in 2006, 31% in 2007 and 35% in 2008. No customer accounted for sales of 10% or more in 2006, 2007, or 2008.

Rent expense, principally for buildings, was \$787,000 in 2006, \$429,000 in 2007 and \$461,000 in 2008. At December 31, 2008, future minimum rentals under noncancellable operating leases are shown below.

Years ending December 31,	Amount (In thousands)
2009	\$400
2010	156
2011	145
2012	16
Total	\$717

Note 13 – Recent accounting pronouncements:

Fair Value Measurements – In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which became effective for us on January 1, 2008. SFAS No. 157 generally provides a consistent, single fair value definition and measurement techniques for GAAP pronouncements. SFAS No. 157 also establishes a fair value hierarchy for different measurement techniques based on the objective nature of the inputs in various valuation methods. In February 2008, the FASB issued FSP No. FAS 157-2, Effective Date of FASB Statement No. 157 which will delay the provisions of SFAS No. 157 for one year for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). All of our fair value measurements are in compliance with SFAS No. 157, on a prospective basis, beginning in the first quarter of 2008, except for nonfinancial assets and liabilities, which we will be required to be in compliance with SFAS No. 157 prospectively beginning in the first quarter of 2009. In addition, we have expanded our disclosures regarding the valuation methods and level of inputs we utilize, except for nonfinancial assets and liabilities, which will require disclosure in the first quarter of 2009. The adoption of this standard did not have a material effect on our Consolidated Financial Statements.

Fair Value Option – In the first quarter of 2007 the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS 159 permits companies to choose, at specified election dates, to measure eligible items at fair value, with unrealized gains and losses included in the determination of net income. The decision to elect the fair value option is generally applied on an instrument-by-instrument basis, is irrevocable unless a new election date occurs, and is applied to the entire instrument and not to only specified risks or cash flows or a portion of the instrument. Items eligible for the fair value option include recognized financial assets and liabilities, other than an investment in a consolidated subsidiary, defined benefit pension plans, OPEB plans, leases and financial instruments classified in equity. An investment accounted for by the equity method is an eligible item. The specified election dates include the date the company first recognizes the eligible item, the date the company enters into an eligible commitment, the date an investment first becomes eligible to be accounted for by the equity method and the date SFAS No. 159 first becomes effective for the company. SFAS No. 159 became effective for us on January 1, 2008. We did not elect to measure any eligible items at fair value in accordance with this new standard either at the date we adopted the new standard or subsequently during the first nine months of 2008; therefore the adoption of this standard did not have a material effect on our Consolidated Financial Statements.

Business Combinations – Also in December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations, which applies to us prospectively for business combinations that close in 2009 and beyond. The statement expands the definition of a business combination to include more transactions including some asset purchases and requires an acquirer to recognize assets acquired, liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date at fair value as of that date with limited exceptions. The statement also requires that acquisition costs be expensed as incurred and restructuring costs that are not a liability of the acquiree at the date of the acquisition be recognized in accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. Due to the unpredictable nature of business combinations and the prospective application of this statement we are unable to predict the impact of the statement on our Consolidated Financial Statements.

Derivative Disclosures – In March 2008 the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133. SFAS No. 161 changes the disclosure requirements for derivative instruments and hedging activities to provide enhanced disclosures about how and why we use derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS No. 133 and how derivative instruments and related hedged items affect our financial position and performance and cash flows. This statement will become effective for us in the first quarter of 2009. We periodically use currency forward contracts to manage a portion of our foreign currency exchange rate market risk associated with trade receivables or future sales. The contracts we have outstanding at December 31, 2008 are accounted for under hedge accounting. See Note 1. Because our prior disclosures regarding these forward contracts have substantially met all of the applicable disclosure requirements of the new standard, we do not believe the enhanced disclosure requirements of this new standard will have a significant effect on our Consolidated Financial Statements.

