

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
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, 1994 Commission file number 1-27

T e x a c o I n c .
(Exact name of registrant as specified in its charter)

Delaware 74-1383447

(State or other jurisdiction of
incorporation or organization) (I.R.S. Employer Identification No.)

2000 Westchester Avenue
White Plains, New York

10650

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (914) 253-4000

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

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$6.25	New York Stock Exchange Midwest Stock Exchange The Stock Exchange, London Basle, Geneva and Zurich Exchanges Amsterdam, Antwerp and Brussels Exchanges
Rights to Purchase Series D Junior Participating Preferred Stock	New York Stock Exchange
Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B*	New York Stock Exchange
6-7/8% Cumulative Guaranteed Monthly Income Preferred Shares, Series A*	New York Stock Exchange
8-1/2% Notes, due February 15, 2003**	New York Stock Exchange
8-5/8% Debentures, due June 30, 2010**	New York Stock Exchange
8.65% Notes, due January 30, 1998**	New York Stock Exchange
9% Notes, due November 15, 1996**	New York Stock Exchange
9% Notes, due November 15, 1997**	New York Stock Exchange
9% Notes, due December 15, 1999**	New York Stock Exchange
9-3/4% Debentures, due March 15, 2020**	New York Stock Exchange
Extendible Notes, due June 1, 1999 (8-1/2% to June 1, 1998)**	New York Stock Exchange
Extendible Notes, due March 1, 2000 (9.45% to March 1, 2000)**	New York Stock Exchange
Extendible Notes, due January 15, 2000 (8.95% to January 15, 2000)**	New York Stock Exchange

* Issued by Texaco Capital LLC and the payments of dividends and payments on liquidation or redemption are guaranteed by Texaco Inc.

** Issued by Texaco Capital Inc. and unconditionally guaranteed by Texaco Inc.

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 and (2) HAS BEEN subject to such filing requirements for the past 90 days.

No disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of Texaco Inc. Common Stock held by non-affiliates at the close of business on February 28, 1995, based on the New York Stock Exchange composite sales price, was approximately \$16,540,000,000. The market value of Series B ESOP Convertible Preferred Stock held in the Employees Thrift Plan of Texaco Inc. at the close of business on February 28, 1995, totaled approximately \$635,740,000. The liquidation value of Series F ESOP Convertible Preferred Stock held in the Employees Savings Plan of Texaco Inc. at the close of business on February 28, 1995, totaled approximately \$46,190,000.

As of February 28, 1995, there were 259,607,356 outstanding shares of Texaco Inc. Common Stock.

Documents incorporated by reference
(to the extent indicated herein)

Part of
Form 10-K

Texaco Inc. Annual Report to Stockholders for the year 1994	I, II
Proxy Statement of Texaco Inc. relating to the 1995 Annual Meeting of Stockholders	III

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Items 1. and 2. Business and Properties

DEVELOPMENT AND DESCRIPTION OF BUSINESS

Texaco Inc. was incorporated in Delaware on August 26, 1926, as The Texas Corporation. Its name was changed in 1941 to The Texas Company and in 1959 to Texaco Inc. It is the successor of a corporation incorporated in Texas in 1902. As used herein and within the portions of the documents incorporated by reference, the term Texaco Inc. refers solely to Texaco Inc., a Delaware corporation. The use of such terms as "Texaco," "company," "division," "organization," "we," "us," "our" and "its," when referring either to Texaco Inc. and its consolidated subsidiaries or to subsidiaries and affiliates either individually or collectively, is only for convenience and is not intended to describe legal relationships.

Texaco Inc. and its subsidiary companies, together with affiliates owned 50% or less, represent a vertically integrated enterprise principally engaged in the worldwide exploration for and production, transportation, refining and marketing of crude oil, natural gas and petroleum products.

Research Expenditures

Worldwide expenditures of Texaco Inc. and subsidiary companies for research, development and technical support for continuing operations amounted to approximately \$175 million in 1994, \$185 million in 1993 and \$200 million in 1992. These expenditures exclude amounts applicable to discontinued chemical operations of approximately \$20 million in 1994, \$45 million in 1993 and \$50 million in 1992.

Environmental Expenditures

Information regarding capital expenditures of Texaco Inc. and subsidiary companies, including equity in affiliates, during 1994, and projections for 1995 and 1996, for air, water and solid waste pollution abatement, and related environmental projects and facilities, is incorporated herein by reference from pages 32 and 33 of Texaco Inc.'s 1994 Annual Report to Stockholders.

Employees

The number of employees of Texaco Inc. and subsidiary companies engaged in continuing operations as of December 31, 1994 totaled 29,713. The comparable number of employees as of December 31, 1993 was 32,514.

The 1993 total excludes approximately 2,400 employees involved in discontinued chemical operations. Of the 2,400 employees, some 2,100 supported the discontinued chemical operations sold during 1994 or were separated from service. The remaining employees support operations expected to be joint ventured during 1995 and accordingly, these employees were also excluded from the 1994 total. For additional information, see "Note 4, Discontinued Operations" to the 1994 Consolidated Financial Statements.

CERTAIN FACTORS WHICH MAY AFFECT BUSINESS

In recent years, a number of changes affecting the petroleum industry have occurred both in the United States and abroad. In the United States and other countries in which Texaco operates, various laws and regulations are either now in force, in standby status or under consideration, dealing with such matters as production restrictions, import and export controls, price controls, crude oil and refined product allocations, refined product specifications, environmental, health and safety regulations, retroactive and prospective tax increases, cancellation of contract rights, expropriation of property, divestiture of certain operations, foreign exchange rate changes and restrictions as to convertibility of currencies, tariffs and other international trade restrictions. The industry may also be affected by strikes and other industrial disputes. All of these factors have contributed to an environment of change both in the United States and abroad.

A number of legislative proposals are currently under consideration by the U.S. Congress and various State legislatures. Although it is not possible at this time to predict the ultimate form that any such proposals might take, or the likelihood of their enactment, such legislation, if passed, could adversely affect the petroleum industry and Texaco.

The world economy expanded at a 3.2% rate in 1994, the highest rate of growth since 1989. Spurred by accommodative monetary policy and rising exports, Continental Europe joined North America and the United Kingdom in economic recovery. The Japanese economy remained relatively weak, but showed some signs of improvement after being stimulated by tax cuts and increased public works spending. The strongest economic growth last year continued to be in the developing world, especially in the newly industrializing nations of the Pacific Rim and Latin America. Gross Domestic Product continued to fall in most of the former Soviet republics, but positive growth occurred in several of the Eastern European economies.

WORLD PETROLEUM DEMAND
(MILLION BPD)

	1994	1993	1992
INDUSTRIAL NATIONS	39.9	39.0	38.8
DEVELOPING NATIONS	22.1	21.3	20.2
FORMER SOVIET BLOC	6.2	6.9	8.2
TOTAL	68.2	67.2	67.2

World petroleum demand rose to a record 68.2 million barrels per day (BPD) in 1994, an increase of one million BPD from its 1993 level. Demand in the industrialized nations increased by 0.9 million BPD, reflecting the combined effects of the economic recovery, unusually cold winter weather in the United States, and a summer heat wave in Japan. In the developing countries, petroleum consumption grew by an additional 0.8 million BPD, bolstered by strong increases in demand in the Pacific Rim countries and Latin America. Despite increased demand in Eastern Europe, oil demand in the former Soviet bloc as a whole (including Eastern Europe) continued its downward trend of recent years, falling by 0.7 million BPD.

On the supply side, total net non-OPEC crude oil production rose from 35.2 million BPD to 35.6 million BPD, reversing a five-year decline. Buoyed by higher output from the United Kingdom, the North Sea reached a record level of over 5 million BPD in 1994. There were gains in other non-OPEC producing countries as well, particularly Argentina and Yemen. These increases, which totaled 1.2 million BPD, were more than sufficient to offset a 0.2 million BPD decline in crude output in the United States and a 0.6 million BPD production loss in the former Soviet Union.

OPEC crude oil production also rose in 1994, averaging 25 million BPD, an increase of 0.3 million BPD from 1993 levels. Iraq, OPEC's historically second largest producer, remained excluded from the international market by United Nations sanctions.

Despite the general improvement in economic and petroleum demand fundamentals, excess oil inventories worldwide depressed international petroleum prices during the early months of 1994. The

per-barrel spot price of U.S. benchmark West Texas Intermediate (WTI), for example, averaged just \$14.85 during the January-March period, the lowest quarterly level since the end of 1988. However, OPEC production restraint, the general firming in demand, and supply disruptions in Nigeria helped boost prices in the late spring and summer. WTI briefly approached \$21 per barrel in June, before declining somewhat over the second half of the year. For 1994 overall, WTI averaged \$17.19 per barrel, 6.8% below the previous year.

Even with lower average crude oil prices, refiners' margins in 1994 weakened in most major regions as significant additions to global refining capacity outstripped growth in world petroleum demand.

Near-Term Outlook

World economic growth is expected to accelerate in 1995. While the U.S. economy could slow somewhat as a result of tightening monetary measures by the Federal Reserve, the expansion in Western Europe is projected to gain momentum.

Moreover, the negative near-term effects of the Kobe earthquake on Japan's economic growth are expected to be offset by reconstruction spending in the later part of the year. The economies of the former Soviet Union will probably experience another decline in 1995, but many of the countries of Eastern Europe are anticipated to experience positive economic growth.

NEAR-TERM WORLD SUPPLY/DEMAND BALANCE (MILLION BPD)

	1995	1994
DEMAND	69.1	68.2
SUPPLY		
NON-OPEC CRUDE	36.0	35.6
OPEC CRUDE	25.1	25.0
OTHER LIQUIDS	8.3	8.0
TOTAL SUPPLY	69.4	68.6
STOCK CHANGE	0.3	0.4

Robust economic expansion is expected to boost world oil demand from 68.2 to 69.1 million BPD in 1995. In the United States, slower economic growth and an assumed return to normal weather conditions, should limit oil demand growth to only about 0.1 million BPD. The economic upswing in Western Europe will add another 0.2 million BPD to world demand. Most of the growth in oil demand will continue to come from the developing countries, where petroleum usage is expected to expand by about one million BPD. The declines in the former Soviet bloc are projected to slow significantly to about 0.4 million BPD.

Non-OPEC crude production is expected to increase by 0.4 million BPD in 1995 to 36.0 million BPD. North Sea production will advance further and additional increases are expected from the development of Colombia's Cusiana field and from other producing countries. The combined losses from the United States and the former Soviet Union are anticipated to average about 0.5 million BPD (compared to 0.8 million BPD last year), as the rates of decline moderate in both regions.

Purchases of OPEC oil are projected to increase slightly in 1995, as growth in non-OPEC supplies alone will not meet rising world demand for oil. However, international oil markets could remain unstable and potentially weak in 1995, depending on OPEC's adherence to its quota, the status of Iraqi export flows and other major market forces.

Colder than normal weather in the first part of the year helped push U.S. natural gas consumption up by 0.4 trillion cubic feet (TCF) in 1994 to 20.7 TCF. However, an increase in domestic gas production and additional inflows from Canada contributed to a slide in natural gas prices in the latter part of the year. Despite the expected slowing of the U.S. economy, natural gas consumption is expected to continue to grow in 1995.

In addition to the above factors, operations and investments in some foreign areas are subject to political and business risks. The nature of these risks varies from country to country and from time to time. The overall effect of the foregoing on Texaco cannot be predicted with any certainty.

WORLDWIDE OPERATIONS

Texaco owns, leases, or has interests in extensive production, manufacturing, marketing, transportation and other facilities throughout the world. A description of the company's worldwide operations appears on pages 9 through 24, and information regarding sales to significant affiliates and geographical financial data appear on pages 37 and 59-60, respectively, of Texaco Inc.'s 1994 Annual Report to Stockholders, applicable portions of which are incorporated herein by reference. Except as indicated under Items 1, 2, 3, 5, 6, 7, 8 and 14, no other data appearing in the 1994 Annual Report to Stockholders are deemed to be filed as part of this Annual Report on Form 10-K.

In 1993, Texaco entered into memorandums of understanding with an affiliate of the Jon M. Huntsman Group of Companies for the sale of substantially all of Texaco's worldwide chemical operations. Except for the lubricant additives portion of the chemical business, the sale to Huntsman Corporation was completed in April, 1994. On February 14, 1995, Texaco and Huntsman Corporation announced that they intend to form a joint venture to own and operate Texaco's worldwide lubricant additives business. Formation of the joint venture is expected to take place during 1995.

On March 1, 1995, Texaco completed the sale of more than 300 producing fields to Apache Corporation. The sale includes properties located in the Permian Basin of Texas, offshore Gulf of Mexico, onshore Louisiana, East and South Texas, the Rocky Mountains and the Mid-Continent area of the United States.

SUPPLEMENTARY EXPLORATION AND PRODUCTION INFORMATION

The following information concerns the oil and gas exploration, development and producing activities of Texaco Inc. and consolidated subsidiaries, as well as Texaco's equity in P.T. Caltex Pacific Indonesia (CPI), a 50%-owned affiliate operating in Other Eastern Hemisphere areas:

Estimates of Total Proved Net Oil and Gas Reserve Data Provided to Other Governmental Bodies and Availability of Oil and Gas

Information concerning estimates of total proved net oil and gas reserve data provided to other governmental bodies and availability of oil and gas is incorporated herein by reference from pages 62 to 64 of Texaco Inc.'s 1994 Annual Report to Stockholders.

Average Sales Prices and Production Costs-Per Unit

Information concerning average sales prices and production costs on a per unit basis is incorporated herein by reference from page 67 of Texaco Inc.'s 1994 Annual Report to Stockholders.

The information presented in the tables on pages 5 and 6 includes applicable amounts relating to the aforementioned sale of more than 300 producing fields to Apache Corporation.

Oil and Gas Acreage

Thousands of acres -----	As of December 31, 1994	
	Gross -----	Net ---
Producing		
Texaco Inc. and Consolidated Subsidiaries		
United States	3,843	2,376
Other Western Hemisphere	519	157
Europe	225	97
Other Eastern Hemisphere	784	195
	-----	-----
Total Texaco Inc. and Consolidated Subsidiaries	5,371	2,825
Equity in an Affiliate-Other Eastern Hemisphere	207	103
	-----	-----
Total worldwide	5,578	2,928
	-----	-----
Undeveloped		
Texaco Inc. and Consolidated Subsidiaries		
United States	6,318	4,899
Other Western Hemisphere	9,571	6,381
Europe	5,089	1,828
Other Eastern Hemisphere	68,007	27,858
	-----	-----
Total Texaco Inc. and Consolidated Subsidiaries	88,985	40,966
Equity in an Affiliate-Other Eastern Hemisphere	2,239	1,120
	-----	-----
Total worldwide	91,224	42,086
	-----	-----
Total Oil and Gas Acreage	96,802	45,014
	=====	=====

Number of Wells Capable of Producing*

	As of December 31, 1994	
	Gross -----	Net ---
Oil wells		
Texaco Inc. and Consolidated Subsidiaries		
United States	44,044	18,072
Other Western Hemisphere	2,241	410
Europe	230	59
Other Eastern Hemisphere	1,287	436
	-----	-----
Total Texaco Inc. and Consolidated Subsidiaries	47,802	18,977
Equity in an Affiliate-Other Eastern Hemisphere	3,975	1,988
	-----	-----
Total worldwide**	51,777	20,965
	=====	=====
Gas wells		
Texaco Inc. and Consolidated Subsidiaries		
United States.....	6,406	2,849
Other Western Hemisphere	281	68
Europe	47	13
Other Eastern Hemisphere	22	6
	-----	-----
Total Texaco Inc. and Consolidated Subsidiaries	6,756	2,936
Equity in an Affiliate-Other Eastern Hemisphere	22	11
	-----	-----
Total worldwide**	6,778	2,947
	=====	=====

* Producing well counts include active wells and wells temporarily shut-in. Consistent with general industry practice, injection or service wells and wells shut-in that have been identified for plug and abandonment have been excluded from the number of wells capable of producing.

** Includes 347 gross and 221 net multiple completion oil wells and 129 gross and 107 net multiple completion gas wells.

Oil, Gas and Dry Wells Completed

For the years ended December 31,

	1994			1993			1992		
	Oil	Gas	Dry	Oil	Gas	Dry	Oil	Gas	Dry
Net exploratory wells*									
Texaco Inc. and Consolidated Subsidiaries									
United States	16	23	17	24	29	29	16	24	20
Other Western Hemisphere	—	—	1	—	—	1	2	1	3
Europe	—	—	2	—	—	8	—	—	4
Other Eastern Hemisphere	2	—	11	—	1	8	1	—	3
Total Texaco Inc. and Consolidated Subsidiaries	18	23	31	24	30	46	19	25	30
Equity in an Affiliate-Other Eastern Hemisphere	—	—	1	1	—	1	1	—	—
Total worldwide	18	23	32	25	30	47	20	25	30
	===	===	===	===	===	===	===	===	===
Net development wells									
Texaco Inc. and Consolidated Subsidiaries									
United States	244	82	7	212	101	13	163	72	8
Other Western Hemisphere	5	5	1	8	2	2	3	1	1
Europe	7	2	—	7	1	—	4	—	—
Other Eastern Hemisphere	13	—	—	14	—	—	9	—	—
Total Texaco Inc. and Consolidated Subsidiaries	269	89	8	241	104	15	179	73	9
Equity in an Affiliate-Other Eastern Hemisphere	98	—	—	76	—	—	159	—	4
Total worldwide	367	89	8	317	104	15	338	73	13
	===	===	===	===	===	===	===	===	===

* Exploratory wells which identify oil and gas reserves, but have not resulted in recording of proved reserves pending further evaluation, are not considered completed wells. Reserves which are identified by such wells are included in Texaco's proved reserves when sufficient information is available to make that determination. This is particularly applicable to deep exploratory areas which may require extended time periods to assess, such as the U.K. sector of the North Sea.

Additional Well Data

As of December 31, 1994

	Wells in the process of drilling		Pressure Maintenance	
	Gross	Net	Installations in operation	Projects in the process of being installed
Texaco Inc. and Consolidated Subsidiaries				
United States	62	48	496	1
Other Western Hemisphere	—	—	13	—
Europe	37	24	13	—
Other Eastern Hemisphere	42	9	4	—
Total Texaco Inc. and Consolidated Subsidiaries	141	81	526	1
Equity in an Affiliate-Other Eastern Hemisphere	3	2	6	—
Total worldwide	144	83	532	1
	===	==	===	==

Item 3. Legal Proceedings

Litigation-Information relative to legal proceedings pending against Texaco Inc. and subsidiary companies is presented in Note 17, Contingent Liabilities, on page 59 of Texaco Inc.'s 1994 Annual Report to Stockholders, which note is incorporated herein by reference.

As of December 31, 1994, Texaco Inc. and its subsidiaries were parties to various proceedings instituted by governmental authorities arising under the provisions of applicable laws or regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment, none of which is material to the business or financial condition of the Company. The following is a brief description of proceedings which, because of the amounts involved, require disclosure under applicable Securities and Exchange Commission regulations.

On June 9, 1992, an administrative complaint was served on Texaco Chemical Company ("TCC")* by the U.S. Environmental Protection Agency ("EPA"), Region VI, alleging certain violations of the State Implementation Plan at TCC's Port Neches, Texas chemical plant. The EPA is seeking civil penalties of \$149,000. Texaco Inc. is contesting liability.

On December 28, 1992, an administrative complaint was served on TCC by the EPA, Region VI, alleging hazardous waste, PCB, release notification and reporting violations at TCC's Port Neches chemical plant. The EPA is seeking civil penalties of \$3.8 million. Texaco Inc. is contesting liability.

On January 21, 1994, an administrative proceeding was initiated by the Texas Natural Resource Conservation Commission ("TNRCC"), alleging violations of the Texas Solid Waste Disposal Act and the Texas Water Code at TCC's Port Neches chemical plant. The TNRCC is seeking civil penalties of \$381,840 and remediation of alleged violations. Texaco Inc. is contesting liability.

On May 23, 1994, the EPA, Region VII, instituted an administrative proceeding alleging that on 12 occasions pipelines owned by Texaco Trading and Transportation Inc. ("TTTI") released oil into surface waters in violation of the Federal Clean Water Act. The agency is seeking a penalty of \$10,000 for each release. TTTI is contesting liability.

On February 15, 1995, Texaco Refining and Marketing Inc. ("TRMI") and Star Enterprise ("Star") settled an administrative matter pending before the Pennsylvania Department of Environmental Resources. The State alleged that hydrocarbons were discharged into groundwaters at the Pittsburgh Terminal, formerly owned by TRMI, in violation of Pennsylvania's Clean Streams Act and Solid Waste Disposal Act.

On February 22, 1995, Texaco Refining and Marketing (East) Inc. and Star entered into an Agreed Judicial Consent Order to settle an action contemplated against them and another company by the TNRCC alleging violations of the Texas Solid Waste Disposal Act and Texas Water Code at Star's Port Arthur, Texas refinery.

* Texaco Chemical Company was sold on April 21, 1994 and, by agreement, Texaco Inc. retains obligations applicable to events occurring prior to the closing date.

In February 1995, TRMI settled an investigative matter conducted by the California Air Resources Board to determine TRMI's and other gasoline marketers' compliance with California's additive injection requirements during 1992 and 1993.

In February 1995, Texaco Inc., Texaco Caribbean Inc. and Texaco Puerto Rico Inc. settled a suit filed in 1991 against the three companies by the Virgin Islands Water and Power Authority ("WAPA"). The suit alleged that a leak from an underground storage tank at a Texaco service station in St. Croix contaminated a WAPA water well.

In addition, Texaco Inc., on behalf of itself and its subsidiaries and affiliates, has agreed to participate in the U.S. Environmental Protection Agency's Toxic Substances Control Act ("TSCA") Section 8(e) Compliance Audit Program. There are 125 participants in this program. As a participant, Texaco has agreed to audit its files for materials which under current EPA guidelines would be subject to substantial risk notification under Section 8(e) of TSCA and to pay stipulated penalties for each such report submitted under this program. Based on its audit to date, Texaco estimates that its liability will be in excess of \$100,000, but is unable to calculate the exact amount at this time. However, under this program, Texaco's liability cannot exceed \$1 million in the aggregate. No administrative proceeding is pending; however, Texaco will be required to enter an Administrative Order On Consent pursuant to this program in late 1995 or 1996.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of Texaco Inc.

The executive and other elected officers of Texaco Inc. as of March 24, 1995 are:

Name ----	Age ---	Position -----
Alfred C. DeCrane, Jr.	63	Chairman of the Board and Chief Executive Officer
Allen J. Krowe	62	Vice Chairman
Peter I. Bijur	52	Senior Vice President
C. Robert Black	59	Senior Vice President
William C. Bousquette	58	Senior Vice President and Chief Financial Officer
James L. Dunlap	57	Senior Vice President
William K. Tell, Jr.	61	Senior Vice President
Stephen M. Turner	56	Senior Vice President and General Counsel
John D. Ambler	60	Vice President
Clarence P. Cazalot, Jr.	44	Vice President
David C. Crikelair	47	Vice President
Carl B. Davidson	61	Vice President and Secretary
William P. Doyle	63	Vice President
Patrick J. Lynch	57	Vice President
Thomas M. Matthews	51	Vice President
Elizabeth P. Smith	45	Vice President
Robert A. Solberg	49	Vice President
Glenn F. Tilton	46	Vice President
Michael N. Ambler	58	General Tax Counsel
James F. Link	50	Treasurer
Robert C. Oelkers	50	Comptroller

For more than five years, each of the officers of Texaco Inc. listed above, except for William C. Bousquette, has been actively engaged in the business of Texaco Inc. or one of its subsidiary or affiliated companies.

Mr. Bousquette joined Texaco in January 1995 as Senior Vice President and Chief Financial Officer. Prior to joining Texaco, Mr. Bousquette was Executive Vice President and Chief Financial Officer of Tandy Corporation. Mr. Bousquette joined Tandy in 1990 as Chief Financial Officer.

There is no family relationship among any of the officers of Texaco Inc.

PART II

The following information, contained in Texaco Inc.'s 1994 Annual Report to Stockholders, is incorporated herein by reference. The page references indicated are to the actual and complete paper document version of Texaco Inc.'s 1994 Annual Report to Stockholders, as provided to stockholders:

Form 10-K Item -----	1994 Annual Report to Stockholders Page Reference -----
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(a) Only data provided under the captions Market Information and Common Stock Dividends are deemed to be filed as part of this Annual Report on Form 10-K.

PART III

The following information, contained in Texaco Inc.'s Proxy Statement dated March 27, 1995, relating to the 1995 Annual Meeting of Stockholders, is incorporated herein by reference. The page references indicated are to the actual and complete paper document version of Texaco Inc.'s 1995 Proxy Statement, as provided to stockholders:

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PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

The following information, contained in Texaco Inc.'s 1994 Annual Report to Stockholders, is incorporated herein by reference. The page references indicated are to the actual and complete paper document version of Texaco Inc.'s 1994 Annual Report to Stockholders, as provided to stockholders:

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

1994
Annual Report
To Stockholders
Page Reference

1. Financial Statements (incorporated by reference from the indicated pages of Texaco Inc.'s 1994 Annual Report to Stockholders):	
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2. Financial Statement Schedules	
Caltex Group of Companies Combined Financial Statements, the investments in which are accounted for on the equity method and are filed as part of this report.	

Financial statements and schedules of certain affiliated companies have been omitted in accordance with the provisions of Rule 3.09 of Regulation S-X.

Financial Statement Schedules are omitted as permitted under Rule 4.03 and Rule 5.04 of Regulation S-X.

3. Exhibits

- (3.1) Copy of Restated Certificate of Incorporation of Texaco Inc., as amended to and including November 9, 1994, including Certificate of Designations, Preferences and Rights of Series B ESOP Convertible Preferred Stock, Series D Junior Participating Preferred Stock, Series F ESOP Convertible Preferred Stock and Series G, H, I and J Market Auction Preferred Shares.
- (3.2) Copy of By-Laws of Texaco Inc., as amended to and including February 26, 1993. (This document was previously filed as Exhibit 3.2 to Texaco Inc.'s Annual Report on Form 10-K for 1992 dated March 17, 1993, SEC File No. 1-27, and is being filed herein only for EDGAR purposes.)
- (4) Instruments defining the rights of holders of long-term debt of Texaco Inc. and its subsidiary companies are not being filed, since the total amount of securities authorized under each of such instruments does not exceed 10 percent of the total assets of Texaco Inc. and its subsidiary companies on a consolidated basis. Texaco Inc. agrees to furnish a copy of any instrument to the Securities and Exchange Commission upon request.
- (10(iii)(a)) Texaco Inc.'s Stock Incentive Plan, incorporated by reference to pages A-1 through A-8 of Texaco Inc.'s proxy statement dated April 5, 1993, SEC File No. 1-27.
- (10(iii)(b)) Texaco Inc.'s Stock Incentive Plan, incorporated by reference to pages IV-1 through IV-5 of Texaco Inc.'s proxy statement dated April 10, 1989, as such Plan was amended by Exhibit A to Texaco Inc.'s proxy statement dated March 29, 1991, incorporated herein by reference, SEC File No. 1-27.

- (10(iii)(c)) Texaco Inc.'s Incentive Bonus Plan, incorporated by reference to page IV-5 of Texaco Inc.'s proxy statement dated April 10, 1989, SEC File No. 1-27.
- (10(iii)(d)) Description of Texaco Inc.'s Supplemental Pension Benefits Plan, incorporated by reference to pages 8 and 9 of Texaco Inc.'s proxy statement dated March 17, 1981, SEC File No. 1-27.
- (10(iii)(e)) Description of Texaco Inc.'s Revised Supplemental Plan, incorporated by reference to pages 24 through 27 of Texaco Inc.'s proxy statement dated March 9, 1978, SEC File No. 1-27.
- (10(iii)(f)) Description of Texaco Inc.'s Revised Incentive Compensation Plan, incorporated by reference to pages 10 and 11 of Texaco Inc.'s proxy statement dated March 13, 1969, SEC File No. 1-27.
- (11) Computation of Earnings Per Share of Common Stock of Texaco Inc. and Subsidiary Companies.
- (12.1) Computation of Ratio of Earnings to Fixed Charges of Texaco on a Total Enterprise Basis.
- (12.2) Definitions of Selected Financial Ratios.
- (13) Copy of those portions of Texaco Inc.'s 1994 Annual Report to Stockholders that are incorporated by reference into this Annual Report on Form 10-K.
- (21) Listing of significant Texaco Inc. subsidiary companies and the name of the state or other jurisdiction in which each subsidiary was organized.
- (23) Consent of Arthur Andersen LLP.
- (24) Powers of Attorney for the Directors and certain Officers of Texaco Inc. authorizing, among other things, the signing of Texaco Inc.'s Annual Report on Form 10-K on their behalf.
- (27) Financial Data Schedule.

(b) _ Reports on Form 8-K.

During the fourth quarter of 1994, Texaco Inc. filed Current Reports on Form 8-K relating to the following events:

1. October 25, 1994 (date of earliest event reported: October 25, 1994)
Item 5. Other Events-reported that Texaco issued an Earnings Press Release for the third quarter and first nine months of 1994. Texaco appended as an exhibit thereto a copy of the Press Release entitled "Texaco Reports Results for the Third Quarter and First Nine Months of 1994" dated October 25, 1994.
2. December 1, 1994 (date of earliest event reported: November 29, 1994)
Item 5. Other Events-reported that Texaco had entered into a memorandum of understanding with Apache Corporation outlining the terms of the sale of certain producing fields to Apache. Texaco appended as an exhibit thereto a copy of the Press Release entitled "Texaco Announces Sale of Producing Properties to Apache Corporation" dated November 29, 1994.

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, in the Town of Harrison, State of New York, on the 27th day of March, 1995.

TEXACO INC.
(Registrant)
Carl B. Davidson
By -----
(Carl B. Davidson)
Vice President and Secretary

Attest:
R. E. Koch
By -----
(R. E. Koch)
Assistant Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Alfred C. DeCrane, Jr. ... Chairman of the Board and Chief Executive Officer
(Principal Executive Officer)
William C. Bousquette ... Senior Vice President and Chief Financial Officer
(Principal Financial Officer)
Robert C. Oelkers Comptroller
(Principal Accounting Officer)

Directors:
Robert A. Beck
John Brademas
Willard C. Butcher
Edmund M. Carpenter
Alfred C. DeCrane, Jr.
Franklyn G. Jenifer
Allen J. Krowe
Thomas S. Murphy
Charles H. Price, II
Robin B. Smith
William C. Steere, Jr.
Thomas A. Vanderslice
William Wrigley

R. E. Koch
By -----
(R. E. Koch)
Attorney-in-fact for the above-named
officers and directors

March 27, 1995

INDEX TO EXHIBITS

The exhibits designated by an asterisk are incorporated herein by reference to documents previously filed by Texaco Inc. with the Securities and Exchange Commission, SEC File No. 1-27.

Exhibits

- (3.1) Copy of Restated Certificate of Incorporation of Texaco Inc., as amended to and including November 9, 1994, including Certificate of Designations, Preferences and Rights of Series B ESOP Convertible Preferred Stock, Series D Junior Participating Preferred Stock, Series F ESOP Convertible Preferred Stock and Series G, H, I and J Market Auction Preferred Shares
- (3.2) Copy of By-Laws of Texaco Inc., as amended to and including February 26, 1993. (This document was previously filed as Exhibit 3.2 to Texaco Inc.'s Annual Report on Form 10-K for 1992 and is being filed herein only for EDGAR purposes).
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- (11) Computation of Earnings Per Share of Common Stock of Texaco Inc. and Subsidiary Companies.
- (12.1) Computation of Ratio of Earnings to Fixed Charges of Texaco on a Total Enterprise Basis.

(12.2) Definitions of Selected Financial Ratios.

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- (27) Financial Data Schedule.

CALTEX GROUP OF COMPANIES
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 1994

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Note: Financial statement schedules are omitted as permitted by Rule 4.03 and Rule 5.04 of Regulation S-X.

CALTEX GROUP OF COMPANIES
GENERAL INFORMATION

The Caltex Group of Companies (Group) is jointly owned 50% each by Chevron Corporation and Texaco Inc. The private joint venture was created in Bahrain in 1936 by its two owners to produce, transport, refine and market crude oil and refined products. The Group is comprised of the following companies:

- * Caltex Petroleum Corporation, a company incorporated in Delaware, that through its many subsidiaries and affiliates, conducts refining, marketing and transporting activities in the Eastern Hemisphere;
- * P. T. Caltex Pacific Indonesia, an exploration and production company incorporated and operating in Indonesia;
- * American Overseas Petroleum Limited, a company incorporated in the Bahamas, that, through its subsidiaries, manages certain exploration and production operations in Indonesia in which Chevron and Texaco have interests, but not necessarily jointly or in the same properties.

A brief description of each company's operations and the Group's environmental activities follows:

Caltex Petroleum Corporation (Caltex)

Through its subsidiaries and affiliates, Caltex operates in 61 countries with some of the highest economic and petroleum growth rates in the world, principally in Africa, Asia, the Middle East, New Zealand and Australia. Certain refining and marketing operations are conducted through joint ventures, with equity interests in 14 refineries in 11 countries. Caltex' share of refinery inputs approximated 920,000 barrels per day in 1994. Caltex continues to improve its refineries with investments designed to provide higher yields and meet environmental regulations. Construction of a new 130,000 barrels per day refinery in Thailand is progressing with completion anticipated in 1996. At year end 1994, Caltex had over 8,000 employees, of which about 3% were located in the United States.

With a strong presence in its principal operating areas, Caltex has an average market share of 17.4% with refined product sales of approximately 1.3 million barrels per day in 1994. Caltex built 119 new branded retail outlets during 1994 and refurbished 177 existing locations in its aim to upgrade its retail distribution network.

Caltex conducts international crude oil and refined product logistics and trading operations from a subsidiary in Singapore. Other offices are located in London, Dallas, Capetown, Bahrain and Tokyo. The company has an interest in a fleet of vessels and owns or has equity interests in numerous pipelines, terminals and depots. Currently, Caltex is active in the petrochemical business, particularly in Japan and South Korea.

P. T. Caltex Pacific Indonesia (CPI)

CPI holds a Production Sharing Contract in Central Sumatra for which the Indonesian government granted an extension to the year 2021 during 1992. CPI also acts as operator for four other petroleum contract areas in Sumatra, which are jointly held by Chevron and Texaco. Exploration is pursued through an area comprising 2.446 million acres with production established in the giant Minas and Duri fields, along with more than 80 smaller fields. Gross production from fields operated by CPI for 1994 was 718,000 barrels per day. CPI entitlements are sold to its shareholders, who use it in their systems or sell it to third parties. At year-end 1994, CPI had over 6,400 employees, all located in Indonesia.

CALTEX GROUP OF COMPANIES
GENERAL INFORMATION

American Overseas Petroleum Limited (AOPL)

In addition to coordinating the CPI activities, AOPL, through its subsidiary Amoseas Indonesia Inc., manages Texaco's and Chevron's undivided interest holdings which include ten contract areas in Indonesia, excluding Sumatra. Oil production is currently established in two contract areas, while exploration was being pursued in seven others. Before year end 1994, two of those seven exploration areas had been relinquished. The remaining area is in Darajat, West Java, which contains geothermal reserves sufficient to supply a 55-megawatt power generating plant for over 30 years. Production of the geothermal reserves began in 1994 and amounted to 62,185,795 KWH. AOPL's 1994 share of crude oil production amounted to 18,600 barrels per day. At year end, AOPL had 254 employees, of which about 13% were located in the United States.

Environmental Activities

The Group's activities are subject to environmental, health and safety regulations in each of the countries in which it operates. Such regulations vary significantly in degree of scope, standards and enforcement. The Group's policy is to comply with all applicable environmental, health and safety laws and regulations. The Group has an active program to ensure its environmental standards are maintained, which includes closely monitoring applicable statutory and regulatory requirements, as well as enforcement policies, in each of the countries in which it operates, and conducting periodic environmental compliance audits. At December 31, 1994, the Group had accrued \$12 million for various remediation activities. The environmental guidelines and definitions promulgated by the American Petroleum Institute provide the basis for reporting the Group's expenditures. For the year ended December 31, 1994, the Group, including its equity share of nonsubsidiary companies, incurred capital costs of \$233 million and nonremediation related operating expenses of \$132 million. The major component of the Group's expenditures is for the prevention of air pollution. In addition, as of December 31, 1994, reserves relative to the future cost of restoring and abandoning existing oil and gas properties were \$27 million. Based upon existing statutory and regulatory requirements, investment and operating plans and known exposures, the Group believes environmental expenditures will not materially affect its liquidity, financial position or results of operations.

Independent Auditors' Report

To the Stockholders
The Caltex Group of Companies:

We have audited the accompanying combined balance sheets of the Caltex Group of Companies as of December 31, 1994 and 1993, and the related combined statements of income, retained earnings, and cash flows for each of the years in the three-year period ended December 31, 1994. These combined financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Caltex Group of Companies as of December 31, 1994 and 1993 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Note 2 to the combined financial statements, effective January 1, 1992, the Group adopted the provisions of the Financial Accounting Standards Board's Statements of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" and No. 109, "Accounting for Income Taxes." As discussed in Note 2, effective January 1, 1994, the Group adopted the provisions of the Financial Accounting Standards Board's SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

KPMG Peat Marwick LLP

Dallas, Texas
February 14, 1995

CALTEX GROUP OF COMPANIES
 COMBINED BALANCE SHEET - DECEMBER 31, 1994 AND 1993
 (MILLIONS OF DOLLARS)

ASSETS

	1994	1993
	----	----
CURRENT ASSETS:		
Cash and cash equivalents (including time deposits of \$136 in 1994 and \$64 in 1993)	\$ 251	\$ 166
Notes and accounts receivable, less allowance for doubtful accounts of \$14 in 1994 and 1993:		
Trade	1,107	950
Other	187	155
Nonsubsidiary companies	88	112
	-----	-----
	1,382	1,217
Inventories:		
Crude oil	132	148
Refined products	573	532
Materials and supplies	73	56
	-----	-----
	778	736
Deferred income taxes	10	4
	-----	-----
Total current assets	2,421	2,123
INVESTMENTS AND ADVANCES:		
Nonsubsidiary companies at equity	2,370	1,796
Miscellaneous investments and long-term receivables, less allowance of \$8 in 1994 and \$7 in 1993	198	195
	-----	-----
	2,568	1,991
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Producing	3,284	3,027
Refining	1,787	1,483
Marketing	2,552	2,252
Marine	35	35
Capitalized leases	119	119
	-----	-----
	7,777	6,916
Less: Accumulated depreciation, depletion and amortization	3,165	2,878
	-----	-----
	4,612	4,038
PREPAID AND DEFERRED CHARGES	209	237
	-----	-----
Total assets	\$9,810	\$8,389
	=====	=====

See accompanying Notes to Combined Financial Statements.

CALTEX GROUP OF COMPANIES
 COMBINED BALANCE SHEET - DECEMBER 31, 1994 AND 1993
 (MILLIONS OF DOLLARS)

LIABILITIES AND STOCKHOLDERS' EQUITY

	1994	1993
	----	----
CURRENT LIABILITIES:		
Notes payable to banks and other financial institutions	\$1,229	\$ 966
Long-term debt due within one year	157	51
Accounts payable:		
Trade and other	1,240	967
Stockholder companies	77	87
Nonsubsidiary companies	123	149
	-----	-----
	1,440	1,203
Accrued liabilities	113	86
Estimated income taxes	133	105
	-----	-----
Total current liabilities	3,072	2,411
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	715	530
ACCRUED LIABILITY FOR EMPLOYEE BENEFITS	113	98
DEFERRED CREDITS AND OTHER NON-CURRENT LIABILITIES	789	646
DEFERRED INCOME TAXES	236	263
MINORITY INTEREST IN SUBSIDIARY COMPANIES	152	146
STOCKHOLDERS' EQUITY:		
Common stock	355	355
Additional paid-in capital	2	2
Retained earnings	3,898	3,688
Currency translation adjustment	399	250
Unrealized holding gain on investments	79	-
	-----	-----
Total stockholders' equity	4,733	4,295
COMMITMENTS AND CONTINGENT LIABILITIES	-----	-----
Total liabilities and stockholders' equity	\$9,810	\$8,389
	=====	=====

See accompanying Notes to Combined Financial Statements.

CALTEX GROUP OF COMPANIES
 COMBINED STATEMENT OF INCOME
 FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
 (MILLIONS OF DOLLARS)

	1994	1993	1992
	----	----	----
SALES AND OTHER OPERATING REVENUES(1)	\$14,751	\$15,409	\$17,281
OPERATING CHARGES:			
Cost of sales and operating expenses(2)	12,801	13,431	15,348
Selling, general and administrative expenses	568	496	479
Depreciation, depletion and amortization	331	295	263
Maintenance and repairs	160	170	165
	-----	-----	-----
	13,860	14,392	16,255
	-----	-----	-----
Operating income	891	1,017	1,026
OTHER INCOME (DEDUCTIONS):			
Equity in net income of nonsubsidiary companies	263	140	163
Dividends, interest and other income	134	99	83
Foreign exchange, net	(73)	23	21
Interest expense	(101)	(93)	(102)
Minority interest in subsidiary companies	(3)	(8)	(13)
	-----	-----	-----
	220	161	152
	-----	-----	-----
Income before provision for income taxes and cumulative effects of changes in accounting principles	1,111	1,178	1,178
	-----	-----	-----
PROVISION FOR INCOME TAXES:			
Current	467	433	456
Deferred	(45)	25	53
	-----	-----	-----
Total provision for income taxes	422	458	509
	-----	-----	-----
Income before cumulative effects of changes in accounting principles	689	720	669
Cumulative effects of changes in accounting principles	-	-	51
	-----	-----	-----
Net income	\$ 689	\$ 720	\$ 720
	=====	=====	=====
(1) Includes sales to:			
Stockholder companies	\$ 1,192	\$ 907	\$ 835
Nonsubsidiary companies	\$ 1,044	\$ 944	\$ 924
(2) Includes purchases from:			
Stockholder companies	\$ 1,800	\$ 3,333	\$ 3,917
Nonsubsidiary companies	\$ 1,612	\$ 1,385	\$ 641

See accompanying Notes to Combined Financial Statements.

CALTEX GROUP OF COMPANIES
 COMBINED STATEMENT OF RETAINED EARNINGS
 FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
 (MILLIONS OF DOLLARS)

	1994	1993	1992
	----	----	----
Balance at beginning of year	\$ 3,688	\$ 3,310	\$ 2,955
Net income	689	720	720
Cash dividends	(479)	(342)	(365)
	-----	-----	-----
Balance at end of year	\$ 3,898	\$ 3,688	\$ 3,310
	=====	=====	=====

COMBINED STATEMENT OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992
 (MILLIONS OF DOLLARS)

	1994	1993	1992
	----	----	----
OPERATING ACTIVITIES:			
Net income	\$ 689	\$ 720	\$ 720
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effects of changes in accounting principles	-	-	(51)
Depreciation, depletion and amortization	331	295	263
Dividends from nonsubsidiary companies, less than equity in net income	(220)	(103)	(133)
Net gains on asset sales	(17)	(4)	(4)
Deferred income taxes	(45)	25	53
Prepaid charges and deferred credits	115	(41)	25
Changes in operating working capital	58	31	(58)
Other	77	10	(46)
	-----	-----	-----
Net cash provided by operating activities	988	933	769
	-----	-----	-----
INVESTING ACTIVITIES:			
Capital expenditures	(837)	(763)	(711)
Investments in and advances to nonsubsidiary companies	(131)	(149)	(17)
Net purchases/sales of investment instruments	14	(21)	(11)
Proceeds from asset sales	37	73	144
	-----	-----	-----
Net cash used in investing activities	(917)	(860)	(595)
	-----	-----	-----
FINANCING ACTIVITIES:			
Proceeds from borrowings having original terms in excess of three months	1,257	745	831
Repayments of borrowings having original terms in excess of three months	(880)	(704)	(857)
Net increase in other borrowings	135	140	94
Dividends paid, including minority interest	(482)	(342)	(365)
	-----	-----	-----
Net cash provided by (used in) financing activities	30	(161)	(297)
	-----	-----	-----
Effect of exchange rate changes on cash and cash equivalents	(16)	15	(8)
	-----	-----	-----
Net change in cash and cash equivalents	85	(73)	(131)
Cash and cash equivalents at beginning of year	166	239	370
	-----	-----	-----
Cash and cash equivalents at end of year	\$ 251	\$ 166	\$ 239
	=====	=====	=====

See accompanying Notes to Combined Financial Statements.

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements of the Caltex Group of Companies (Group) include the accounts of Caltex Petroleum Corporation and subsidiaries, American Overseas Petroleum Limited and subsidiary and P.T. Caltex Pacific Indonesia after the elimination of intercompany balances and transactions. A subsidiary of Chevron Corporation and two subsidiaries of Texaco Inc. (stockholders) each own 50% of the outstanding common shares. The Group is primarily engaged in exploring, producing, refining and marketing crude oil and refined products in the Eastern Hemisphere. The Group employs accounting policies that are in accordance with generally accepted accounting principles in the United States.

Translation of Foreign Currencies

The U.S. dollar is the functional currency for all principal subsidiary operations. Nonsubsidiary companies in Japan and Korea use the local currency as the functional currency.

Inventories

Crude oil and refined product inventories are stated at the lower of cost (primarily determined on the last-in, first-out (LIFO) method) or current market value. Costs include applicable purchase and refining costs, duties, import taxes, freight, etc. Materials and supplies are valued at average cost.

Investments and Advances

Investments in and advances to nonsubsidiary companies in which 20% to 50% of the voting stock is owned by the Group, or in which the Group has the ability to exercise significant influence, are accounted for by the equity method. Under this method, the Group's equity in the earnings or losses of these companies is included in current results, and the related investments reflect the equity in the book value of underlying net assets. Investments in other nonsubsidiary companies are carried at cost and related dividends are reported as income.

Property, Plant and Equipment

Exploration and production activities are accounted for under the "successful efforts" method. Depreciation, depletion and amortization expenses for capitalized costs relating to the producing area, including intangible development costs, are computed using the unit-of-production method.

All other assets are depreciated by class on a uniform straight-line basis. Depreciation rates are based upon the estimated useful life of each class of property.

Maintenance and repairs necessary to maintain facilities in operating condition are charged to income as incurred. Additions and betterments that materially extend the life of properties are capitalized. Upon disposal of properties, any net gain or loss is included in other income.

(1) Summary of Significant Accounting Policies - Continued

Environmental Matters

Compliance with environmental regulations is determined in consideration of the existing laws in each of the countries in which the Group operates and the Group's own internal standards. The Group capitalizes expenditures that create future benefits or contribute to future revenue generation. Remediation costs are accrued based on estimates of known environmental exposure even if uncertainties exist about the ultimate cost of the remediation. Such accruals are based on the best available nondiscounted estimated costs using data developed by third party experts. Costs of environmental compliance for past and ongoing operations, including maintenance and monitoring, are expensed as incurred. Recoveries from third parties are recorded as assets when realization is determined to be probable.

(2) Changes In Accounting Principles

The Group adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" effective January 1, 1992, using the immediate recognition option. SFAS No. 106 requires accrual, during the employees' service with the Group, of the cost of their retiree health and life insurance benefits. Prior to 1992, postretirement benefits were included in expense as the benefits were paid. The adoption of SFAS No. 106 resulted in a cumulative after-tax charge of \$26 million.

Effective January 1, 1992, deferred income taxes are recognized according to the asset and liability method specified in Statement of Financial Accounting Standards (SFAS) No. 109 "Accounting for Income Taxes" by applying individual jurisdiction tax rates applicable to future years to differences between the financial statement and tax basis carrying amounts of assets and liabilities. The effect of tax rate changes on previously recorded deferred taxes is recognized in the current year. The adoption of SFAS No. 109 resulted in a cumulative benefit of \$77 million.

Effective January 1, 1994, the Group adopted SFAS No. 112 "Employers' Accounting for Postemployment Benefits." SFAS No. 112 requires companies to accrue for the cost for benefits provided to former or inactive employees after employment but prior to retirement. Adoption of this standard did not materially impact the combined financial statements of the Group.

The Group adopted SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities" effective January 1, 1994. SFAS No. 115 requires that investments in equity securities that have readily determinable fair values and all investments in debt securities be classified into three categories based on management's intent. Such investments are to be reported at fair value except for debt securities intended to be held to maturity which are to be reported at amortized cost. Previously, all such investments were accounted for at amortized cost. The cumulative effect of this change at January 1, 1994 was an increase in stockholders' equity of \$70 million, after related taxes, representing unrealized net gains applicable to securities categorized as available-for-sale under the new standard. Such securities are primarily held by nonsubsidiary companies accounted for by the equity method.

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(3) Inventories

The excess of current cost over the stated value of inventory maintained on the LIFO basis was approximately \$56 million and \$40 million at December 31, 1994 and 1993, respectively.

During 1994, 1993 and 1992, inventory quantities maintained on the LIFO basis were reduced at certain locations. The inventory reductions resulted in a decrease in the earnings of consolidated subsidiaries and nonsubsidiary companies at equity of approximately \$12 million and \$2 million in 1994 and 1992, respectively, and an increase in earnings of \$1 million in 1993.

Charges of \$104 million reduced income in 1993 to reflect a market value of certain inventories lower than their LIFO carrying value. Earnings of \$34 million and \$14 million were recorded in 1994 and 1992, respectively, to reflect a partial recovery of prior year charges.

(4) Nonsubsidiary Companies at Equity

Investments in and advances to nonsubsidiary companies at equity at December 31 include the following (in millions):

	Equity Share -----	1994 ----	1993 ----
Nippon Petroleum Refining Company, Ltd.	50%	\$ 997	\$ 829
Koa Oil Company, Ltd.	50%	448	310
Honam Oil Refinery Company, Ltd.	50%	557	423
All other	Various	368	234
		-----	-----
		\$ 2,370	\$ 1,796
		=====	=====

Shown below is summarized combined financial information for these nonsubsidiary companies (in millions):

	100%		Equity Share	
	1994 ----	1993 ----	1994 ----	1993 ----
Current assets	\$ 5,352	\$ 4,680	\$ 2,651	\$ 2,316
Other assets	7,821	6,147	3,858	2,975
Current liabilities	4,940	4,900	2,363	2,349
Other liabilities	3,504	2,306	1,776	1,146
Net worth	4,729	3,621	2,370	1,796

	100%			Equity Share		
	1994 ----	1993 ----	1992 ----	1994 ----	1993 ----	1992 ----
Operating revenues	\$10,886	\$10,679	\$10,502	\$ 5,418	\$ 5,304	\$ 5,216
Operating income	770	494	645	381	242	319
Net income	526	281	326	263	140	163

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(4) Nonsubsidiary Companies at Equity - Continued

Retained earnings at December 31, 1994, includes \$1.4 billion representing the Group's share of undistributed earnings of nonsubsidiary companies at equity.

Cash dividends received from these nonsubsidiary companies were \$43 million, \$37 million, and \$30 million in 1994, 1993, and 1992, respectively.

Sales to the other 50 percent owner of Nippon Petroleum Refining Company, Ltd. of products refined by Nippon Petroleum Refining Company, Ltd. and Koa Oil Company, Ltd. were approximately \$2 billion, \$1.9 billion, and \$2 billion in 1994, 1993, and 1992, respectively.

(5) Notes Payable

Short-term financing consists primarily of demand loans, promissory notes, acceptance credits and overdrafts. The weighted average interest rates on short-term financing at December 31, 1994, and 1993 were 6.8% and 4.7%, respectively.

Unutilized lines of credit available for short-term financing totaled \$678 million at December 31, 1994.

(6) Long-Term Debt and Capital Lease Obligations

Long-term debt and capital lease obligations, with related interest rates at December 31, 1994, consist of the following (in millions):

	1994	1993
	----	----
U.S. dollars:		
Variable interest rate term loans	\$233	\$173
Fixed interest rate term loans		
with 7.6% average rate	206	220
Australian dollars:		
Debentures with interest rates at 12.5%		
due 1996	4	8
Promissory notes payable with		
7.2% average rate	81	76
Fixed interest rate loan with		
11.2% rate due 2001	132	-
Commercial paper with 7.0%		
average rate	23	-
Capital lease obligations	11	33
New Zealand dollars:		
Term loans with interest		
rates 6-6.35% due 1996-1997	16	14
Other	9	6
	----	----
	\$715	\$530
	====	====

NOTES TO COMBINED FINANCIAL STATEMENTS

(6) Long-Term Debt and Capital Lease Obligations - Continued

At December 31, 1994 and 1993, \$124 million and \$101 million, respectively, of short-term borrowings were classified as long-term debt. Settlement of these obligations is not expected to require the use of working capital in 1995, as the Group has both the intent and ability to refinance this debt on a long-term basis. At December 31, 1994 and 1993, \$170 million and \$101 million, respectively, of long-term committed credit facilities were available with major banks to support notes payable classified as long-term debt.

Contractual maturities subsequent to December 31, 1994 follow (in millions): 1995 - \$157 (included on the combined balance sheet as a current liability and excluding short-term borrowings classified as long-term debt); 1996 - \$101; 1997 - \$61; 1998 - \$94; 1999 - \$137; 2000 and thereafter - \$322.

(7) Employee Benefits

The Group has retirement plans covering substantially all eligible employees. Generally, these plans provide defined benefits based on final or final average pay, as defined. The benefit levels, vesting terms and funding practices vary among plans.

The funded status of retirement plans, primarily foreign and inclusive of nonsubsidiary companies at equity, at December 31 follows (in millions):

Funding Status	Assets Exceed Accumulated Benefits		Accumulated Benefits Exceed Assets	
	1994	1993	1994	1993
-----	----	----	----	----
Actuarial present value of:				
Vested benefit obligation	\$282	\$280	\$137	\$117
Accumulated benefit obligation	317	309	161	137
Projected benefit obligation	493	484	225	195
Amount of assets available for benefits:				
Funded assets at fair value	\$435	\$450	\$ 58	\$ 39
Net pension (asset) liability recorded	(8)	(11)	136	128
	----	----	----	----
Total assets	\$427	\$439	\$194	\$167
	====	====	====	====
Assets less than projected benefit obligation	\$(66)	\$(45)	\$(31)	\$(28)
Consisting of:				
Unrecognized transition net assets (liabilities)	16	31	(3)	(2)
Unrecognized net losses	(55)	(44)	(25)	(23)
Unrecognized prior service costs	(27)	(32)	(3)	(3)
Weighted average rate assumptions:				
Discount rate	9.7%	9.5%	6.6%	6.5%
Rate of increase in compensation	7.2%	7.4%	4.6%	4.7%
Expected return on plan assets	10.2%	10.3%	5.5%	5.5%

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(7) Employee Benefits - Continued

Expenses (Funded & Unfunded Combined)	1994	1993	1992
-----	----	----	----
Cost of benefits earned during the year	\$27	\$27	\$26
Interest cost on projected benefit obligation	55	58	54
Actual return on plan assets	(23)	(59)	(9)
Net amortization and deferral	(16)	16	(38)
	---	---	---
	\$43	\$42	\$33
	===	===	===

(8) Operating Leases

The Group has various operating leases involving service stations, equipment and other facilities for which net rental expense was \$121 million, \$110 million, and \$95 million in 1994, 1993 and 1992, respectively.

Future net minimum rental commitments under operating leases having noncancelable terms in excess of one year are as follows (in millions): 1995 - \$55; 1996 - \$67; 1997 - \$52; 1998 - \$47; 1999 - \$44; 2000 and thereafter - \$106.

(9) Commitments and Contingencies

On January 25, 1990, Caltex Petroleum Corporation and certain of its subsidiaries were named as defendants, along with privately held Philippine ferry and shipping companies and the shipping company's insurer, in a lawsuit filed in Houston, Texas State Court. After removal to Federal District Court in Houston, the litigation's disposition turned on questions of federal court jurisdiction and whether the case should be dismissed for forum non conveniens. The plaintiffs' petition purported to be a class action on behalf of at least 3,350 parties, who were either survivors of, or next of kin of persons deceased in a collision in Philippine waters on December 20, 1987. One vessel involved in the collision was carrying Group products in connection with a freight contract. Although the Group had no direct or indirect ownership in or operational responsibility for either vessel, various theories of liability were alleged against the Group. No specific monetary recovery was sought although the petition contained a variety of demands for various categories of compensatory as well as punitive damages. These issues were resolved in the Group's favor by the Federal District Court in March 1992, through a forum non conveniens dismissal, and that decision is now final. Subsequent to that dismissal, but consistent with its terms, cases were filed against the Group entities in the Philippine courts (over and above those previously filed there subsequent to the collision, all of which are in various stages of litigation and are being vigorously resisted). However, and notwithstanding the Houston Federal District Court dismissal, the plaintiffs filed another lawsuit, alleging the same causes of action as in the Texas litigation, in Louisiana State Court in New Orleans. The Group removed that case to Federal District Court in New Orleans from which it was remanded back to Louisiana State Court. The Group then sought injunctive and other relief from the Federal District Court in Houston in order to ensure that that Court's previous dismissal would be given proper effect. On having its request for relief denied, the Group then filed an expedited appeal to the U. S. Fifth Circuit Court of Appeals. That Court's ruling is expected shortly. Management is contesting this case vigorously. It is not possible to estimate the amount of damages involved, if any.

The Group may be subject to loss contingencies pursuant to environmental laws and regulations in each of the countries in which it operates that, in the future, may require the Group to take action to correct or remediate the effects on the environment of prior disposal or release of petroleum substances by the Group. The amount of such future cost is indeterminable due to such factors as the nature of the new regulations, the unknown magnitude of any possible contamination, the unknown timing and extent of the corrective actions that may be required, and the extent to which such costs are recoverable from third party insurance.

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(9) Commitments and Contingencies - Continued

The Group is also involved in certain other litigation and Internal Revenue Service tax audits that could involve significant payments if such items are all ultimately resolved adversely to the Group.

While it is impossible to ascertain the ultimate legal and financial liability with respect to the above mentioned contingent liabilities, the aggregate amount that may arise from such liabilities is not anticipated to be material in relation to the Group's combined financial position, results of operations, or liquidity.

Unconditional purchase obligations in 1992 and 1993 were not considered material. However, in April 1994, a Group subsidiary entered into a contractual commitment, effective October 1996, for a period of eleven years, to purchase refined products in conjunction with the financing of a refinery that is presently under construction by a nonsubsidiary company. Total future estimated commitments (in billions) for the Group under this and other similar contracts, based on current pricing and projected growth rates, are: 1995 - \$.6, 1996 - \$.9, 1997 - \$1.1, 1998 - \$1.3, 1999 - \$1.5, and 2000 to expiration of contracts - \$9.6. Purchases (in billions) under similar contracts were \$.5, \$.6, and \$.4 in 1994, 1993, and 1992, respectively.

The Group is in the process of finalizing sales of certain property required by a local government. The Group will be compensated for the value of the property transferred and the cost of replacing operating assets affected by the transfer. While the compensation is to be fully utilized in the reconstruction program over a five year period, the excess of the compensation over the net book value of the property and the dismantled operating assets will be recognized in earnings in early 1995. The impact to the Group's earnings is currently estimated to be a net after-tax gain of approximately \$155 million.

(10) Financial Instruments

Certain Group companies are parties to financial instruments with off-balance sheet credit and market risk, principally interest rate risk. As of December 31, the Group had commitments outstanding for interest rate swaps and foreign currency transactions for which the notional or contractual amounts are as follows (in millions):

	1994	1993
	----	----
Interest rate swaps - Pay Fixed, Receive Floating	\$363	\$294
Interest rate swaps - Pay Floating, Receive Fixed	\$182	\$ 50
Commitments to purchase foreign currencies	\$252	\$244
Commitments to sell foreign currencies	\$274	\$183

The Group enters into interest rate swaps in managing its interest rate risk, and their effects are recognized in the statement of income at the same time as the interest expense on the debt to which they relate. The swap contracts have remaining maturities up to eight years. The fair values of these swaps are not material.

The Group enters into forward exchange contracts to hedge against some of its foreign currency exposure stemming from existing liabilities and firm commitments. Forward exchange contracts hedging existing liabilities have maturities of up to seven years, and those contracts hedging firm commitments have maturities of under a year. Gains and losses on the forward exchange contracts are recognized in income concurrent with the income recognition of the underlying hedged transaction. The fair values of these forward exchange contracts are not material.

NOTES TO COMBINED FINANCIAL STATEMENTS

(10) Financial Instruments - Continued

The Group's activity in commodity-based derivative contracts, that must be settled in cash, is not material.

The Group's long-term debt, excluding capital lease obligations, of \$704 million and \$497 million at December 31, 1994 and 1993, respectively, had fair values of \$696 million and \$511 million at December 31, 1994 and 1993, respectively. The fair value estimates were based on the present value of expected cash flows discounted at current market rates for similar obligations. The reported amounts of financial instruments such as cash and cash equivalents, notes and accounts receivable, and all current liabilities approximate fair value because of their short maturity.

At December 31, 1994, the Group had investments in debt securities available-for-sale and debt securities held to maturity at amortized costs of \$63 million (maturity less than ten years) and \$77 million (maturity less than one year), respectively. The fair value of these securities approximates amortized costs. The investment in marketable equity securities is not material. At December 31, 1994, the Group's carrying amount for investments in nonsubsidiary companies accounted for at equity included \$83 million for net-of-tax unrealized net gains on investments held by these nonsubsidiaries.

Certain Group companies were contingently liable as guarantors for \$2 million and \$7 million at December 31, 1994 and 1993, respectively. The Group also had commitments of \$99 million and \$36 million at December 31, 1994 and 1993, respectively, in the form of letters of credit which have been issued on behalf of Group companies to facilitate either the Group's or other parties' ability to trade in the normal course of business. In addition, the Group is contingently liable at December 31, 1994, for a maximum of \$192 million, to a nonsubsidiary for precompletion sponsor support of its project finance obligations.

The Group is exposed to credit risks in the event of non-performance by counterparties to financial instruments. For financial instruments with institutions, the Group does not expect any counterparty to fail to meet their obligations given their high credit ratings. Other financial instruments exposed to credit risk consist primarily of trade receivables. These receivables are dispersed among the countries in which the Group operates, thus limiting concentrations of such risk.

The Group performs ongoing credit evaluations of its customers and generally does not require collateral. Letters of credit are the principal security obtained to support lines of credit when the financial strength of a customer or country is not considered sufficient. Credit losses have been historically within management's expectations.

(11) Taxes

Taxes charged to income consist of the following (in millions):

	1994	1993	1992
	----	----	----
Taxes other than income taxes:			
Duties, import and excise taxes	\$2,384	\$1,978	\$1,891
Other	32	29	29
	-----	-----	-----
Total taxes other than income taxes	2,416	2,007	1,920
Provision for income taxes	422	458	509
	-----	-----	-----
	<u>\$2,838</u>	<u>\$2,465</u>	<u>\$2,429</u>
	=====	=====	=====

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(11) Taxes - Continued

The provision for income taxes, substantially all foreign, has been computed on an individual company basis at rates in effect in the various countries of operation. The actual tax expense differs from the "expected" tax expense (computed by applying the U.S. Federal corporate tax rate to income before provision for income taxes) as follows:

	1994	1993	1992
	----	----	----
Computed "expected" tax expense	35.0%	35.0%	34.0%
Effect of recording equity in net income of nonsubsidiary companies on an after tax basis	(8.3)	(4.2)	(4.9)
Effect of dividends received from subsidiary and nonsubsidiary companies	4.4	4.2	3.8
Foreign income subject to foreign taxes in excess of U.S. statutory tax rate	6.9	7.4	11.6
Increase/(Decrease) in deferred tax asset valuation allowance	.3	(3.1)	(.4)
Other	(.3)	(.4)	(.9)
	----	----	----
	38.0%	38.9%	43.2%
	=====	=====	=====

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities. Temporary differences and tax loss carryforwards which give rise to deferred tax assets and liabilities at December 31, 1994 and 1993 are as follows (in millions):

	Deferred Tax Assets		Deferred Tax Liabilities	
	1994	1993	1994	1993
	----	----	----	----
Inventory	\$ 17	\$ 10	\$ 12	\$ 18
Depreciation	-	-	310	298
Retirement plans	34	33	2	3
Tax loss carryforwards	27	29	-	-
Investment allowances	40	8	-	-
Other	30	20	41	34
	----	----	----	----
	148	100	365	353
Valuation allowance	(9)	(6)	-	-
	----	----	----	----
Total deferred taxes	\$139	\$ 94	\$365	\$353
	=====	=====	=====	=====

CALTEX GROUP OF COMPANIES

NOTES TO COMBINED FINANCIAL STATEMENTS

(11) Taxes - Continued

The valuation allowance has been established to record deferred tax assets at amounts where recoverability is more likely than not. Net income was decreased in 1994 by \$3 million and increased by \$36 million and \$5 million in 1993 and 1992, respectively, for changes in the deferred tax asset valuation allowance.

Undistributed earnings for which no deferred income tax provision has been made approximated \$3.8 billion at December 31, 1994. Such earnings have been or are intended to be indefinitely reinvested. These earnings would become taxable in the U.S. only upon remittance as dividends. It is not practical to estimate the amount of tax that might be payable on the eventual remittance of such earnings. Upon remittance, certain foreign countries impose withholding taxes which, subject to certain limitations, are then available for use as tax credits against a U.S. tax liability, if any.

(12) Cash Flows

For purposes of the statement of cash flows, all highly liquid debt instruments with original maturities of three months or less are considered cash equivalents.

The "Changes in Operating Working Capital" consists of the following (in millions):

	1994	1993	1992
	----	----	----
Notes and accounts receivable	\$ (97)	\$ 82	\$ (45)
Inventories	(37)	66	(114)
Accounts payable	152	(147)	212
Accrued liabilities	16	16	(27)
Estimated income taxes	24	14	(84)
	-----	-----	-----
Total	\$ 58	\$ 31	\$ (58)
	=====	=====	=====

"Net Cash Provided by Operating Activities" includes the following cash payments for interest and income taxes (in millions):

	1994	1993	1992
	----	----	----
Interest paid (net of capitalized interest)	\$ 94	\$ 92	\$ 106
Income taxes paid	\$ 444	\$ 391	\$ 528

No significant non-cash investing or financing transactions occurred in 1994, 1993 or 1992.

(13) Other

On December 14, 1994, Caltex Australia Limited (CAL), a subsidiary of the Group, entered into a conditional agreement to form a petroleum refining and marketing joint venture with Ampol Limited, a competitor, effective January 1, 1995. The agreement was subject to completion of certain conditions which included, among others, confirmation by the Australian Trade Practices Commission (TPC) that the merger would not contravene local laws. On February 2, 1995, CAL received notification of the TPC's opinion that the merger would lessen competition and, therefore, would contravene Australian regulations. CAL and Ampol Limited are currently evaluating alternative options to address the TPC ruling and have not yet formed a joint venture.

NOTES TO COMBINED FINANCIAL STATEMENTS

(14) Oil and Gas Exploration, Development and Producing Activities

The financial statements of Chevron Corporation and Texaco Inc. contain required supplementary information on oil and gas producing activities, including disclosures on equity affiliates. Accordingly, such disclosures are not presented herein.

APPENDIX

DESCRIPTION OF GRAPHIC MATERIAL INCLUDED IN EXHIBIT 13 - TEXACO INC.'S 1994 ANNUAL REPORT TO STOCKHOLDERS.

The following information is depicted in graphic or image form in Texaco Inc.'s 1994 Annual Report to Stockholders filed as Exhibit 13 to Texaco's Inc.'s 1994 Annual Report on Form 10-K and all page references included in the following descriptions are to the actual and complete paper format version of Texaco Inc.'s 1994 Annual Report to Stockholders as provided to Texaco Inc.'s shareholders.

This Appendix is separated into two parts. Part A (Items A1-A22) describes the graphic and image material contained in the portion of Texaco Inc.'s 1994 Annual Report to Stockholders which is incorporated by reference, into Texaco Inc.'s 1994 Annual Report on Form 10-K, in response to Form 10-K Items 1 and 2-Business and Properties. Part B (Items B1-B17) describes the graphic material contained in the portion of Texaco Inc.'s 1994 Annual Report to Stockholders which is incorporated by reference, into Texaco Inc.'s 1994 Annual Report on Form 10-K, in response to Form 10-K Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART A

- A1. The first item is a graph which is located in the left margin of page 9. The bar graph is entitled "Worldwide Reserve Replacement Ratios and Finding Costs - Three Year Rolling Average." The left Y axis depicts percentages from 0% to 120% with 20% increments. The right Y axis depicts dollars per barrel from \$0 to \$6 in \$1 increments. The X axis depicts three individual three year rolling average periods (1990-1992, 1991-1993 and 1992-1994). Each three year period has two bar graphs, side by side. The first bar (blue) represents a three year rolling average of production replacement percentages. The second bar (yellow) represents a three year rolling average of finding and development costs per barrel. The plot points are as follows:

	Production Replacement Percent	Finding and Development Costs per Barrel
	-----	-----
1990-1992	105%	\$4.48
1991-1993	101%	\$4.53
1992-1994	106%	\$4.04

Below the graph a footnote appears which states "Includes equity in an affiliate."

- A2. The second item is a graph which is located in the right margin of page 9. The bar graph is entitled "Projected Net Equivalent Production." The Y axis depicts thousands of barrels a day from 0 to 1400 with 200 increments. The X axis depicts the years 1994, 1995, 1996, 1997, 1998 and 1999. Each years' bar graph is segmented into 2 colors representing

production in the United States (red) and International (yellow). The plot points are as follows:

	United States	International	Total
1994	692	428	1120
1995	627	437	1064
1996	646	471	1117
1997	663	543	1206
1998	694	555	1249
1999	709	573	1282

Below the graph a footnote appears which states "Includes equity in an affiliate."

- A3. The third item is a pie chart in the top left margin of page 10. The pie chart is entitled "Worldwide Net Liquids Production Profile" and is shown in thousands of barrels a day. The pie chart is segmented with 5 colors, each representing a country or region. The 5 segments are the United States (green), Indonesia (orange), Europe (blue), Other (yellow) and the Partitioned Neutral Zone (red). For each pie segment shown there is a corresponding amount representing thousands of barrels a day. The applicable production levels are as follows:

	Thousands of Barrels a Day
United States	407
Indonesia	154
Europe	120
Other	60
Partitioned Neutral Zone	42

Below the graph a footnote appears which states "Includes equity in an affiliate."

- A4. The fourth item is a picture located in the lower right margin of page 10. The picture is of an onshore oil platform and is captioned "Efficient Steamflood Operation." The accompanying subcaption reads as follows, "At the Kern River steamflood in Southern California, heightened efficiency improves recovery and profitability."
- A5. The fifth item is a map of the United States located on the top of page 11. The map captioned, "U. S. Exploration and Production - Core Operating Areas" highlights the core operating areas for U.S. exploration and production activities. The map highlights the company's operations at the Kern River field in Bakersfield, California, the Permian Basin oil fields of West Texas and Southwest New Mexico, offshore and onshore operations in the Gulf of Mexico, as well as operations in the Rocky Mountains and Midcontinent area.
- A6. The sixth item is a depiction of "Gridstat Software" located in the right

margin in the middle of page 11. The accompanying subcaption reads as follows, "Data from gamma-ray well logs, interpreted by Texaco-developed software, predict flow rate of oil from layers of a reservoir."

- A7. The seventh item is a full page picture of the Louisiana Coastal Waters located on page 12. The caption accompanying the picture reads as follows, "In mature producing basins of coastal Louisiana, 3-D seismic and other advanced technologies, supported by existing infrastructure, add reserves and cash flow."
- A8. The eighth item is a graph located in the right margin in the middle of page 13. The bar graph is entitled "North Sea Net Equivalent Production." The Y axis depicts thousands of barrels a day from 0 to 250 with 50 increments. The X axis depicts the years 1994, 1995, 1996, 1997, 1998 and 1999. The plot points are depicted as follows:

Thousands of Barrels a Day	

1994	148
1995	151
1996	156
1997	209
1998	206
1999	204

- A9. The ninth item is a pie chart in the left margin of page 14. The pie chart is entitled "Texaco's Crude Oil and NGL Reserve Profile"-Total - 2.7 billion barrels, Heavy-0.9 billion barrels at year-end 1994. The pie chart is segmented with 5 colors, each representing a type of crude oil. The 5 segments are Light Oil (red), Kern River Heavy (yellow), Other U.S. Heavy (blue), CPI Heavy (orange) and Other International Heavy (green). For each segment shown there is a corresponding percentage. This percentage represents the particular crude oil's percentage of the total reserves at year-end 1994. The applicable reserve levels are as follows:

Percentage	

Light Oil	68%
Kern River Heavy	12%
Other U.S. Heavy	6%
CPI Heavy	8%
Other International Heavy	6%

Below the pie chart legend a footnote appears which states "Includes equity in an affiliate."

A10. The tenth item is a picture located in the top left margin of page 15. The caption accompanying the picture is "East China Sea Drilling." The subcaption under the picture reads as follows, "A Texaco-led consortium is the first foreign contractor to drill in a previously underexplored area of the East China Sea."

A11. The eleventh item is a graph located in the left margin in the middle of page 16. The bar graph is entitled "Refinery Yields - U.S. Owned Refineries." The Y axis depicts percentages from 0% to 60% with 10 increments. The X axis depicts the years 1992, 1993 and 1994. Each year has three bar graphs, side by side. The first bar represents gasoline yields (yellow), the second bar represents middle distillates and avjets yields (green) and the third bar represents other yields (blue). The plot points are depicted as follows:

	Gasolines -----	Middle Distillates and Avjets -----	Other -----
1992	50.5%	29.4%	20.1%
1993	48.0%	29.3%	22.7%
1994	50.7%	28.3%	21.0%

A12. The twelfth item is a graph located in the left margin at the bottom of page 17. The bar graph is entitled "U.S. Texaco Branded Gasoline Sales" and is shown in thousands of barrels a day. The Y axis depicts thousands of barrels a day from 0 to 600 with 100 increments. The X axis depicts the years 1992, 1993 and 1994. The plot points depicted are as follows:

	Thousands of Barrels a Day -----
1992	530
1993	538
1994	547

Below the graph a footnote appears which states "Data includes 100% of sales volumes for joint-ventured facilities."

A13. The thirteenth item is a full page picture on page 18 of a refinery employee working on location. The caption that accompanies the picture reads as follows, "Reliability engineering programs are underway to curtail downtime and improve safety and overall efficiency in our refineries, producing fields and distribution systems."

A14. The fourteenth item is a graph located in the right margin at the top of page 19. The bar graph is entitled "Projected Refined Product Sales." The Y axis depicts thousands of barrels a day from 0 to 3000 with 500 increments. The X axis depicts the years 1994, 1995, 1996, 1997, 1998 and 1999. Each years' bar graph is segmented into 2 colors representing sales in the United States (red) and International (yellow). The plot points are depicted as follows:

	United States -----	International -----	Total -----
1994	882	1470	2352
1995	906	1545	2451
1996	936	1644	2580
1997	957	1704	2661
1998	986	1782	2768
1999	993	1797	2790

Below the graph a footnote appears which states "Includes equity in affiliates."

- A15. The fifteenth item is a graph which is located in the left margin in the middle of page 20. The bar graph is entitled "Caltex Refined Product Sales." The Y axis depicts thousands of barrels a day from 0 to 1500 with 300 increments. The X axis depicts the years 1992, 1993 and 1994. The plot points are depicted as follows:

	Thousands of Barrels a Day -----
1992	1158
1993	1246
1994	1244

- A16. The sixteenth item is a picture located in the right margin at the top of page 20. The picture is of a container of motor oil and is captioned "Havoline International." The accompanying subcaption reads as follows, "In key Caltex markets, such as Thailand in the Pacific Rim area, the introduction of Havoline Formula3 motor oils extends Havoline's reach as a global brand."
- A17. The seventeenth item is an illustration depicting a "3-D Reservoir Simulator" located in the left margin of page 21. The subcaption accompanying the illustration reads as follows, "Computerized reservoir simulation improves the economics of projects such as the U.K. North Sea Captain field by helping engineers to plan the direction of horizontal wells."
- A18. The eighteenth item is a picture of an "Automatic Water Cut Monitor" located in the right margin in the middle of page 21. The subcaption accompanying the picture reads as follows, "Continuous and automatic measurement of the percentage of water in fluids being produced by a well allows rapid response to changes by field operators."
- A19. The nineteenth item is an illustration depicting a "3-D "Fault" Mapping Program" located in the left margin at the top of page 22. The subcaption accompanying the illustration reads as follows, "Texaco-developed Gridstat software helps to pinpoint drilling prospects and predicts how fluids will move in the reservoir during production."

- A20. The twentieth item is a picture of a Texaco gasoline pump located in the right margin at the bottom of page 22. The picture is captioned "Brand of Choice" and the accompanying subcaption reads as follows, "Development in Texaco laboratories of high-performance additives for new CleanSystem3 gasolines, introduced in 1994, helped to increase branded sales in the U.S., Latin America and Europe."
- A21. The twenty-first item is a full page picture on page 23 of a scientist working on location. The caption that accompanies the picture reads as follows, "Development and testing of advanced catalysts in Texaco laboratories lead to increases in both the value and yields of products in our worldwide refining system."
- A22. The twenty-second item is a picture in the left margin in the middle of page 24. The picture is of Texaco's Vision and Values booklet. The picture is captioned "Vision and Values" and contains the following subcaption, "This booklet reaffirms Texaco's core values and its goal: To be one of the most admired, profitable and competitive companies, and to make Texaco the leader in its industry."

PART B

- B1. The first graph is located on the top of page 26 to the right of the Consolidated Highlights table. The bar graph is entitled "Returns on Average Stockholders' Equity." The Y axis depicts percentages from 0% to 15% with 3% increments. The X axis depicts the years 1992, 1993 and 1994. Each year has 2 bar graphs, side by side, representing rate of return excluding special items (blue) and rate of return based on net income as reported (yellow). The plot points are depicted as follows:

	Excluding Special Items -----	As Reported -----
1992	12.0%	10.9%
1993	11.3%	12.5%
1994	9.2%	9.8%

Below the graph a footnote appears which states "Returns exclude discontinued operations and the 1992 cumulative effect of accounting changes."

- B2. The second graph is located in the middle of page 26 to the right of the Consolidated Highlights table. The bar graph is entitled "Total Debt to Total Borrowed And Invested Capital." The Y axis depicts percentages from 0% to 40% with 10% increments. The X axis depicts the years 1992, 1993 and 1994. The plot points are depicted as follows:

1992	39.3%
1993	38.7%
1994	38.5%

- B3. The third graph is located on the top of page 27 to the right of the first paragraph. The bar graph is entitled "Revenues." The Y axis depicts dollars in billions from \$0 to \$40 with \$10 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 4 colors representing the sources of revenues from refined products (blue), crude oil (red), natural gas (green) and other revenues (including equity and services) (yellow). The revenues, in billions of dollars, for each year and segment are depicted as follows:

	Refined Products	Crude Oil	Natural Gas	Other Revenues (Including Equity and Services)	Total
	-----	-----	-----	-----	-----
1992	\$18.4	\$12.8	\$1.9	\$3.4	\$36.5
1993	\$17.5	\$11.1	\$2.3	\$3.2	\$34.1
1994	\$17.9	\$ 9.8	\$2.4	\$3.3	\$33.4

Below the graph a footnote appears which states "Excludes revenues for discontinued operations."

- B4. The fourth graph is located in the middle of page 27 to the right of the second and third paragraphs. The bar graph is entitled "Costs and Expenses." The Y axis depicts dollars in billions from \$0 to \$40 with \$10 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 2 colors representing purchases and other costs (red) and expenses (yellow). Purchases and other costs and expenses, in billions of dollars, for each year and segment are depicted as follows:

	Purchases and Other Costs	Expenses	Total
	-----	-----	-----
1992	\$27.0	\$8.2	\$35.2
1993	\$24.7	\$8.2	\$32.9
1994	\$23.9	\$8.2	\$32.1

Below the graph a footnote appears which states "Excludes amounts for discontinued operations."

- B5. The fifth graph is located on the top of page 28 to the right of the first paragraph. The bar graph is entitled "Operating Earnings by Geographic Area." The Y axis depicts dollars in millions from \$0 to \$2000 with \$500 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 2 colors representing operating earnings in the United States (red) and International (yellow). The plot points are depicted as follows:

	United States -----	International -----	Total -----
1992	\$809	\$698	\$1507
1993	\$708	\$760	\$1468
1994	\$656	\$596	\$1252

Below the graph a footnote appears which states "Operating earnings exclude corporate and nonoperating costs, cumulative effect of accounting changes and discontinued operations."

- B6. The sixth graph is located in the middle of page 28 to the right of the third and fourth paragraphs. The bar graph is entitled "Exploration And Production - Total Operating Earnings." The Y axis depicts dollars in millions from \$0 to \$1200 with \$300 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 2 colors representing operating earnings in the United States (blue) and International (yellow). The plot points are depicted as follows:

	United States -----	International -----	Total -----
1992	\$543	\$416	\$959
1993	\$510	\$322	\$832
1994	\$414	\$253	\$667

- B7. The seventh graph is located on the top of page 29 to the right of the first paragraph. The line graph is entitled "Average Crude Oil Selling Prices-Per Quarter" and is shown in dollars per barrel by quarter for the years 1992, 1993 and 1994. The Y axis depicts dollars per barrel from \$5 to \$20 with \$5 increments. The X axis depicts the calendar quarters for 1992, 1993 and 1994. Each quarter has 2 sets of points plotted represented by a purple line and a red line graph. The purple line represents average crude oil selling prices in the United States and the red line represents average International crude oil selling prices. The plot points are depicted as follows:

	United States -----	International -----
First Quarter 1992	\$14.48 per barrel	\$16.52 per barrel
Second Quarter 1992	\$16.70 per barrel	\$17.47 per barrel
Third Quarter 1992	\$17.81 per barrel	\$18.42 per barrel
Fourth Quarter 1992	\$16.50 per barrel	\$18.01 per barrel
First Quarter 1993	\$15.46 per barrel	\$16.90 per barrel
Second Quarter 1993	\$15.70 per barrel	\$17.01 per barrel
Third Quarter 1993	\$13.55 per barrel	\$15.49 per barrel
Fourth Quarter 1993	\$12.36 per barrel	\$14.05 per barrel
First Quarter 1994	\$11.02 per barrel	\$13.12 per barrel
Second Quarter 1994	\$13.45 per barrel	\$14.57 per barrel
Third Quarter 1994	\$14.82 per barrel	\$16.02 per barrel
Fourth Quarter 1994	\$14.45 per barrel	\$15.58 per barrel

B8. The eighth graph is located in the middle of page 29 to the right of the second and third paragraphs. The line graph is entitled "Average U.S. Natural Gas Selling Price-Per Quarter" and is shown in dollars per thousand cubic feet by quarter for the years 1992, 1993 and 1994. The Y axis depicts dollars per thousand cubic feet from \$1.00 to \$2.50 with \$0.50 increments. The X axis depicts the calendar quarters for the years 1992, 1993 and 1994. The plot points are depicted as follows:

First Quarter 1992	\$1.72 Per MCF
Second Quarter 1992	\$1.51 Per MCF
Third Quarter 1992	\$1.83 Per MCF
Fourth Quarter 1992	\$2.40 Per MCF
First Quarter 1993	\$1.99 Per MCF
Second Quarter 1993	\$2.26 Per MCF
Third Quarter 1993	\$2.17 Per MCF
Fourth Quarter 1993	\$2.34 Per MCF
First Quarter 1994	\$2.32 Per MCF
Second Quarter 1994	\$2.02 Per MCF
Third Quarter 1994	\$1.84 Per MCF
Fourth Quarter 1994	\$1.80 Per MCF

B9. The ninth graph is located on top of page 30 to the right of the first and second paragraphs. The bar graph is entitled "Manufacturing, Marketing and Distribution - Total Operating Earnings." The Y axis depicts dollars in millions from \$0 to \$800 with \$200 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 2 colors representing operating earnings in the United States (blue) and International (yellow). The plot points are depicted as follows:

	United States -----	International -----	Total -----
1992	\$267	\$300	\$567
1993	\$215	\$434	\$649
1994	\$257	\$360	\$617

B10. The tenth graph is located on page 30 to the right of the Manufacturing, Marketing and Distribution - United States earnings and operating data table. The bar graph is entitled "Refined Product Sales-U.S. by Principal Products." The Y axis depicts thousands of barrels per day from 0 to 1000 with 200 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 5 colors representing sales of gasolines (purple), middle distillates (red), avjets (blue), residuals (green) and other (yellow). Refined product sales, in thousands of barrels a day for each year and segment, are depicted as follows:

	Gasolines	Middle Distillates	Avjets	Residuals	Other	Total
	-----	-----	-----	-----	-----	-----
1992	441	172	98	100	69	880
1993	425	180	84	61	80	830
1994	443	182	88	51	118	882

Below the graph a footnote appears which states "Includes equity in an affiliate."

B11. The eleventh graph is located on the top of page 32 to the right of the first paragraph. The bar graph is entitled "Environmental-Cash Expenditures." The Y axis depicts dollars in millions from \$0 to \$1000 with \$200 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 2 colors representing capital expenditures (blue) and other (green). Environmental cash expenditures, in millions of dollars, for each year and segment are depicted as follows:

	Capital Expenditures	Other	Total
	-----	-----	-----
1992	\$270	\$403	\$673
1993	\$302	\$475	\$777
1994	\$350	\$640	\$990

Below the graph a footnote appears which states "Includes equity in affiliates."

B12. The twelfth graph is located in the middle of page 32 to the right of the second paragraph. The bar graph is entitled "Environmental - Cash Expenditures by Geographic Location." The Y axis depicts dollars in millions from \$0 to \$1000 with \$200 increments. The X axis depicts the years 1992, 1993 and 1994. Each years' bar graph is segmented into 2 colors representing cash expenditures in the United States (red) and International (yellow). Environmental cash expenditures, in millions of dollars, for each year and segment are depicted as follows:

	United States	International	Total
	-----	-----	-----
1992	\$563	\$110	\$673
1993	\$627	\$150	\$777
1994	\$752	\$238	\$990

Below the graph a footnote appears which states "Includes equity in affiliates."

B13. The thirteenth graph is located on the top of page 33 to the right of the first paragraph. The pie chart is entitled "1994 Sources of Cash and Cash Equivalents" and each source is shown as a percentage of the total. The pie chart is segmented with 4 colors depicting the 1994 sources of cash and cash equivalents. The four sources are operations (blue), borrowings and issuance of preferred stock by subsidiary (yellow), sale of discontinued operations (purple) and asset sales (red). The legend below

the pie chart lists each source as well as corresponding dollar amounts in billions. The dollar amounts and percentages are as follows:

1994 Sources of Cash and Cash Equivalents -----	Billions of Dollars -----	Percent -----
Operations	\$2.9	62%
Borrowings and Issuance of Preferred Stock by Subsidiary	\$0.8	17%
Sale of Discontinued Operations	\$0.6	14%
Asset Sales	\$0.3	7%

Total	\$4.6	

B14. The fourteenth graph is located in the middle of page 33 to the right of the first and second paragraphs. The pie chart is entitled "1994 Uses of Cash and Cash Equivalents" and each use is shown as a percentage of the total. The pie chart is segmented with 4 colors depicting the 1994 uses of cash and cash equivalents. The four uses are capital and exploratory (capex) (green), dividends (orange), repayments of borrowings and other uses (blue) and retirement of preferred stock issues (yellow). The legend below the pie chart lists each use as well as corresponding dollar amounts in billions. The dollar amounts and percentages are as follows:

1994 Uses of Cash and Cash Equivalents -----	Billions of Dollars -----	Percent -----
Capex	\$2.1	44%
Dividends	\$1.0	21%
Repayments of Borrowings and Other Uses	\$1.0	21%
Retirement of Preferred Stock Issues	\$0.6	14%

Total	\$4.7	

B15. The fifteenth graph is located on the bottom of page 33 to the right of the third and fourth paragraphs. The bar graph is entitled "Debt Profile." The Y axis depicts numerical values from 0 to 15 with 3 increments. The X axis depicts two sets of bar graphs for the years 1992, 1993 and 1994. The first set of bar graphs represent the average interest rate percentages (red) at each year-end. The second set of bar graphs represent the average maturity years (purple) at each year-end. The applicable plot points are as follows:

	Average Interest Rate -----	Average Maturity -----
1992	7.2%	9.0 years
1993	7.1%	12.3 years
1994	7.6%	12.2 years

B16. The sixteenth graph is located on the top of page 34 to the right of the first paragraph. The bar graph is entitled "Total Production and Reserve Additions." The Y axis depicts barrels of oil equivalent, in millions, from 0 to 500 with 100 increments. The X axis depicts the years 1992, 1993 and 1994. Each year has 2 bar graphs, side by side. The first bar (blue) represents total production. The second bar depicts reserve additions and is segmented into 2 colors representing extensions, discoveries and additions (red) and revisions (yellow). The production and reserve additions, in million barrels of oil equivalent, for each year and segment are depicted as follows:

	Reserve Additions -----			
Total Production -----	Extensions, Discoveries and Additions -----	Revisions -----	Total Reserve Additions -----	
1992	404	215	167	382
1993	403	303	147	450
1994	427	369	103	472

Below the graph a footnote appears which states "Includes equity in an affiliate."

B17. The seventeenth graph is located in the middle of page 34 to the right of the third paragraph. The bar graph is entitled "Capital and Exploratory Expenditures." The Y axis depicts dollars in billions from \$0 to \$4 with \$1 increments. The X axis depicts two sets of bar graphs for the years 1992, 1993 and 1994. The first set of bar graphs segments the expenditures by function representing exploration and production (red), manufacturing, marketing and distribution (green) and other (purple). The second set of bar graphs segments the expenditures geographically representing the United States (blue) and International (yellow). Capital and exploratory expenditures, in millions of dollars, for each year and segment are depicted as follows:

	Exploration and Production -----	Manufacturing, Marketing and Distribution -----	Other -----	Total -----
1992	\$1.7	\$1.2	\$0.1	\$3.0
1993	\$1.7	\$1.1	\$0.1	\$2.9
1994	\$1.5	\$1.1	\$0.1	\$2.7

Capital and exploratory expenditures, in millions of dollars, for each year and segregated geographically are depicted as follows:

	United States -----	International -----	Total -----
1992	\$1.4	\$1.6	\$3.0
1993	\$1.3	\$1.6	\$2.9
1994	\$1.2	\$1.5	\$2.7

Below the graph a footnote appears which states "Includes equity in affiliates and excludes amounts for discontinued operations."

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CERTIFICATE OF INCORPORATION

OF

TEXACO INC.

(as amended to and including November 9, 1994)

A Restated Certificate of Incorporation was duly adopted by the Board of Directors of Texaco Inc. on April 27, 1990, pursuant to Section 245 of the General Corporation Law of the State of Delaware and was amended on December 22, 1992 and November 9, 1994. This document only restates and integrates the provisions of the Company's Restated Certificate of Incorporation as heretofore amended or supplemented.

The Company was incorporated under the laws of Delaware on August 26, 1926, as The Texas Corporation.

I.

The name of this Company is TEXACO INC.

II.

Its principal office in the State of Delaware is located at 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent, and the name of its resident agent is The Prentice-Hall Corporation System, Inc., whose address is 32 Loockerman Square, Suite L-100, Dover, Delaware.

III.

The objects or purposes for which the Company is formed and the nature of the business to be carried on, any one or all of which it may pursue in the United States of America and the states, districts, territories and possessions thereof and in foreign countries, are as follows:

A. to engage in and carry on the petroleum business and the various branches thereof, including the extraction, production, storage, transportation, purchase and sale of oil and gas, natural gas liquids, shale and other hydrocarbon substances and their products and by-products, and refining, treating, applying, compounding, processing and otherwise preparing them for market;

B. to engage in and carry on any other business, without limit as to kind and whether or not related to, similar to or different from, the petroleum business, including but not limited to, the businesses of mining, manufacturing, processing, storage, construction, service, transportation and merchandising;

C. to acquire, own, hold, enjoy, lease, deal in, operate, dispose of and convey real and personal property of every kind and description, rights and interests therein, and the business, property, assets and good will of any person, partnership, association, firm, corporation or other entity;

D. to acquire, own, hold, enjoy, deal in and sell, transfer or otherwise dispose of stock, bonds, notes and other securities, as well as accounts, contracts and evidences of indebtedness of any person, partnership, association, firm, corporation or other entity, in whatsoever business or activity engaged and whether private or public in character, and to exercise all rights in respect thereto;

E. to make secured and unsecured loans, with or without interest, to assume or guarantee the stock, bonds, and obligations of, or otherwise to assist, any

person, partnership, association, firm, corporation or other entity, in whatsoever business or activity engaged and whether public or private in character, when so doing, in the opinion of the Board of Directors, would tend to promote the business of this Company;

F. to acquire, own, hold, enjoy, grant, deal in, transfer, sell or otherwise dispose of intangible property of every kind and description, including, without limitation, patents, patent rights, trademarks, trade names, copyrights, licenses, formulae and choses in action of any kind;

G. to do all and everything useful in or incidental to the accomplishment of the objects and purposes herein stated, as principal, agent, contractor, trustee, or otherwise, either alone or in association with others, to the same extent and as fully as could natural persons.

No enumeration of specific objects, purposes or powers, or particular description of business in this article shall be held to limit or restrict in any manner those enumerations or descriptions which are general in their character, and the objects, powers and descriptions of one section shall in no wise be limited or restricted by reference to or inference from the terms of any other section.

IV.

The total number of shares of all classes of stock which the Company shall

have authority to issue is 380,000,000 shares, consisting of 30,000,000 shares of Preferred Stock of the par value of \$1.00 each and 350,000,000 shares of Common Stock of the par value of \$6.25 each.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions of the Preferred Stock and the Common Stock are as follows:

A. The Preferred Stock may be issued from time to time in one or more series. Subject to the limitations set forth herein and any limitations prescribed by law, the Board of Directors is expressly authorized, prior to issuance of any series of Preferred Stock, to fix by resolution or resolutions providing for the issue of any series the number of shares included in such series and the designation, relative powers, preferences and rights, and the qualifications, limitations or restrictions of such series. Pursuant to the foregoing general authority vested in the Board of Directors, but not in limitation of the powers conferred on the Board of Directors thereby and by the General Corporation Law of the State of Delaware, the Board of Directors is expressly authorized to determine with respect to each series of Preferred Stock:

1. the designation or designations of such series and the number of shares (which number from time to time may be decreased by the Board of Directors, but not below the number of such shares of such series then outstanding, or may be increased by the Board of Directors unless otherwise provided in creating such series) constituting such series;

2. the rate or amount and times at which, and the preferences and conditions under which, dividends shall be payable on shares of such series, the status of such dividends as cumulative or non-cumulative, the date or dates from which dividends, if cumulative, shall accumulate, and the status of such as participating or non-participating after the payment of dividends as to which such shares are entitled to any preference;

3. the rights and preferences, if any, of the holders of shares of such series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Company, which amount may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates,

and the status of the shares of such series as participating or non-participating after the satisfaction of any such rights and preferences;

4. the full or limited voting rights, if any, to be provided for shares of such series, in addition to the voting rights provided by law;

5. the times, terms and conditions, if any, upon which shares of such series shall be subject to redemption, including the amount the holders of shares of such series shall be entitled to receive upon redemption (which amount may vary under different conditions or at different redemption dates) and the amount, terms, conditions and manner of operation of any purchase, retirement or sinking fund to be provided for the shares of such series;

6. the rights, if any, of holders of shares of such series to convert such shares into, or to exchange such shares for, shares of any other class or classes or of any other series of the same class, the prices or rates of conversion or exchange, and adjustments thereto, and any other terms and conditions applicable to such conversion or exchange;

7. the limitations, if any, applicable while such series is outstanding on the payment of dividends or making of distributions on, or the acquisition or redemption of, Common Stock or any other class of shares ranking junior, either as to dividends or upon liquidation, to the shares of such series;

8. the conditions or restrictions, if any, upon the issue of any additional shares (including additional shares of such series or any other series or of any other class) ranking on a parity with or prior to the shares of such series either as to dividends or upon liquidation; and

9. any other relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of shares of such series;

in each case, so far as not inconsistent with the provisions of this Certificate of Incorporation or the General Corporation Law of the State of Delaware as then in effect. All shares of Preferred Stock shall be identical and of equal rank except in respect to the particulars that may be fixed by the Board of Directors as provided above, and all shares of each series of Preferred Stock shall be identical and of equal rank except as to the times from which cumulative dividends, if any, thereon shall be cumulative.

B. Pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation, the Board of Directors has created the following series of Preferred Stock, with the following voting powers, preferences and relative, participating, optional or other special rights, and the following qualifications, limitations or restrictions.

Series B ESOP Convertible Preferred Stock

Section 1. Designation and Amount; Special Purpose Restricted Transfer Issue.

(A) The shares of such series shall be designated as "Series B ESOP Convertible Preferred Stock" ("Series B Preferred Stock") and the number of shares constituting such series shall be 833,333 1/3.

(B) Shares of Series B Preferred Stock shall be issued only to State Street Bank and Trust Company, as trustee (the "Trustee") of the employee stock ownership plan feature of the Employees Thrift Plan of the Company (the "Plan"). All references to the holder of shares of Series B Preferred Stock

shall mean the Trustee or any successor trustee under the Plan. In the event of any transfer of record ownership of shares of Series B Preferred Stock to any person other than any successor trustee under the Plan, the shares of Series B Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of Common Stock on the terms otherwise provided for the conversion of shares of Series B Preferred Stock into shares of Common Stock pursuant to Section 5 hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to shares of Series B Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of Series B Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of Series B Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of Series B Preferred Stock have been automatically converted as of the date of such transfer. Certificates representing shares of Series B Preferred Stock shall bear a legend to reflect the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (B) of Section 1, shares of Series B Preferred Stock (i) may be converted into shares of Common Stock as provided by Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided by Sections 6, 7 and 8 hereof.

Section 2. Dividends and Distribution.

(A) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series B Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount per share equal to \$57.00 per share per annum, and no more, payable semiannually in arrears, one-half on the 20th day of December and one-half on the 20th day of June of each year (each a "Dividend Payment Date") commencing on June 20, 1989, to holders of record at the start of business on such Dividend Payment Date. In the event that any Dividend Payment Date shall fall on any day other than a "Business Day" (as hereinafter defined), the dividend payment due on such Dividend Payment Date shall be paid on the Business Day immediately preceding such Dividend Payment Date. Preferred Dividends shall begin to accrue on outstanding shares of Series B Preferred Stock from the date of issuance of such shares of Series B Preferred Stock. Preferred Dividends shall accrue on a daily basis whether or not the Company shall have earnings or surplus at the time, but Preferred Dividends accrued after issuance on the shares of Series B Preferred Stock for any period less than a full semiannual period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accrued but unpaid Preferred Dividends shall cumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(B) So long as any shares of Series B Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the Series B Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the Series B Preferred Stock, dividends for all dividend payment periods of the Series B Preferred Stock ending on or before the Dividend Payment Date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend period on the Series B Preferred Stock and accumulated and unpaid on such parity stock through the dividend payment period on such parity stock next preceding such Dividend Payment Date. In the event that full cumulative dividends on the Series B Preferred Stock have not been declared and paid or set apart for payment when due, the Company shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of any other class of stock or series thereof of the Company ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding up of the Company, junior to the Series B Preferred Stock until full cumulative

dividends on the Series B Preferred Stock shall have been paid or declared and set apart for payment; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding up of the Company, junior to the Series B Preferred Stock or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding up of the Company, junior to the Series B Preferred Stock in exchange solely for shares of any other stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding up of the Company, junior to the Series B Preferred Stock.

Section 3. Voting Rights.

The holders of shares of Series B Preferred Stock shall have the following voting rights:

(A) The holders of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the stockholders of the Company, voting together with the holders of Common Stock as one class. The holder of each share of Series B Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which such share of Series B Preferred Stock could be converted on the record date for determining the stockholders entitled to vote, rounded to the nearest one-tenth of a vote; it being understood that whenever the "Conversion Price" (as defined in Section 5 hereof) is adjusted as provided in Section 9 hereof, the voting rights of the Series B Preferred Stock shall also be similarly adjusted.

(B) Except as otherwise required by law or set forth herein, holders of Series B Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for the taking of any corporate action; provided, however, that the vote of at least 66 2/3% of the outstanding shares of Series B Preferred Stock, voting separately as a series, shall be necessary to adopt any alteration, amendment or repeal of any provision of the Restated Certificate of Incorporation of the Company, as amended, or this Resolution (including any such alteration, amendment or repeal effected by any merger or consolidation in which the Company is the surviving or resulting corporation), if such amendment, alteration or repeal would alter or change the powers, preferences or special rights of the shares of Series B Preferred Stock so as to affect them adversely.

Section 4. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series B Preferred Stock shall be entitled to receive out of assets of the Company which remain after satisfaction in full of all valid claims of creditors of the Company and which are available for payment to stockholders, and subject to the rights of the holders of any stock of the Company ranking senior to or on a parity with the Series B Preferred Stock in respect of distributions upon liquidation, dissolution or winding up of the Company, before any amount shall be paid or distributed among the holders of Common Stock or any other shares ranking junior to the Series B Preferred Stock in respect of distributions upon liquidation, dissolution or winding up of the Company, liquidating distributions in the amount of \$600 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding up of the Company, the amounts payable with respect to the Series B Preferred Stock and any other stock ranking as to any such distribution on a parity with the Series B Preferred Stock are not paid in full, the holders of the Series B Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which

they are entitled as provided by the foregoing provisions of this paragraph 4(A), the holders of shares of Series B Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Company.

(B) Neither the merger or consolidation of the Company with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Company, nor the sale, lease, exchange or other transfer of all or any portion of the assets of the Company, shall be deemed to be a dissolution, liquidation or winding up of the affairs of the Company for purposes of this Section 4, but the holders of Series B Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by Section 8 hereof.

(C) Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the Company, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of Series B Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty (20) days prior to any payment date stated therein, to the holders of Series B Preferred Stock, at the address shown on the books of the Company or any transfer agent for the Series B Preferred Stock.

Section 5. Conversion into Common Stock.

(A) A holder of shares of Series B Preferred Stock shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 6, 7 and 8 hereof, to cause any or all of such shares to be converted into shares of Common Stock, initially at a conversion rate equal to the ratio of \$600 to the amount which initially shall be \$60 and which shall be adjusted as hereinafter provided (and, as so adjusted, is hereinafter sometimes referred to as the "Conversion Price") (that is, a conversion rate initially equivalent to ten shares of Common Stock for each share of Series B Preferred Stock so converted, which is subject to adjustment as the Conversion Price is adjusted as hereinafter provided).

(B) Any holder of shares of Series B Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of Series B Preferred Stock being converted, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Company or the offices of the transfer agent for the Series B Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the Series B Preferred Stock by the Company or the transfer agent for the Series B Preferred Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of Series B Preferred Stock to be converted and the name or names in which such holder wishes the certificate or certificates for Common Stock and for any shares of Series B Preferred Stock not to be so converted to be issued and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(C) Upon surrender of a certificate representing a share or shares of Series B Preferred Stock for conversion, the Company shall issue and send by hand delivery (with receipt to be acknowledged) or by first-class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of Series B Preferred Stock, only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee a new certificate or certificates representing the number of shares of Series B Preferred Stock which shall not have been converted.

(D) The issuance by the Company of shares of Common Stock upon a conversion of shares of Series B Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates for the shares of Series B Preferred Stock to be converted, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto) as provided by this Resolution. On and after the effective day of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of Series B Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend is subsequent to the effective date of conversion of such shares.

(E) The Company shall not be obligated to deliver to holders of Series B Preferred Stock any fractional share of shares of Common Stock issuable upon any conversion of such shares of Series B Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(F) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series B Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series B Preferred Stock then outstanding. Nothing contained herein shall preclude the Company from issuing shares of Common Stock held in its treasury upon the conversion of shares of Series B Preferred Stock into Common Stock pursuant to the terms hereof. The Company shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all requirements as to registration or qualification of the Common Stock, in order to enable the Company lawfully to issue and deliver to each holder of record of Series B Preferred Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series B Preferred Stock then outstanding and convertible into shares of Common Stock.

Section 6. Redemption at the Option of the Company.

(A) The Series B Preferred Stock shall be redeemable, in whole or in part, at the option of the Company at any time after December 20, 1991, or at any time after the date of issuance, if permitted by paragraph (D) of this Section 6, at the following redemption prices per share:

During the Twelve- Month Period Beginning December 20 -----	Price Per Share -----
1988	\$ 657.00
1989	\$ 651.30
1990	\$ 645.60
1991	\$ 639.90
1992	\$ 634.20
1993	\$ 628.50
1994	\$ 622.80
1995	\$ 617.10
1996	\$ 611.40
1997	\$ 605.70

and thereafter at \$600 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (F) of this Section 6. From and after the date fixed for redemption, dividends on shares of Series B Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of Series B Preferred Stock are to be redeemed, the Company shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Company.

(B) Unless otherwise required by law, notice of redemption will be sent to the holders of Series B Preferred Stock at the address shown on the books of the Company or any transfer agent for the Series B Preferred Stock by first-class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the Series B Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series B Preferred Stock at the time. Upon surrender of the certificate for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state), such shares shall be redeemed by the Company at the date fixed for redemption and at the redemption price set forth in this Section 6.

(C) In the event of a change in the federal tax law of the United States of America which has the effect of precluding the Company from claiming any of the tax deductions for dividends paid on the Series B Preferred Stock when such dividends are used as provided under Section 404(k) (2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series B Preferred Stock are initially issued, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem any or all of such shares for the amount payable in respect of the shares upon liquidation of the Company pursuant to Section 4 hereof.

(D) Notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Company may elect to redeem any or all of the shares of Series B Preferred Stock at any time on or prior to December 20, 1991, on the terms and conditions set forth in paragraphs (A) and (B) of this Section 6, if the last reported sales price, regular way, of a share of Common Stock, as reported on the New York Stock Exchange Composite Tape or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or, if Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices in the over-the-counter market as reported by NASDAQ, for at least twenty (20) trading days within a period of thirty (30) consecutive trading days ending within five (5) days of the notice of redemption, equals or exceeds one hundred fifty percent (150%) of the Conversion Price (giving effect in making such calculation to any adjustments required by Section 9 hereof).

(E) In the event that the Plan is terminated in accordance with its terms, and notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Company shall, as soon thereafter as practicable, call for redemption all then outstanding shares of Series B Preferred Stock for the amount payable in respect of the shares upon liquidation of the Company pursuant to Section 4 hereof.

(F) The Company, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preferred Stock in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (G) of Section 9 hereof).

Section 7. Other Redemption Rights.

Shares of Series B Preferred Stock shall be redeemed by the Company for cash or, if the Company so elects, in shares of Common Stock, or a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose as provided by paragraph (F) of Section 6, at a redemption price of \$600 per share plus accrued and unpaid dividends thereon to the date fixed for redemption, at the option of the holder, at any time and from time to time upon notice to the Company given not less than five (5) business days prior to the date fixed by the holder in such notice for such redemption, upon certification by such holder to the Company of the following events: (i) when and to the extent necessary for such holder to provide for distributions required to be made to participants under, or to satisfy an investment election provided to participants in accordance with, the Plan, or any successor plan; (ii) when and to the extent necessary for such holder to make any payments of principal, interest or premium due and payable (whether as scheduled or upon acceleration) under the Loan Agreement among the Trustee, certain banking parties thereto (collectively, the "Banks") and Chase Manhattan Bank (National Association), as agent for the Banks or any indebtedness incurred by the holder for the benefit of the Plan; or (iii) in the event that the Plan is not initially determined by the Internal Revenue Service to be qualified within the meaning of Sections 401(a) and 4975(e)(7) of the Internal Revenue Code of 1986, as amended.

Section 8. Consolidation, Merger, etc.

(A) In the event that the Company shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Company) that constitutes "qualifying employer securities" with respect to a holder of Series B Preferred Stock within the meaning of Section 409(l) of the Internal Revenue Code of 1986, as amended, and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of Series B Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become preferred stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7 and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series B Preferred Stock had immediately prior to such transaction, except that after such transaction each share of the Series B Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 5 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the Series B Preferred Stock, then the shares of Series B Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount so receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by the plurality of the non-electing shares). The rights of the Series B Preferred Stock as preferred stock of such successor or resulting corporation shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent as practicable to the adjustment provided for by such section prior to such transaction. The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of Series B Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(B) In the event that the Company shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (A) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of Series B Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (C) of this Section 8), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted at such time so that each share of Series B Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the Series B Preferred Stock, then the shares of Series B Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(C) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (B) of this Section 8, then the Company shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of Series B Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to

receive, upon consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such Series B Preferred Stock, a cash payment equal to the amount payable in respect of shares of Series B Preferred Stock upon liquidation of the Company pursuant to Section 4 thereof. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction.

Section 9. Anti-Dilution Adjustments.

(A) In the event the Company shall, at any time or from time to time while any of the shares of the Series B Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Company (including a recapitalization effected by a merger or consolidation to which Section 8 hereof does not apply) or otherwise, the Conversion Price in effect immediately prior to such action shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event, and the denominator of which is the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph 9(A) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of stockholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(B) In the event that the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Company, any right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants, and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

(C) In the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) and other than pursuant to any employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Company or any subsidiary of the Company heretofore or hereafter adopted) for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Fair Market Value of such shares on the date of issuance, sale or exchange, then, subject to the

provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Company in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Company. In the event the Company shall, at any time or from time to time while any shares of Series B Preferred Stock are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Company) and other than pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Company or any subsidiary of the Company heretofore or hereafter adopted, for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Non-Dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Company in respect of such issuance, sale or exchange of such right or warrant plus (iii) the Fair Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(D) In the event the Company shall, at any time or from time to time while any of the shares of Series B Preferred Stock are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Company (including a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs (E) and (F) of this Section 9, be adjusted by multiplying such Conversion Price by the fraction the numerator of which is (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions hereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (a) the number of shares of Common Stock outstanding immediately before such Extraordinary Dividend or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Company multiplied by (b) the Fair Market Value of a share of Common Stock on

the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Company shall send each holder of Series B Preferred Stock (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Company to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Company pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series B Preferred Stock may be converted at such time.

(E) Notwithstanding any other provisions of this Section 9, the Company shall not be required to make any adjustment to the Conversion Price unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) in the Conversion Price.

(F) If the Company shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Company or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Company shall consider whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors of the Company determines that an adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Company. The determination of the Board of Directors of the Company as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this paragraph 9(F), and, if so, as to what adjustment should be made and when, shall be final and binding on the Company and all stockholders of the Company. The Company shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Company, subdivision, reclassification or combination of shares of stock of the Company or any recapitalization of the Company shall not be taxable to the holders of the Common Stock.

(G) For purposes of this Resolution, the following definitions shall apply:

"Business Day" shall mean each day that is not a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

"Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the last reported sales price, regular way, or, in the event that no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such

National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Company or a committee thereof, in each case, on each trading day during the Adjustment Period. "Adjustment Period" shall mean the period of five (5) consecutive trading days preceding, and including, the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Company or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Company or such committee.

"Extraordinary Distribution" shall mean any dividend or other distribution to holders of Common Stock (effected while any of the shares of Series B Preferred Stock are outstanding) (i) of cash, where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds twelve and one-half percent (12 1/2%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the day before the ex-dividend date with respect to such Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, and/or (ii) of any shares of capital stock of the Company (other than shares of Common Stock), other securities of the Company (other than securities of the type referred to in paragraph (B) or (C) of this Section 9), evidences of indebtedness of the Company or any other person or any other property (including shares of any subsidiary of the Company) or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph (D) of this Section 9 shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends which are not Extraordinary Distributions made during such 12-month period and not previously included in the calculation of an adjustment pursuant to paragraph (D) of this Section 9.

"Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issuer which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. "Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the remainder of (i) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (ii) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of

Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Company.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Company or any subsidiary thereof, whether for cash, shares of capital stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including shares of a subsidiary of the Company), or any combination thereof, effected while any of the shares of Series B Preferred Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Company, or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph 9(G), shares shall be deemed to have been purchased by the Company or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act, on the date shares of Series B Preferred Stock are initially issued by the Company or on such other terms and conditions as the Board of Directors of the Company or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

(H) Whenever an adjustment to the Conversion Price and the related voting rights of the Series B Preferred Stock is required pursuant to this Resolution, the Company shall forthwith place on file with the transfer agent for the Common Stock and the Series B Preferred Stock, and with the Secretary of the Company, a statement signed by two officers of the Company stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted), of the Series B Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Price and the related voting rights of the Series B Preferred Stock, the Company shall mail a notice thereof and of the then prevailing conversion ratio to each holder of shares of the Series B Preferred Stock.

Section 10. Ranking; Attributable Capital and Adequacy of Surplus; Retirement of Shares.

(A) The Series B Preferred Stock shall rank senior to the Common Stock as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding up of the Company, and, unless otherwise provided in the Restated Certificate of Incorporation of the Company, as the same may be amended, or a certificate of designations relating to a subsequent series of Preferred Stock, par value \$1.00 per share, of the Company, the Series B Preferred Stock shall rank junior to all series of the Company's Preferred Stock, par value \$1.00 per share, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up.

(B) In addition to any vote of stockholders required by law, the vote of the holders of a majority of the outstanding shares of Series B Preferred Stock shall be required to increase the par value of the Common Stock or otherwise increase the capital of the Company allocable to the Common Stock for the purpose of the Delaware General Corporation Law (the "DGCL") if, as a result thereof, the surplus of the Company for purposes of the DGCL would be less than the amount of Preferred Dividends that would accrue on the then outstanding shares of Series B Preferred Stock during the following three years.

(C) Any shares of Series B Preferred Stock acquired by the Company by reason of the conversion or redemption of such shares as provided by this Resolution, or otherwise so acquired, shall be retired as shares of Series B

Preferred Stock and restored to the status of authorized but unissued shares of Preferred Stock, par value \$1.00 per share, of the Company, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

Section 11. Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Resolution) with postage prepaid, addressed: (i) if to the Company, to its office at 2000 Westchester Avenue, White Plains, New York 10650 (Attention: Secretary) or to the transfer agent for the Series B Preferred Stock, or other agent of the Company designated as permitted by this Resolution or (ii) if to any holder of the Series B Preferred Stock or Common Stock, as the case may be, to such holder at the address of such holder as listed in the stock record books of the Company (which may include the records of any transfer agent for the Series B Preferred Stock or Common Stock, as the case may be) or (iii) to such other address as the Company or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The term "Common Stock" as used in this Resolution means the Company's Common Stock, par value \$6.25 per share, as the same exists at the date of filing of a certificate of designations relating to Series B Preferred Stock or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 of this Resolution, the holder of any share of the Series B Preferred Stock upon thereafter surrendering such shares for conversion, shall become entitled to receive any shares or other securities of the Company other than shares of Common Stock, the Conversion Price in respect of such other shares or securities so receivable upon conversion of shares of Series B Preferred Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in Section 9 hereof, and the provisions of Sections 1 through 8, 10 and 11 of this Resolution with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(C) The Company shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series B Preferred Stock or shares of Common Stock or other securities issued on account of Series B Preferred Stock pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Series B Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series B Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment, to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(D) In the event that a holder of shares of Series B Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series B Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Company shall be entitled to register such shares, and make such payment, in the name of the holder of such Series B

Preferred Stock as shown on the records of the Company and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Company.

(E) Unless otherwise provided in the Restated Certificate of Incorporation, as the same may be amended, of the Company, all payments in the form of dividends, distributions on voluntary or involuntary dissolution, liquidation or winding-up or otherwise made upon the shares of Series B Preferred Stock and any other stock ranking on a parity with the Series B Preferred Stock with respect to such dividend or distribution shall be pro rata, so that amounts paid per share on the Series B Preferred Stock and such other stock shall in all cases bear to each other the same ratio that the required dividends, distributions or payments, as the case may be, then payable per share on the shares of the Series B Preferred Stock and such other stock bear to each other.

(F) The Company may appoint, and from time to time discharge and change, a transfer agent for the Series B Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Company shall send notice thereof by first-class mail postage prepaid, to each holder or record of Series B Preferred Stock.

Series D Junior Participating Preferred Stock

Section 1. Designation and Amount.

The shares of such series shall be designated as "Series D Junior Participating Preferred Stock" and the number of shares constituting such series shall be 3,000,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series D Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series D Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 15th day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series D Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$5.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of common stock, par value \$6.25 per share, of the Company (the "Common Stock") or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series D Junior Participating Preferred Stock. In the event the Company shall at any time after March 16, 1989 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series D Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series D Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$5.00 per share on the Series D Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series D Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series D Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series D Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series D Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series D Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 45 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights.

The holders of shares of Series D Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series D Junior Participating Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series D Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series D Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) If at the time of any annual meeting of stockholders for the election of directors, the equivalent of six quarterly dividends (whether or not consecutive) payable on any share or shares of preferred stock are in default, the number of directors constituting the Board of Directors of the Company shall be increased by two. The holders of record of the Series D Junior Participating Preferred Stock, voting separately as a class with the holders of shares of any one or more other series of preferred stock upon which like voting rights have been conferred, shall be entitled at said meeting of stockholders (and at each subsequent annual meeting of stockholders), unless

all dividends in arrears have been paid or declared and set apart for payment prior thereto, to vote for the election of two directors of the Company, the holders of any Series D Junior Participating Preferred Stock being entitled to cast 100 votes per share of Series D Junior Participating Preferred Stock, with the remaining directors of the Company to be elected by the holders of shares of any other class or classes or series of stock entitled to vote therefor. Until the default in payments of all dividends which permitted the election of said directors shall cease to exist, any director who shall have been so elected pursuant to the next preceding sentence may be removed at any time, either with or without cause, only by the affirmative vote of the holders of the shares at the time entitled to cast a majority of the votes entitled to be cast for the election of any such director at a special meeting of such holders called for that purpose, and any vacancy thereby created may be filled by the vote of such holders. If and when such default shall cease to exist, the holders of the Series D Junior Participating Preferred Stock and the holders of shares of any one or more series of preferred stock upon which like voting rights have been conferred shall be divested of the foregoing special voting rights, subject to reverting in the event of each and every subsequent like default in payments of dividends. Upon the termination of the foregoing special voting rights, the terms of office of all persons who may have been elected directors pursuant to said special voting rights shall forthwith terminate, and the number of directors constituting the Board of Directors shall be reduced by two.

(D) Except as set forth herein, holders of Series D Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) In the event that full cumulative dividends on the Series D Junior Participating Preferred Stock have not been declared and paid or set apart for payment when due, the Company shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of any other class of stock or series thereof of the Company ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series D Junior Participating Preferred Stock until full cumulative dividends on the Series D Junior Participating Preferred Stock shall have been paid or declared and set apart for payment; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series D Junior Participating Preferred Stock or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series D Junior Participating Preferred Stock in exchange solely for shares of any other stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series D Junior Participating Preferred Stock.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares.

Any shares of Series D Junior Participating Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and

may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Company, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series D Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series D Junior Participating Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series D Liquidation Preference"). Following the payment of the full amount of the Series D Liquidation Preference, no additional distributions shall be made to the holders of shares of Series D Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series D Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii) immediately above being referred to as the "Adjustment Number"). Following the payment of the full amount of the Series D Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series D Junior Participating Preferred Stock and Common Stock, respectively, holders of Series D Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to one (1) with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series D Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series D Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc.

In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series D Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock,

or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series D Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Redemption.

The outstanding shares of Series D Junior Participating Preferred Stock may be redeemed at the option of the Board of Directors as a whole, or in part, at any time, or from time to time, at a cash price per share equal to the product of the Adjustment Number times the Average Market Value (as such term is hereinafter defined) of the Common Stock on the date of mailing of the notice of redemption, plus all dividends which on the redemption date have accrued on the shares to be redeemed and have not been paid, or declared and a sum sufficient for the payment thereof set apart, without interest. The "Average Market Value" as of a particular date is the average of the closing sale prices of the Common Stock during the 10 consecutive Trading Day period immediately preceding such date on the Composite Tape for New York Stock Exchange Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934, as amended, on which such stock is listed, or, if such stock is not listed on any such exchange, the average of the closing sale prices with respect to a share of Common Stock during such 10-day period, as quoted on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value of the Common Stock as determined by the Board of Directors in good faith. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of New York are not authorized or obligated by law or executive order to close.

Section 9. Ranking.

The Series D Junior Participating Preferred Stock shall rank junior to the Company's Series B ESOP Convertible Preferred Stock, and shall rank junior to all other series of the Company's Preferred Stock unless the terms of any such other series shall provide otherwise, as to the payment of dividends and the distribution of assets.

Section 10. Amendment.

The Restated Certificate of Incorporation of the Company shall not be further amended in any manner which would materially alter or change the powers, preferences or special rights of the Series D Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series D Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares.

Series D Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series D Junior Participating Preferred Stock.

Series F ESOP Convertible Preferred Stock

Section 1. Designation and Amount; Special Purpose Restricted Transfer Issue.

(A) The shares of such series shall be designated as "Series F ESOP Convertible Preferred Stock" ("Series F Preferred Stock") and the number of shares constituting such series shall be 67,796.61.

(B) Shares of Series F Preferred Stock shall be issued only to State Street Bank and Trust Company, as a trustee (the "Trustee") of the Employees Savings Plan of the Company (the "Plan"). All references to the holder of shares of Series F Preferred Stock shall mean the Trustee or any successor trustee under the Plan. In the event of any transfer of record ownership of shares of Series F Preferred Stock to any person other than any successor trustee under the Plan, the shares of Series F Preferred Stock so transferred, upon such transfer and without any further action by the Company or the holder thereof, shall be automatically converted into shares of Common Stock on the terms otherwise provided for the conversion of shares of Series F Preferred Stock into shares of Common Stock pursuant to Section 5 hereof and no such transferee shall have any of the voting powers, preferences and relative, participating, optional or special rights ascribed to shares of Series F Preferred Stock hereunder but, rather, only the powers and rights pertaining to the Common Stock into which such shares of Series F Preferred Stock shall be so converted. In the event of such a conversion, the transferee of the shares of Series F Preferred Stock shall be treated for all purposes as the record holder of the shares of Common Stock into which such shares of Series F Preferred Stock have been automatically converted as of the date of such transfer. Certificates representing shares of Series F Preferred Stock shall bear a legend to reflect the foregoing provisions. Notwithstanding the foregoing provisions of this paragraph (B) of Section 1, shares of Series F Preferred Stock (i) may be converted into shares of Common Stock as provided by Section 5 hereof and the shares of Common Stock issued upon such conversion may be transferred by the holder thereof as permitted by law and (ii) shall be redeemable by the Company upon the terms and conditions provided by Sections 6, 7 and 8 hereof.

Section 2. Dividends and Distributions.

(A) Subject to the provisions for adjustment hereinafter set forth, the holders of shares of Series F Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends ("Preferred Dividends") in an amount per share equal to \$64.53 per share per annum, and no more, payable semi-annually in arrears, one-half on the 13th day of February and one-half on the 13th day of August of each year (each a "Dividend Payment Date") commencing on August 13, 1990, to holders of record at the start of business on such Dividend Payment Date. In the event that any Dividend Payment Date shall fall on any day other than a "Business Day" (as hereinafter defined), the dividend payment due on such Dividend Payment Date shall be paid on the Business Day immediately preceding such Dividend Payment Date. Preferred Dividends shall begin to accrue on outstanding shares of Series F Preferred Stock from the date of issuance of such shares of Series F Preferred Stock. Preferred Dividends shall accrue on a daily basis whether or not the Company shall have earnings or surplus at the time, but Preferred Dividends accrued after issuance on the shares of Series F Preferred Stock for any period less than a full semi-annual period between Dividend Payment Dates shall be computed on the basis of a 360-day year of 30-day months. Accrued but unpaid Preferred Dividends shall cumulate as of the Dividend Payment Date on which they first become payable, but no interest shall accrue on accumulated but unpaid Preferred Dividends.

(B) So long as any shares of Series F Preferred Stock shall be outstanding, no dividend shall be declared or paid or set apart for payment on any other series of stock ranking on a parity with the Series F Preferred Stock as to dividends, unless there shall also be or have been declared and paid or set apart for payment on the Series F Preferred Stock, dividends for all dividend payment periods of the Series F Preferred Stock ending on or before the

dividend payment date of such parity stock, ratably in proportion to the respective amounts of dividends accumulated and unpaid through such dividend period on the Series F Preferred Stock and accumulated and unpaid on such parity stock through the dividend payment period on such parity stock next preceding such dividend payment date. In the event that full cumulative dividends on the Series F Preferred Stock have not been declared and paid or set apart for payment when due, the Company shall not declare or pay or set apart for payment any dividends or make any other distributions on, or make any payment on account of the purchase, redemption or other retirement of any other class of stock or series thereof of the Company ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series F Preferred Stock until full cumulative dividends on the Series F Preferred Stock shall have been paid or declared and set apart for payment; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series F Preferred Stock or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series F Preferred Stock in exchange solely for shares of any other stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Company, junior to the Series F Preferred Stock.

Section 3. Voting Rights.

The holders of shares of Series F Preferred Stock shall have the following voting rights:

(A) The holders of Series F Preferred Stock shall be entitled to vote on all matters submitted to a vote of the stockholders of the Company, voting together with the holders of Common Stock as one class. The holder of each share of Series F Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which such share of Series F Preferred Stock could be converted on the record date for determining the stockholders entitled to vote, rounded to the nearest one-tenth of a vote; it being understood that whenever the "Conversion Price" (as defined in Section 5 hereof) is adjusted as provided in Section 9 hereof, the voting rights of the Series F Preferred Stock shall also be similarly adjusted.

(B) Except as otherwise required by law or set forth herein, holders of Series F Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for the taking of any corporate action; provided, however, that the vote of at least 66 2/3% of the outstanding shares of Series F Preferred Stock, voting separately as a series, shall be necessary to adopt any alteration, amendment or repeal of any provision of the Restated Certificate of Incorporation of the Company, as amended, or this Resolution (including any such alteration, amendment or repeal effected by any merger or consolidation in which the Company is the surviving or resulting corporation), if such amendment, alteration or repeal would alter or change the powers, preferences, or special rights of the shares of Series F Preferred Stock so as to affect them adversely.

Section 4. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of Series F Preferred Stock shall be entitled to receive out of assets of the Company which remain after satisfaction in full of all valid claims of creditors of the Company and which are available for payment to stockholders, and subject to the rights of the holders of any stock of the Company ranking senior to or on a parity with the Series F Preferred Stock in respect of distributions upon liquidation, dissolution or winding up of the Company, before any amount shall be paid or distributed among the

holders of Common Stock or any other shares ranking junior to the Series F Preferred Stock in respect of distributions upon liquidation, dissolution or winding up of the Company, liquidating distributions in the amount of \$737.50 per share, plus an amount equal to all accrued and unpaid dividends thereon to the date fixed for distribution, and no more. If upon any liquidation, dissolution or winding up of the Company, the amounts payable with respect to the Series F Preferred Stock and any other stock ranking as to any such distribution on a parity with the Series F Preferred Stock are not paid in full, the holders of the Series F Preferred Stock and such other stock shall share ratably in any distribution of assets in proportion to the full respective preferential amounts to which they are entitled. After payment of the full amount to which they are entitled as provided by the foregoing provisions of this paragraph 4(A), the holders of shares of Series F Preferred Stock shall not be entitled to any further right or claim to any of the remaining assets of the Company.

(B) Neither the merger or consolidation of the Company with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Company, nor the sale, lease, exchange or other transfer of all or any portion of the assets of the Company, shall be deemed to be a dissolution, liquidation or winding up of the affairs of the Company for purposes of this Section 4, but the holders of Series F Preferred Stock shall nevertheless be entitled in the event of any such merger or consolidation to the rights provided by Section 8 hereof.

(C) Written notice of any voluntary or involuntary liquidation, dissolution or winding up of the Company, stating the payment date or dates when, and the place or places where, the amounts distributable to holders of Series F Preferred Stock in such circumstances shall be payable, shall be given by first-class mail, postage prepaid, mailed not less than twenty (20) days prior to any payment date stated therein, to the holders of Series F Preferred Stock, at the address shown on the books of the Company or any transfer agent for the Series F Preferred Stock.

Section 5. Conversion into Common Stock.

(A) A holder of shares of Series F Preferred Stock shall be entitled, at any time prior to the close of business on the date fixed for redemption of such shares pursuant to Sections 6, 7 and 8 hereof, to cause any or all of such shares to be converted into shares of Common Stock, initially at a conversion rate equal to the ratio of \$737.50 to the amount which initially shall be \$73.75 and which shall be adjusted as hereinafter provided (and, as so adjusted, is hereinafter sometimes referred to as the "Conversion Price") (that is, a conversion rate initially equivalent to ten shares of Common Stock for each share of Series F Preferred Stock so converted, which is subject to adjustment as the Conversion Price is adjusted as hereinafter provided).

(B) Any holder of shares of Series F Preferred Stock desiring to convert such shares into shares of Common Stock shall surrender the certificate or certificates representing the shares of Series F Preferred Stock being converted, duly assigned or endorsed for transfer to the Company (or accompanied by duly executed stock powers relating thereto), at the principal executive office of the Company or the offices of the transfer agent for the Series F Preferred Stock or such office or offices in the continental United States of an agent for conversion as may from time to time be designated by notice to the holders of the Series F Preferred Stock by the Company or the transfer agent for the Series F Preferred Stock, accompanied by written notice of conversion. Such notice of conversion shall specify (i) the number of shares of Series F Preferred Stock to be converted and the name or names in which such holder wishes the certificates certificate or for Common Stock and for any shares of Series F Preferred Stock not to be so converted to be issued and (ii) the address to which such holder wishes delivery to be made of such new certificates to be issued upon such conversion.

(C) Upon surrender of a certificate representing a share or shares of Series F Preferred Stock for conversion, the Company shall issue and send by hand delivery (with receipt to be acknowledged) or by first-class mail, postage prepaid, to the holder thereof or to such holder's designee, at the address designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled upon conversion. In the event that there shall have been surrendered a certificate or certificates representing shares of Series F Preferred Stock, only part of which are to be converted, the Company shall issue and deliver to such holder or such holder's designee a new certificate or certificates representing the number of shares of Series F Preferred Stock which shall not have been converted.

(D) The issuance by the Company of shares of Common Stock upon a conversion of shares of Series F Preferred Stock into shares of Common Stock made at the option of the holder thereof shall be effective as of the earlier of (i) the delivery to such holder or such holder's designee of the certificates representing the shares of Common Stock issued upon conversion thereof or (ii) the commencement of business on the second business day after the surrender of the certificate or certificates for the shares of Series F Preferred Stock to be converted, duly assigned or endorsed for transfer to the Corporation (or accompanied by duly executed stock powers relating thereto) as provided by this Resolution. On and after the effective day of conversion, the person or persons entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock, but no allowance or adjustment shall be made in respect of dividends payable to holders of Common Stock in respect of any period prior to such effective date. The Company shall not be obligated to pay any dividends which shall have been declared and shall be payable to holders of shares of Series F Preferred Stock on a Dividend Payment Date if such Dividend Payment Date for such dividend is subsequent to the effective date of conversion of such shares.

(E) The Company shall not be obligated to deliver to holders of Series F Preferred Stock any fractional share or shares of Common Stock issuable upon any conversion of such shares of Series F Preferred Stock, but in lieu thereof may make a cash payment in respect thereof in any manner permitted by law.

(F) The Company shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for issuance upon the conversion of shares of Series F Preferred Stock as herein provided, free from any preemptive rights, such number of shares of Common Stock as shall from time to time be issuable upon the conversion of all the shares of Series F Preferred Stock then outstanding. Nothing contained herein shall preclude the Company from issuing shares of Common Stock held in its treasury upon the conversion of shares of Series F Preferred Stock into Common Stock pursuant to the terms hereof. The Company shall prepare and shall use its best efforts to obtain and keep in force such governmental or regulatory permits or other authorizations as may be required by law, and shall comply with all requirements as to registration or qualification of the Common Stock, in order to enable the Company lawfully to issue and deliver to each holder of record of Series F Preferred Stock such number of shares of its Common Stock as shall from time to time be sufficient to effect the conversion of all shares of Series F Preferred Stock then outstanding and convertible into shares of Common Stock.

Section 6. Redemption At the Option of the Company.

(A) The Series F Preferred Stock shall be redeemable, in whole or in part, at

the option of the Company at any time after February 13, 1993, or at any time after the date of issuance, if permitted by paragraph (D) of this Section 6, at the following redemption prices per share:

During the Twelve-Month Period Beginning February 13	Price Per Share
1990	\$802.03
1991	\$795.58
1992	\$789.12
1993	\$782.67
1994	\$776.22
1995	\$769.77
1996	\$763.31
1997	\$756.86
1998	\$750.41
1999	\$743.95

and thereafter at \$737.50 per share, plus, in each case, an amount equal to all accrued and unpaid dividends thereon to the date fixed for redemption. Payment of the redemption price shall be made by the Company in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (F) of this Section 6. From and after the date fixed for redemption, dividends on shares of Series F Preferred Stock called for redemption will cease to accrue, such shares will no longer be deemed to be outstanding and all rights in respect of such shares of the Company shall cease, except the right to receive the redemption price. If less than all of the outstanding shares of Series F Preferred Stock are to be redeemed, the Company shall either redeem a portion of the shares of each holder determined pro rata based on the number of shares held by each holder or shall select the shares to be redeemed by lot, as may be determined by the Board of Directors of the Company.

(B) Unless otherwise required by law, notice of redemption will be sent to the holders of Series F Preferred Stock at the address shown on the books of the Company or any transfer agent for the Series F Preferred Stock by first-class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the Series F Preferred Stock to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series F Preferred Stock at the time. Upon surrender of the certificate for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors of the Company shall so require and the notice shall so state), such shares shall be redeemed by the Company at the date fixed for redemption and at the redemption price set forth in this Section 6.

(C) In the event of a change in the federal tax law of the United States of America which has the effect of materially limiting the Company from claiming any of the tax deductions for dividends paid on the Series F Preferred Stock when such dividends are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series F Preferred Stock are initially issued, the Company may, in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem any or all of such shares for the amount payable in respect of the shares upon liquidation of the Company pursuant to Section 4 hereof.

(D) Notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Company may elect to redeem any or all of the shares of Series F Preferred Stock at any time on or prior to February 13, 1993 on the terms and conditions set forth in paragraphs (A) and (B) of this Section 6, if the last reported sales price, regular way, of a share of Common Stock, as reported on the New York Stock Exchange Composite Tape or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, Inc. (the "NYSE"), on the principal national securities exchange on which such stock is listed or admitted to trading or, if the Common Stock is not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or, if Common Stock is not quoted on such National Market System, the average of the closing bid and asked prices in the over-the-counter market as reported by NASDAQ, for at least twenty (20) trading days within a period of thirty (30) consecutive trading days ending within five (5) days of the notice of redemption, equals or exceeds one hundred fifty percent (150%) of the Conversion Price (giving effect in making such calculation to any adjustments required by Section 9 hereof).

(E) In the event that shares of Series F Preferred Stock are held by an employee benefit plan intended to qualify as an employee stock ownership plan within the meaning of Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), and such plan does not so qualify, the Corporation may in its sole discretion and notwithstanding anything to the contrary in paragraph (A) of this Section 6, elect to redeem any or all of such shares of Series F Preferred Stock for the amount payable in respect of the shares upon liquidation of the Company pursuant to Section 4 hereof.

(F) In the event that the Plan is terminated or the employee stock ownership plan component of the Plan pursuant to which the shares of Series F Preferred Stock are then held by the Trustee is eliminated from the Plan in accordance with its terms, and notwithstanding anything to the contrary in paragraph (A) of this Section 6, the Company shall, as soon thereafter as practicable, call for redemption all then outstanding shares of Series F Preferred Stock for the amount payable in respect of the shares upon liquidation of the Company pursuant to Section 4 hereof.

(G) The Company, at its option, may make payment of the redemption price required upon redemption of shares of Series F Preferred Stock in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares of Common Stock to be valued for such purposes at their Fair Market Value (as defined in paragraph (G) of Section 9 hereof).

Section 7. Other Redemption Rights.

Shares of Series F Preferred Stock shall be redeemed by the Company for cash or, if the Company so elects, in shares of Common Stock, or a combination of such shares and cash, any such shares of Common Stock to be valued for such purpose as provided by paragraph (G) of Section 6, at a redemption price of \$737.50 per share plus accrued and unpaid dividends thereon to the date fixed for redemption, at the option of the holder, at any time and from time to time upon notice to the Company given not less than five (5) business days prior to the date fixed by the holder in such notice for such redemption, upon certification by such holder to the Company of the following events: (i) when and to the extent necessary for such holder to provide for distributions required to be made to participants under, or to satisfy an investment election provided to participants in accordance with, the Plan, or any successor plan; or (ii) in the event that the Plan is not initially determined by the Internal Revenue Service to be qualified within the meaning of Sec. 401(a) of the Code or the employee stock ownership plan component of the Plan is not initially determined by the Internal Revenue Service to be qualified within the meaning of Sec. Number 4975(e)(7) of the Code.

Section 8. Consolidation, Merger, etc.

(A) In the event that the Company shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged solely for or changed, reclassified or converted solely into stock of any successor or resulting corporation (including the Company) that constitutes "qualifying employer securities" with respect to a holder of Series F Preferred Stock within the meaning of Section 409(1) of the Code and Section 407(d)(5) of the Employee Retirement Income Security Act of 1974, as amended, or any successor provisions of law, and, if applicable, for a cash payment in lieu of fractional shares, if any, the shares of Series F Preferred Stock of such holder shall, in connection with such consolidation, merger or similar business combination, be assumed by and shall become preferred stock of such successor or resulting corporation, having in respect of such corporation, insofar as possible, the same powers, preferences and relative, participating, optional or other special rights (including the redemption rights provided by Sections 6, 7 and 8 hereof), and the qualifications, limitations or restrictions thereon, that the Series F Preferred Stock had immediately prior to such transaction, except that after such transaction each share of the Series F Preferred Stock shall be convertible, otherwise on the terms and conditions provided by Section 5 hereof, into the number and kind of qualifying employer securities so receivable by a holder of the number of shares of Common Stock into which such shares of Series F Preferred Stock could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the Series F Preferred Stock, then the shares of Series F Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series F Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election to receive any kind or amount of stock, securities, cash or other property (other than such qualifying employer securities and a cash payment, if applicable, in lieu of fractional shares) receivable upon such transaction (provided that, if the kind or amount of qualifying employer securities receivable upon such transaction is not the same for each non-electing share, then the kind and amount so receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by the plurality of the non-electing shares). The rights of the Series F Preferred Stock as preferred stock of such successor or resulting corporation shall successively be subject to adjustments pursuant to Section 9 hereof after any such transaction as nearly equivalent as practicable to the adjustment provided for by such section prior to such transaction. The Company shall not consummate any such merger, consolidation or similar transaction unless all then outstanding shares of Series F Preferred Stock shall be assumed and authorized by the successor or resulting corporation as aforesaid.

(B) In the event that the Company shall consummate any consolidation or merger or similar business combination, pursuant to which the outstanding shares of Common Stock are by operation of law exchanged for or changed, reclassified or converted into other stock or securities or cash or any other property, or any combination thereof, other than any such consideration which is constituted solely of qualifying employer securities (as referred to in paragraph (A) of this Section 8) and cash payments, if applicable, in lieu of fractional shares, outstanding shares of Series F Preferred Stock shall, without any action on the part of the Company or any holder thereof (but subject to paragraph (C) of this Section 8), be automatically converted by virtue of such merger, consolidation or similar transaction immediately prior to such consummation into the number of shares of Common Stock into which such shares of Series F Preferred Stock could have been converted at such time so that each share of Series F Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash

or other property (payable in like kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series F Preferred Stock could have been converted immediately prior to such transaction; provided, however, that if by virtue of the structure of such transaction, a holder of Common Stock is required to make an election with respect to the nature and kind of consideration to be received in such transaction, which election cannot practicably be made by the holders of the Series F Preferred Stock, then the shares of Series F Preferred Stock shall, by virtue of such transaction and on the same terms as apply to the holders of Common Stock, be converted into or exchanged for the aggregate amount of stock, securities, cash or other property (payable in kind) receivable by a holder of the number of shares of Common Stock into which such shares of Series F Preferred Stock could have been converted immediately prior to such transaction if such holder of Common Stock failed to exercise any rights of election as to the kind or amount of stock, securities, cash or other property receivable upon such transaction (provided that, if the kind or amount of stock, securities, cash or other property receivable upon such transaction is not the same for each non-electing share, then the kind and amount of stock, securities, cash or other property receivable upon such transaction for each non-electing share shall be the kind and amount so receivable per share by a plurality of the non-electing shares).

(C) In the event the Company shall enter into any agreement providing for any consolidation or merger or similar business combination described in paragraph (B) of this Section 8, then the Company shall as soon as practicable thereafter (and in any event at least ten (10) business days before consummation of such transaction) give notice of such agreement and the material terms thereof to each holder of Series F Preferred Stock and each such holder shall have the right to elect, by written notice to the Company, to receive, immediately prior to the consummation of such transaction (if and when such transaction is consummated), from the Company or the successor of the Company, in redemption and retirement of such Series F Preferred Stock, a cash payment equal to the amount payable in respect of shares of Series F Preferred Stock upon liquidation of the Company pursuant to Section 4 thereof. No such notice of redemption shall be effective unless given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction, unless the Company or the successor of the Company shall waive such prior notice, but any notice of redemption so given prior to such time may be withdrawn by notice of withdrawal given to the Company prior to the close of business on the fifth business day prior to consummation of such transaction.

Section 9. Anti-Dilution Adjustments.

(A) In the event the Company shall, at any time or from time to time while any of the shares of the Series F Preferred Stock are outstanding, (i) pay a dividend or make a distribution in respect of the Common Stock in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, in each case whether by reclassification of shares, recapitalization of the Company (including a recapitalization effected by a merger or consolidation to which Section 8 hereof does not apply) or otherwise, the Conversion Price in effect immediately prior to such action shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event, and the denominator of which is the number of shares of Common Stock outstanding immediately after such event. An adjustment made pursuant to this paragraph 9(A) shall be given effect, upon payment of such a dividend or distribution, as of the record date for the determination of stockholders entitled to receive such dividend or distribution (on a retroactive basis) and in the case of a subdivision or combination shall become effective immediately as of the effective date thereof.

(B) In the event that the Company shall, at any time or from time to time while any of the shares of Series F Preferred Stock are outstanding, issue to holders of shares of Common Stock as a dividend or distribution, including by way of a reclassification of shares or a recapitalization of the Company, any

right or warrant to purchase shares of Common Stock (but not including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) at a purchase price per share less than the Fair Market Value (as hereinafter defined) of a share of Common Stock on the date of issuance of such right or warrant, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the number of shares of Common Stock which could be purchased at the Fair Market Value of a share of Common Stock at the time of such issuance for the maximum aggregate consideration payable upon exercise in full of all such rights or warrants, and the denominator of which shall be the number of shares of Common Stock outstanding immediately before such issuance of rights or warrants plus the maximum number of shares of Common Stock that could be acquired upon exercise in full of all such rights and warrants.

(C) In the event the Company shall, at any time or from time to time while any of the shares of Series F Preferred Stock are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock) and other than pursuant to any employee or director incentive or benefit plan or arrangement, including any employment, severance or consulting agreement, of the Company or any subsidiary of the Company heretofore or hereafter adopted) for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Fair Market Value of such shares on the date of issuance, sale or exchange, then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (i) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (ii) the Fair Market Value of the consideration received by the Company in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Company. In the event the Company shall, at any time or from time to time while any shares of Series F Preferred Stock are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Company) and other than pursuant to any employee or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Company or any subsidiary of the Company heretofore or hereafter adopted, for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Non-Dilutive Amount (as hereinafter defined), then, subject to the provisions of paragraphs (E) and (F) of this Section 9, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (I) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (II) the Fair Market Value of the consideration received by the Company in respect of such issuance, sale or exchange of such right or warrant plus (III) the Fair Market Value at the time of such issuance of the consideration which the Company would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (A) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (B) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of

the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(D) In the event the Company shall, at any time or from time to time while any of the shares of Series F Preferred Stock are outstanding, make an Extraordinary Distribution (as hereinafter defined) in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Company (including a recapitalization or reclassification effected by a merger or consolidation to which Section 8 hereof does not apply) or effect a Pro Rata Repurchase (as hereinafter defined) of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to paragraphs (E) and (F) of this Section 9, be adjusted by multiplying such Conversion Price by the fraction the numerator of which is (i) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or the earlier of the ex-dividend date and the distribution date in the event of an Extraordinary Distribution, a portion of which is paid in cash and a portion of which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, minus (ii) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (a) the number of shares of Common Stock outstanding immediately before such Extraordinary Dividend or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Company multiplied by (b) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or the earlier of the ex-dividend date and the distribution date in the event of an Extraordinary Distribution, a portion of which is paid in cash and a portion of which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Company shall send each holder of Series F Preferred Stock (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Company to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Company pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series F Preferred Stock may be converted at such time.

(E) Notwithstanding any other provisions of this Section 9, the Company shall not be required to make any adjustment to the Conversion Price unless such adjustment would require an increase or decrease of at least one percent (1%) in the Conversion Price. Any lesser adjustment shall be carried forward and shall be made no later than the time of, and together with, the next subsequent adjustment which, together with any adjustment or adjustments so carried forward, shall amount to an increase or decrease of at least one percent (1%) in the Conversion Price.

(F) If the Company shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Company or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price

pursuant to the foregoing provisions of this Section 9, the Board of Directors of the Company shall consider whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors of the Company determines that an adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors of the Company. The determination of the Board of Directors of the Company as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this paragraph 9(F), and, if so, as to what adjustment should be made and when, shall be final and binding on the Company and all stockholders of the Company. The Company shall be entitled to make such additional adjustments in the Conversion Price, in addition to those required by the foregoing provisions of this Section 9, as shall be necessary in order that any dividend or distribution in shares of capital stock of the Company, subdivision, reclassification or combination of shares of stock of the Company or any recapitalization of the Company shall not be taxable to the holders of the Common Stock.

(G) For purposes of this Resolution, the following definitions shall apply:

"Business Day" shall mean each day that is not a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York, are not required to be open.

"Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Company or any other issuer for any day shall mean the last reported sales price, regular way, or, in the event that no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the NYSE, on the principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the NASDAQ National Market System or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any NYSE member firm regularly making a market in such security selected for such purpose by the Board of Directors of the Company or a committee thereof, in each case, on each trading day during the Adjustment Period.

"Adjustment Period" shall mean the period of five (5) consecutive trading days preceding, and including, the date as of which the Fair Market Value of a security is to be determined. The "Fair Market Value" of any security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors of the Company or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors of the Company or such committee.

"Extraordinary Distribution" shall mean any dividend or other distribution to holders of Common Stock (effected while any of the shares of Series F Preferred Stock are outstanding) (i) of cash (other than a regularly scheduled quarterly dividend not exceeding 120% of the average quarterly dividends for the preceding period of 12 months), where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of 12 months (other than regularly scheduled quarterly dividends not exceeding 120% of the aggregate quarterly dividends for the preceding period of 12 months), when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase

which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds nine and one-half percent (9 1/2%) the aggregate Fair Market Value of all shares of Common Stock outstanding on the day before the ex-dividend date with respect to such Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, and/or (ii) of any shares of capital stock of the Company (other than shares of Common Stock), other securities of the Company (other than securities of the type referred to in paragraph (B) or (C) of this Section 9), evidences of indebtedness of the Company or any other person or any other property (including shares of any subsidiary of the Company) or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of paragraph (D) of this Section 9 shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends (other than regularly scheduled quarterly dividends not exceeding 120% of the aggregate quarterly dividends for the preceding period of 12 months) which are not Extraordinary Distributions made during such 12-month period and not previously included in the calculation of an adjustment pursuant to paragraph (D) of this Section 9.

"Fair Market Value" shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Company or any other issuer which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period.

"Non-Dilutive Amount" in respect of an issuance, sale or exchange by the Company of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the remainder of (i) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, minus (ii) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; provided, however, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Company.

"Pro Rata Repurchase" shall mean any purchase of shares of Common Stock by the Company or any subsidiary thereof, whether for cash, shares of capital stock of the Company, other securities of the Company, evidences of indebtedness of the Company or any other person or any other property (including shares of a subsidiary of the Company), or any combination thereof, effected while any of the shares of Series F Preferred Stock are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; provided, however, that no purchase of shares by the Company, or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this paragraph 9(G), shares shall be deemed to have been purchased by the Company or any subsidiary thereof "in open market transactions" if they have been purchased substantially in accordance with the requirements of Rule 10b-18 as in effect under the Exchange Act, on the date shares of Series F Preferred Stock are initially issued by the Company or on such other terms and conditions as the Board of Directors of the Company or a committee thereof shall have

determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

Whenever an adjustment to the Conversion Price and the related voting rights of the Series F Preferred Stock is required pursuant to this Resolution, the Company shall forthwith place on file with the transfer agent for the Common Stock and the Series F Preferred Stock, and with the Secretary of the Company, a statement signed by two officers of the Company stating the adjusted Conversion Price determined as provided herein and the resulting conversion ratio, and the voting rights (as appropriately adjusted), of the Series F Preferred Stock. Such statement shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment, including any determination of Fair Market Value involved in such computation. Promptly after each adjustment to the Conversion Price and the related voting rights of the Series F Preferred Stock, the Company shall mail a notice thereof and of the then prevailing conversion ratio to each holder of shares of the Series F Preferred Stock.

Section 10. Ranking; Attributable Capital and Adequacy of Surplus; Retirement of Shares.

(A) The Series F Preferred Stock shall rank senior to the Common Stock and to the Series D Junior Participating Preferred Stock, par value \$1.00 per share, as to the payment of dividends and the distribution of assets on liquidation, dissolution and winding up of the Company, on a parity with the Company's Series B ESOP Convertible Preferred Stock, par value \$1.00 per share, the Company's Series C Variable Rate Cumulative Preferred Stock, par value \$1.00 per share and the Company's Series E Variable Rate Cumulative Preferred Stock, par value \$1.00 per share, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up, and, unless otherwise provided in the Restated Certificate of Incorporation of the Company, as the same may be amended, or a Certificate of Designations relating to a subsequent series of Preferred Stock, par value \$1.00 per share, of the Company, the Series F Preferred Stock shall rank junior to all series of the Company's Preferred Stock, par value \$1.00 per share, as to the payment of dividends and the distribution of assets on liquidation, dissolution or winding up.

(B) In addition to any vote of stockholders required by law, the vote of the holders of a majority of the outstanding shares of Series F Preferred Stock shall be required to increase the par value of the Common Stock or otherwise increase the capital of the Company allocable to the Common Stock for the purpose of the Delaware General Corporation Law (the "DGCL") if, as a result thereof, the surplus of the Company for purposes of the DGCL would be less than the amount of Preferred Dividends that would accrue on the then outstanding shares of Series F Preferred Stock during the following three years.

(C) Any shares of Series F Preferred Stock acquired by the Company by reason of the conversion or redemption of such shares as provided by this Resolution, or otherwise so acquired, shall be retired as shares of Series F Preferred Stock and restored to the status of authorized but unissued shares of Preferred Stock, par value \$1.00 per share, of the Company, undesignated as to series, and may thereafter be reissued as part of a new series of such Preferred Stock as permitted by law.

Section 11. Miscellaneous.

(A) All notices referred to herein shall be in writing, and all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) business days after the mailing thereof if sent by registered mail (unless first-class mail shall be specifically permitted for such notice under the terms of this Resolution) with postage prepaid, addressed: (i) if to the Company, to its office at 2000 Westchester Avenue, White Plains, New York 10650 (Attention: Secretary) or to the transfer agent for the Series F Preferred Stock, or other agent of the Company designated as permitted by this Resolution or (ii) if to any holder of the Series F Preferred Stock or Common Stock, as the case may be, to such holder at the address of

such holder as listed in the stock record books of the Company (which may include the records of any transfer agent for the Series F Preferred Stock or Common Stock, as the case may be) or (iii) to such other address as the Company or any such holder, as the case may be, shall have designated by notice similarly given.

(B) The term "Common Stock" as used in this Resolution means the Company's Common Stock, par value \$6.25 per share, as the same exists at the date of filing of a Certificate of Designations relating to Series F Preferred Stock or any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that, at any time as a result of an adjustment made pursuant to Section 9 of this Resolution, the holder of any share of the Series F Preferred Stock upon thereafter surrendering such shares for conversion, shall become entitled to receive any shares or other securities of the Company other than shares of Common Stock, the Conversion Price in respect of such other shares or securities so receivable upon conversion of shares of Series F Preferred Stock shall thereafter be adjusted, and shall be subject to further adjustment from time to time, in a manner and on terms as nearly equivalent as practicable to the provisions with respect to Common Stock contained in Section 9 hereof, and the provisions of Sections 1 through 8, 10 and 11 of this Resolution with respect to the Common Stock shall apply on like or similar terms to any such other shares or securities.

(C) The Company shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Series F Preferred Stock or shares of Common Stock or other securities issued on account of Series F Preferred Stock pursuant hereto or certificates representing such shares or securities. The Company shall not, however, be required to pay any such tax which may be payable in respect of any transfer involved in the issuance or delivery of shares of Series F Preferred Stock or Common Stock or other securities in a name other than that in which the shares of Series F Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, or in respect of any payment to any person with respect to any such shares or securities other than a payment to the registered holder thereof, and shall not be required to make any such issuance, delivery or payment unless and until the person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(D) In the event that a holder of shares of Series F Preferred Stock shall not by written notice designate the name in which shares of Common Stock to be issued upon conversion of such shares should be registered or to whom payment upon redemption of shares of Series F Preferred Stock should be made or the address to which the certificate or certificates representing such shares, or such payment, should be sent, the Company shall be entitled to register such shares, and make such payment, in the name of the holder of such Series F Preferred Stock as shown on the records of the Company and to send the certificate or certificates representing such shares, or such payment, to the address of such holder shown on the records of the Company.

(E) Unless otherwise provided in the Restated Certificate of Incorporation, as the same may be amended, of the Company, all payments in the form of dividends, distributions on voluntary or involuntary dissolution, liquidation or winding-up or otherwise made upon the shares of Series F Preferred Stock and any other stock ranking on a parity with the Series F Preferred Stock with respect to such dividend or distribution shall be pro rata, so that amounts paid per share on the Series F Preferred Stock and such other stock shall in all cases bear to each other the same ratio that the required dividends, distributions or payments, as the case may be, then payable per share on the shares of the Series F Preferred Stock and such other stock bear to each other.

(F) The Company may appoint, and from time to time discharge and change, a transfer agent for the Series F Preferred Stock. Upon any such appointment or discharge of a transfer agent, the Company shall send notice thereof by first-class mail, postage prepaid, to each holder of record of Series F Preferred Stock.

Market Auction Preferred Shares

Section 1. Designation; Amount and Series.

The Preferred Stock authorized hereby consists of 1,200 shares (each share a series) designated as "Market Auction Preferred Shares" (referred to as the "Auction Preferred", the "Preferred Stock" or the "Remarketing Preferred") issuable in the following groups of series (each group a "Series"): 300 shares designated "Market Auction Preferred Shares, Series G-1 through G-300" (the "Series G Preferred Stock"), 300 shares designated "Market Auction Preferred Shares, Series H-1 through H-300" (the "Series H Preferred Stock"), 300 shares designated "Market Auction Preferred Shares, Series I-1 through I-300" (the "Series I Preferred Stock") and 300 shares designated "Market Auction Preferred Shares, Series J-1 through J-300" (the "Series J Preferred Stock"). Except as expressly provided herein, each share of each separate Series of Auction Preferred shall be identical and equal in all aspects to every other share of such Series, and the shares of all of the Series shall be identical and equal in all respects.

Section 2. Definitions.

Any references to Sections or subsections that are made in this part of Article IV(B) shall be to Sections or subsections contained in this part of Article IV(B). Unless the context or use indicates another or different meaning or intent, the following terms shall have the following meanings when used in this part of Article IV(B), whether used in the singular or plural:

"Act" means the Securities Act of 1933, as amended.

"Additional Payments" means an amount equal to the product of (i) the Default Rate on the date on which such Failure to Deposit occurred (or, if such Failure to Deposit relates to a failure to pay dividends other than at the end of a Dividend Period, the Default Rate computed using the Percentage applicable to the rating category below "baa3" or "BBB-" as of the Business Day immediately preceding the Auction Date or the date of the immediately preceding Remarketing for such shares), times (ii) a fraction, the numerator of which will be the number of days during which such failure existed and was not cured as described in Section 3(i)(B) (including the day such failure occurs and excluding the day such failure is cured) and the denominator of which will be 360, times (iii) the full amount of the dividends required to be paid on the Dividend Payment Date with respect to which such failure occurred.

"Affiliate" means any Person controlled by, in control of, or under common control with, the Corporation.

"Applicable 'AA' Composite Commercial Paper Rate", on any date, means, in the case of any Dividend Period of (1) 1 to 48 days, the interest equivalent of the 30-day rate, (2) 49 days or more but less than 70 days, the interest equivalent of the 60-day rate, (3) 70 days or more but less than 85 days, the arithmetic average of the interest equivalent of the 60-day and 90-day rates, (4) 85 days or more but less than 120 days, the interest equivalent of the 90-day rate, (5) 120 days or more but less than 148 days, the arithmetic average of the interest equivalent of the 90-day and 180-day rates, (6) 148 days or more but less than 184 days, the interest equivalent of the 180-day rate, in each case, on commercial paper placed on behalf of issuers whose

corporate bonds are rated "AA" by S&P or "Aa" by Moody's, or the equivalent of such rating by another rating agency, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date. In the event that the Federal Reserve Bank of New York does not make available any of the foregoing rates, then such rates shall be the 30-day, 60-day, 90-day or 180-day rate or arithmetic average of such rates, as the case may be, as quoted on a discount basis or otherwise, by the Commercial Paper Dealers to the Auction Agent or the applicable Remarketing Agent as of the close of business on the Business Day next preceding such date. If any Commercial Paper Dealer does not quote a rate required to determine the Applicable "AA" Composite Commercial Paper Rate, the Applicable "AA" Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer (if any) and any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers selected by the Corporation to provide such rate or rates or, if the Corporation does not select any Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer (if any). For purposes of this definition, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security.

"Applicable Determining Rate" means (i) for any Dividend Period from 1 to 48 days, Standard Dividend Period or Short-Dividend Period of 183 days or less, the Applicable "AA" Composite Commercial Paper Rate, (ii) for any Short Dividend Period of 184 to 364 days, the Applicable Treasury Bill Rate and (iii) for any Long Dividend Period, the Applicable Treasury Note Rate.

"Applicable Rate" means the dividend rate payable on a share of Preferred Stock for any Dividend Period subsequent to the Initial Dividend Period for such share established pursuant to Section 3 below.

"Applicable Treasury Bill Rate" for any Short Dividend Period in excess of 183 days and "Applicable Treasury Note Rate" for any Long Dividend Period, on any date, means the interest equivalent of the rate for direct obligations of the United States Treasury having an original maturity which is equal to, or next lower than, the length of such Short Dividend Period or Long Dividend Period, as the case may be, as published weekly by the Federal Reserve Board in "Federal Reserve Statistical Release H.15(519)-Selected Interest Rates", or any successor publication by the Federal Reserve Board, within 5 Business Days preceding such date. In the event that the Federal Reserve Board does not publish such rate, or if such release is not available, the Applicable Treasury Bill Rate or Applicable Treasury Note Rate will be the arithmetic mean of the secondary market bid rates as of approximately 3:30 P.M., New York City time, on the Business Day next preceding such date of the U.S. Government Securities Dealers furnished to the Auction Agent or the applicable Remarketing Agent for the issue of direct obligations of the United States Treasury, in an aggregate principal amount of at least \$250,000 with a remaining maturity equal to, or next lower than, the length of such Short Dividend Period or Long Dividend Period, as the case may be. If any U.S. Government Securities Dealer does not quote a rate required to determine the Applicable Treasury Bill Rate or the Applicable Treasury Note Rate, the Applicable Treasury Bill Rate or Applicable Treasury Note Rate shall be determined on the basis of the quotation or quotations furnished by the remaining U.S. Government Securities Dealer (if any) or any Substitute U.S. Government Securities Dealer or Dealers selected by the Corporation to provide such rate or rates or, if the Corporation does not select any such Substitute U.S. Government Securities Dealer, by the remaining U.S. Government Securities Dealer (if any); provided that, if the Corporation is unable to cause such quotations to be furnished to the Auction Agent or the applicable Remarketing Agent by such sources, the Corporation may cause such rates to be furnished to the Auction Agent or the applicable Remarketing Agent by such alternative source as the Corporation in good faith deems to be reliable. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis shall be equal to the quotient of (A) the discount rate divided by (B) the difference between 1.00 and the discount rate.

"Articles of Incorporation" means the Restated Certificate of Incorporation, as amended, of the Corporation.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means The Bank of New York, unless or until another bank or trust company has been appointed as such by the Corporation.

"Auction Agent Agreement" has the meaning set forth in Section 8 below.

"Auction Date" means, for any Series of Auction Preferred, the first Business Day preceding the first day of each Dividend Period for such Series other than the Initial Dividend Period for such Series.

"Auction Method" means a method of determining Dividend Periods and dividend rates for the Auction Preferred of a Series pursuant to the Auction Procedures.

"Auction Preferred" means the Auction Preferred, including the Converted Remarketing Preferred, being auctioned pursuant to the Auction Procedures.

"Auction Procedures" means the procedures for conducting Auctions set forth in Section 7 below.

"Board of Directors" means the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors acting on behalf thereof.

"Broker-Dealer" means any broker-dealer, or other entity permitted by law to perform the functions required of a Broker-Dealer in these Auction Procedures, that has been selected by the Corporation and has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective.

"Business Day" means a day on which the New York Stock Exchange is open for trading and which is not a day on which banks in The City of New York are authorized or obliged by law to close.

"Certificate of Designations" or "Certificate" means the Certificate of Designations, Preferences and Rights of Market Auction Preferred Shares of the Corporation dated and filed with the Delaware Secretary of State on December 22, 1992.

"Chief Financial Officer" has the meaning set forth in Section 3(g)(ii) below.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Paper Dealers" means Morgan Stanley and First Boston or, in lieu thereof, their respective affiliates or successors.

"Converted Auction Preferred" means shares of Auction Preferred which, by reason of an election by the Method Selection Agent of a different Dividend Determination Method, will become Remarketing Preferred at the end of the then-current Dividend Period applicable thereto.

"Converted Remarketing Preferred" means shares of Remarketing Preferred which, by reason of an election by the Method Selection Agent of a different Dividend Determination Method, will become Auction Preferred at the end of the then-current Dividend Period applicable thereto.

"Corporation" means Texaco Inc., a Delaware corporation, or its successor.

"Date of Original Issue", with respect to any share of Preferred Stock, means the date on which the Corporation originally issued such share of Preferred Stock.

"Default Period" has the meaning set forth in Section 6(b)(i) below.

"Default Rate" means the higher of (A) the Maximum Applicable Rate obtained by multiplying the Applicable Determining Rate, determined as of the Business Day next preceding the date of the Failure to Deposit that, pursuant to Section 3(i), caused the application of such Default Rate, by the Percentage for the

rating category below "baa3" or "BBB-", and (B) (i) if the Corporation has failed timely to pay dividends, the dividend rate in effect for the Dividend Period in respect of which such Failure to Deposit occurred, or (ii) if the Corporation has failed timely to pay the redemption price (including accumulated and unpaid dividends) of shares of any Series of Preferred Stock called for redemption, the dividend rate in effect on the date such redemption price was to have been paid. The Percentage used to determine the Default Rate for any shares of Preferred Stock shall be the Percentage for the rating category below "baa3" or "BBB-" (i) in effect on the immediately preceding Auction Date or the date of the immediately preceding Remarketing, in the case of a Default Rate that applies to the portion of a Dividend Period occurring after a failure to pay dividends and (ii) in effect on the date of determination, in all other cases.

"Depository Agreement" means each agreement among the Corporation, the Remarketing Depository and a Remarketing Agent.

"Dividend Determination Method" or "Method" shall mean either the Auction Method or the Remarketing Method.

"Dividend Payment Date" has the meaning set forth in Section 3(b)(iii) below.

"Dividend Period" has the meaning set forth in Section 3(b)(v) below.

"Dividend Quarter" has the meaning set forth in Section 3(b)(iii) below.

"Dividends-Received Deduction" has the meaning set forth in Section 3(f)(v) below.

"Existing Holder" means a Person who has signed a Master Purchaser's Letter and is listed as the beneficial owner of any shares of Auction Preferred in the records of the Auction Agent.

"Failure to Deposit" means the failure by the Corporation to pay to the Paying Agent by 11:00 A.M., New York City Time, in immediately available funds, (i) on a Dividend Payment Date, the full amount of any dividend (whether or not earned or declared) to be paid on such Dividend Payment Date on any shares of Preferred Stock or (ii) on any redemption date, the full redemption price (including accumulated and unpaid dividends), to be paid on such redemption date for any shares of Preferred Stock.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

"First Boston" means The First Boston Corporation.

"Holder" means an Existing Holder or any beneficial owner of Preferred Stock acquired pursuant to a Remarketing.

"Initial Auction Date" means the Business Day immediately preceding the first day of a Dividend Period for Auction Preferred.

"Initial Dividend Rate" has the meaning set forth in Section 3(g)(i) below.

"Initial Dividend Period" means the periods commencing on the Date of Original Issue and ending on the respective days immediately preceding the Initial Dividend Payment Dates for each Series of Preferred Stock.

"Initial Dividend Payment Date" has the meaning set forth in Section 3(b) below.

"Long Dividend Period" has the meaning set forth in Section 3(b)(v) below.

"Marketing Conditions" means the following factors: (i) short-term and long-term market rates and indices of such short-term and long-term rates, (ii) market supply and demand for short-term and long-term securities, (iii) yield curves for short-term and long-term securities comparable to the Preferred Stock, (iv) industry and financial conditions which may affect the Preferred Stock, (v) the number of shares of Preferred Stock to be sold pursuant to an Auction or a Remarketing, as the case may be, (vi) the number

of potential purchasers of Preferred Stock, (vii) the Dividend Periods and dividend rates at which current and potential holders would remain or become holders, (viii) current tax laws and administrative interpretations with respect thereto and (ix) the Corporation's current and projected funding requirements based on its asset and liability position, tax position and current financing objectives. If Marketing Conditions are being assessed by the Chief Financial Officer, such officer's evaluation of the factors described in clauses (vi) and (vii) above may be based on discussions with one or more Broker-Dealers or Remarketing Agents. If Marketing Conditions are being assessed by the Term Selection Agent or the Method Selection Agent, such agent's evaluation of the factor described in clause (ix) above may be based on discussions with representatives of the Corporation.

"Maximum Applicable Rate", as of any date, means the rate obtained by multiplying the Applicable Determining Rate then in effect for a Dividend Period by the Percentage (as it may be adjusted from time to time based on certain factors by the Chief Financial Officer in accordance with the provisions hereof) determined as set forth below based on the lower of the credit ratings assigned to the Preferred Stock by Moody's and S&P.

Credit Rating		
Moody's	S & P	Percentage
"aa3" or Above	AA- or Above	150%
"a3" to "a1"	A- to A+	200%
"baa3" to "baa1"	BBB- to BBB+	225%
Below "baa3"	Below BBB	275%

The Corporation will take all reasonable action necessary to enable Moody's and S&P to provide ratings for the Preferred Stock. If either Moody's or S&P does not make such rating available or neither Moody's nor S&P shall make such a rating available, the Corporation will designate a rating agency or rating agencies as a substitute rating agency or substitute rating agencies, as the case may be, subject to the approval of Morgan Stanley and First Boston, such approval not to be unreasonably withheld, and the Corporation will take all reasonable action to enable such rating agency or rating agencies to provide a rating or ratings for each Series of Preferred Stock. If either Moody's or S&P shall change its rating categories for preferred stock, or if one or more substitute rating agencies are designated, then the determination set forth above will be made based upon the substantially equivalent new rating categories for preferred stock of such rating agency or substitute rating agency.

"Memorandum" means the Private Placement Memorandum dated December 16, 1992 relating to the Corporation and the placement of the shares of Preferred Stock.

"Method Selection Agent" means any entity appointed by the Corporation to act on its behalf in selecting Dividend Determination Methods for a Series of Preferred Stock, provided that if the Corporation shall appoint more than one entity to so act with respect to a Series, "Method Selection Agent" shall mean, unless the context otherwise requires, all entities so appointed.

"Method Selection Agreement" means an agreement between the Corporation and the Method Selection Agent pursuant to which the Method Selection Agent agrees to determine the Method applicable to a Series of Preferred Stock.

"Minimum Holding Period" has the meaning set forth in Section 3(f)(v) below.

"Moody's" means Moody's Investors Service, Inc., or its successor, so long as such agency (or successor) is in the business of rating securities of the type of the Preferred Stock and, if such agency is not in such business, then a Substitute Rating Agency.

"Morgan Stanley" means Morgan Stanley & Co. Incorporated.

"Normal Dividend Payment Date" has the meaning set forth in Section 3(b)(ii) below.

"Notice of Change in Dividend Period" has the meaning set forth in Section 3(d)(ii) below.

"Notice of Method Revocation" has the meaning set forth in Section 3(c)(ii) below.

"Notice of Method Selection" has the meaning set forth in Section 3(c)(i) below.

"Notice of Percentage Increase" has the meaning set forth in Section 3(h)(i) below.

"Notice of Removal" has the meaning set forth in Section 3(c)(iii) below.

"Notice of Revocation" has the meaning set forth in Section 3(d)(ii) below.

"Outstanding" means, as of any date, shares of Preferred Stock theretofore issued except, without duplication, (i) any shares of Preferred Stock theretofore cancelled, delivered to the Corporation for cancellation or redeemed and (ii) as of any Auction Date or Remarketing Date, any shares of Preferred Stock subject to redemption on the next following Business Day.

"Participant" means the member of the Securities Depository that will act on behalf of an Existing Holder or a Potential Holder, in the case of Auction Preferred, or the beneficial owner, in the case of Remarketing Preferred, and that is identified as such in such Holder's or Potential Holder's Master Purchaser's Letter.

"Paying Agent" means the Auction Agent unless another bank or trust company has been appointed to act as the paying agent for the shares of Preferred Stock by resolution of the Board of Directors.

"Percentage" has the meaning set forth in Section 3(h)(i) below.

"Person" means and includes an individual, a partnership, a corporation, a trust, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

"Purchaser's Letter" means a Master Purchaser's Letter substantially in the form of Appendix E to the Memorandum delivered to the initial purchasers of the Preferred Stock which each prospective purchaser of Preferred Stock will be required to sign as a condition to purchasing Preferred Stock or participating in an Auction or Remarketing.

"Redemption Agent" means the Auction Agent unless another bank or trust company has been appointed to act as the redemption agent for the shares of Preferred Stock by resolution of the Board of Directors.

"Remarketing" means the implementation of Remarketing Procedures.

"Remarketing Agent" means, at any time, the entity or entities appointed by the Corporation to act on its behalf in establishing dividend rates and Dividend Periods for Remarketing Preferred and to act on behalf of holders of Remarketing Preferred in remarketing such Remarketing Preferred as provided in the Remarketing Procedures.

"Remarketing Depository" means The Bank of New York, and its successors or any other depository selected by the Corporation which agrees to follow the procedures required to be followed by such depository in connection with shares of Remarketing Preferred with a Dividend Period of less than 7 days.

"Remarketing Method" means a method of determining Dividend Periods and dividend rates for the Preferred Stock.

"Remarketing Preferred" means the Preferred Stock, including the Converted Auction Preferred for which the dividend rate and Dividend Period are to be determined pursuant to the Remarketing Method.

"Remarketing Procedures" means the procedures for remarketing shares of Remarketing Preferred as set forth in Section 9.

"Securities Depository" means The Depository Trust Company or any other securities depository selected by the Corporation that agrees to follow the procedures required to be followed by such securities depository in connection with the Preferred Stock.

"Series" means any of the Series G, Series H, Series I or Series J of the Preferred Stock authorized by this Certificate.

"Short Dividend Period" has the meaning set forth in Section 3(b)(v) below.

"Standard Dividend Period" has the meaning set forth in Section 3(b)(v) below.

"Standard & Poor's" or "S&P" means Standard & Poor's Corporation, or its successor, so long as such agency (or successor) is in the business of rating securities of the type of the Preferred Stock and, if such agency is not in such business, then a Substitute Rating Agency.

"Stock Books" means the stock transfer books of the Corporation maintained by the Paying Agent.

"Substitute Commercial Paper Dealer" means Goldman, Sachs & Co., Shearson Lehman Brothers Inc. or Merrill Lynch, Pierce, Fenner & Smith Incorporated, or their respective affiliates or successors or, if none of such firms furnishes commercial paper quotations, a leading dealer in the commercial paper market selected by the Corporation in good faith.

"Substitute Rating Agency" means a nationally recognized statistical rating organization (as that term is used in the rules and regulations of the Securities Exchange Act of 1934) selected by the Corporation, subject to approval by Morgan Stanley and First Boston, which approval is not to be unreasonably withheld.

"Substitute U.S. Government Securities Dealers" means Goldman, Sachs & Co., Shearson Lehman Brothers Inc. or Merrill Lynch, Pierce, Fenner & Smith Incorporated, or their respective affiliates or successors or, if none of such firms provides quotes in U.S. government securities, a leading dealer in the government securities market selected by the Corporation in good faith.

"Tender Agent" means, at any time, the bank or the organization (initially The Bank of New York) appointed by the Corporation to perform the duties of Tender Agent as provided in the Remarketing Procedures.

"Term Selection Agent" means any entity appointed by the Corporation to act on its behalf in establishing the length of any Dividend Period other than the Standard Dividend Period, the Dividend Payment Dates for any Short Dividend Period and, in the case of any Long Dividend Period, additional redemption provisions, if any, for a Series of Auction Preferred, provided that if the Corporation shall appoint more than one entity to so act with respect to a Series, "Term Selection Agent" shall mean, unless the context otherwise requires, all entities so appointed.

"U.S. Government Securities Dealers" means Morgan Stanley and First Boston or, in lieu thereof, their respective affiliates or successors.

Section 3. Dividends.

(a) Holders of shares of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cumulative cash dividends at the Applicable Rate per annum, determined as set forth in Section 3(f) below, and no more, payable on the respective dates set forth below.

(b) (i) Dividends on the shares of Preferred Stock of each Series shall accumulate (whether or not declared) from the Date of Original Issue.

(ii) Dividends on each Series of Preferred Stock shall be payable on the Initial Dividend Payment Date for such Series. After the Initial Dividend Periods, dividends on any shares of Preferred Stock with (a) a Dividend Period of 1 to 48 days (which, in the case of Auction Preferred, shall be a period of days divisible by 7) will be payable on the day following the last day of such Dividend Period, (b) a Standard Dividend Period will be payable on the day following the last day of such Standard Dividend Period (which last day of such Standard Dividend Period will normally be each seventh Wednesday following the preceding Dividend Payment Date for such Series), (c) a Short Dividend Period, on the day following the last day of such Short Dividend Period and on such other Dividend Payment Dates as established at the time such Short Dividend Period is determined and (d) a Long Dividend Period, on the day following the last day of such Long Dividend Period and on the March 31, June 30, September 30 and December 31 of each year during such dividend period. Each day on which dividends on shares of Preferred Stock of each Series would be payable as determined as set forth in this clause (ii) but for adjustments set forth in Section 3(f)(v) below, other than adjustments to reflect changes in the Minimum Holding Period, is referred to herein as a "Normal Dividend Payment Date".

(iii) Each date on which dividends for each share of Preferred Stock shall be payable as set forth herein is referred to herein as a "Dividend Payment Date". If applicable, the period from the preceding Dividend Payment Date to the next Dividend Payment Date for any share of Preferred Stock with a Long Dividend Period is herein referred to as a "Dividend Quarter". Although any particular Dividend Payment Date may not occur on the originally scheduled Normal Dividend Payment Date because of the adjustments set forth in Section 3(f)(v) below, each succeeding Dividend Payment Date shall be, subject to such adjustments, the date determined as set forth in clause (ii) above as if each preceding Dividend Payment Date had occurred on the respective originally scheduled Normal Dividend Payment Date.

(iv) Dividend Periods may be of any duration (including perpetual duration) and not less than (i) seven days in the case of Auction Preferred (other than Converted Remarketing Preferred) and (ii) one day in the case of Remarketing Preferred (other than Converted Auction Preferred). The duration of each subsequent Dividend Period following the Initial Dividend Period for each Series and the Applicable Rate for such subsequent Dividend Period will be determined by either the Auction Method or the Remarketing Method.

(v) The Initial Dividend Payment Date for the Initial Dividend Period for Series G Preferred Stock shall be February 11, 1993, for Series H Preferred Stock shall be February 18, 1993, for Series I Preferred Stock shall be February 25, 1993 and for Series J Preferred Stock shall be March 4, 1993. After the Initial Dividend Period for each Series of Preferred Stock, each subsequent Dividend Period for any shares of Preferred Stock shall (except for the adjustments for non-Business Days described in Section 3(f)(v) below) be 49 days (each such 49-day period, subject to any adjustment as a result of a

change in law adjusting the Minimum Holding Period as described in Section 3(f)(v) below, being referred to herein as a "Standard Dividend Period"), unless as provided in clause (d) below, the Term Selection Agent or the applicable Remarketing Agent, as the case may be, specifies that any such subsequent Dividend Period for a particular share of Preferred Stock shall be (A) a Dividend Period of 1 to 48 days (which in the case of Auction Preferred, shall be a period of days divisible by 7), (B) a Dividend Period of 50 to 364 days and consisting of a whole number of weeks (a "Short Dividend Period") or (C) a Dividend Period of 365 days or longer and consisting of a whole number of weeks (a "Long Dividend Period"). Each such Dividend Period of 1 to 48 days, Standard Dividend Period, Short Dividend Period and Long Dividend Period (together with (i) any Initial Dividend Periods and (ii) any period commencing on a redemption date on which there is a Failure to Deposit and ending on the date the redemption price for such shares is paid to the Paying Agent) being referred to herein as a "Dividend Period").

(c) (i) Subject to certain limitations set forth in clause (v) below, either Dividend Determination Method may be selected by the Method Selection Agent for a Series of Preferred Stock for any subsequent Dividend Period with respect to all shares of such Series, provided that such Method Selection Agent determines at the time of such selection that a change in the Dividend Determination Method will be the most favorable financing alternative for the Corporation based upon the then-current Marketing Conditions. If more than one entity is serving as Method Selection Agent for a Series, such entities shall act in concert in performing their duties, provided that notices referred to herein may be given by one entity on behalf of all such entities. The Method Selection Agent for any Series of Preferred Stock will make such selection in a notice (a "Notice of Method Selection") sent by such Method Selection Agent to the Corporation, the Term Selection Agent, the Auction Agent, the Securities Depository, the Remarketing Depository, the Tender Agent and any applicable Remarketing Agent by telephone (with confirmation in writing), and to any other record holders of the shares of Preferred Stock of such Series by first-class mail, postage prepaid, not less than seven Business Days prior to the first day of such subsequent Dividend Period. Each Notice of Method Selection will state the Method selected by the Method Selection Agent. If the Method Selection Agent for a Series which is then a Series of Remarketing Preferred selects the Auction Method for any subsequent Dividend Period, the Remarketing Agent for such Series will establish Dividend Periods and Applicable Rates for shares of such Series until the Initial Auction Date in a manner that will best promote an orderly transition to the Auction Method. Any Dividend Determination Method so selected by the Method Selection Agent for a Series shall continue in effect for such Series until the Method Selection Agent selects the other Method in the aforesaid manner. Until a Method Selection Agent for any Series has been appointed, the Dividend Determination Method will be the Auction Method.

(ii) A Notice of Method Selection may be revoked (a "Notice of Method Revocation") by the Method Selection Agent on or prior to 10:00 A.M. on the second Business Day preceding the first day of the subsequent Dividend Period by giving a Notice of Method Revocation to the Corporation, the Term Selection Agent, the Securities Depository, the Remarketing Depository, the Auction Agent, the Tender Agent, any applicable Remarketing Agent and any other record holders of the shares of Preferred Stock of such Series.

(iii) Any Notice of Method Selection with respect to any subsequent Dividend Period for any Series of Preferred Stock shall be deemed to have been withdrawn if on or prior to the second Business Day preceding the first day of such subsequent Dividend Period the Corporation shall have removed the Method Selection Agent for such Series, provided that the Corporation shall have given a notice (a "Notice of Removal") to the Term Selection Agent, the Securities Depository, the Remarketing Depository, the Auction Agent, the Tender Agent, any applicable Remarketing Agent and any other record holders of shares of Preferred Stock of such Series no later than 3:00 P.M., New York City time, on such second Business Day. If more than one entity has been appointed and is acting as Method Selection Agent for that Series, such Notice of Method Selection shall be deemed to have been withdrawn only if the Corporation shall have removed all such entities; and the removal at any time by the Corporation

of one or more but not all such entities shall not effect a deemed withdrawal of a Notice of Method Selection and in any such event no Notice of Removal need be given. If the Method Selection Agent for any Series of Preferred Stock resigns or is removed (or, in either case, if more than one entity has been appointed and is acting as Method Selection Agent for that Series then all such entities), the Dividend Determination Method applicable to such Series in effect at the time of such resignation or removal will continue in effect until the Corporation appoints a successor Method Selection Agent for such Series and such Method Selection Agent sends a Notice of Method Selection. If, as a result of the resignation or removal of the Method Selection Agent, the Dividend Determination Method for any Series will continue to be the Auction Method, then the duration of the next succeeding Dividend Period for such Series will be the Standard Dividend Period.

(iv) Any Method for a Series of Preferred Stock selected by the Method Selection Agent for such Series pursuant to a Notice of Method Selection (except a Notice of Method Selection that is revoked or deemed to have been withdrawn) shall be conclusive and binding on the Corporation and the holders of Preferred Stock of such Series. If the Notice of Method Selection is not revoked or deemed to have been withdrawn, any Method so selected by the Method Selection Agent for a Series will continue in effect for that Series until such Method Selection Agent or any successor selects the other Method in the aforesaid manner. No defect in the Notice of