Uncertain tax positions - In the second quarter of 2006 the FASB issued FIN No. 48, Accounting for Uncertain Tax Positions, which we adopted on January 1, 2007. FIN 48 clarifies when and how much of a benefit we can recognize in our consolidated financial statements for certain positions taken in our income tax returns under Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, and enhances the disclosure requirements for our income tax policies and reserves. Among other things, FIN 48 prohibits us from recognizing the benefits of a tax position unless we believe it is more-likely-than-not our position will prevail with the applicable tax authorities and limits the amount of the benefit to the largest amount for which we believe the likelihood of realization is greater than 50%. FIN 48 also requires companies to accrue penalties and interest on the difference between tax positions taken on their tax returns and the amount of benefit recognized for financial reporting purposes under the new standard. We are required to classify any future reserves for uncertain tax positions in a separate current or noncurrent liability, depending on the nature of the tax position. Our adoption of FIN 48 did not have a material impact on our consolidated financial position or results of operations. Upon adopting FIN 48 on January 1, 2007, we recognized a \$41,000 increase to retained earnings.

We accrue interest and penalties on our uncertain tax positions as a component of our provision for income taxes. The amount of interest and penalties we accrued at December 31, 2007 was \$45,000 and nil at December 31, 2008.

The following table shows the changes in the amount of our uncertain tax positions (exclusive of the effect of interest and penalties) during 2007 and 2008:

	Years Ended December 31,	
	2007	2008
	(In thousands)	
Unrecognized tax benefits:		
Amount at adoption of FIN 48 (or beginning of the year)	\$(585)	\$(192)
Tax positions take in prior periods:		
Gross increases	-	-
Gross decreases	6	-
Tax positions taken in current period:		
Gross increases	-	-
Gross decreases	-	-
Settlements with taxing authorities – cash paid	301	-
Lapse of applicable statute of limitations	86	192
Amount at end of the year	\$(192)	\$-

Pursuant to the expiration of certain statute of limitations, we released the balance of the FIN 48 liability in the third quarter of 2008.

We file income tax returns in various U.S. federal, state and local jurisdictions. We also file income tax returns in various foreign jurisdictions, principally in Canada and Taiwan. Our domestic income tax returns prior to 2005 are generally considered closed to examination by applicable tax authorities. Our foreign income tax returns are generally considered closed to examination for years prior to 2003 for Taiwan, and 2004 for Canada.

Note 14 – Quarterly results of operations (unaudited):

	Quarter ended			
	March 31	June 30	Sept. 30	Dec. 31
	(In millions, except per share amounts)			
2007:				
Net sales	\$43.6	\$45.2	\$46.4	\$42.5
Gross profit	12.1	11.9	11.9	9.3
Operating income	5.4	4.6	4.3	(a) 1.2 (a)
Net income	3.0	2.6	2.8	0.5
Basic and diluted earnings per share	\$.20	\$.17	\$.18	\$.04
2008:				
Net sales	\$40.5	\$43.7	\$43.9	\$37.4
Gross profit	9.9	11.0	11.2	8.1
Operating income (loss)	3.5	4.5	(4.9)	(b) 3.1
Net income (loss)	1.6	2.1	(7.5)	(b) 0.7

Edgar Filing: COMPX INTERNATIONAL INC - Form 10-K/A

Basic and diluted earnings (loss) per share	\$.13	\$.17	\$ (.61)	\$.06
---	--------	--------	---------	---	--------

The sum of the quarterly per share amounts may not equal the annual per share amounts due to relative changes in the weighted-average number of shares used in the per share computations.

(a) Quarterly operating income for the quarters ended September 30, 2007 and December 31, 2007 was impacted by \$808,000 and \$1.9 million, respectively, of costs related to the consolidation of three of our northern Illinois facilities into one new facility including a \$600,000 charge to write-down a vacated facility to its estimated net realizable value. See Note 9.

F - 28

(b) We recorded a goodwill impairment charge of \$9.9 million for our Marine Components reporting unit in the third quarter of 2008. See Note 4.

F - 29
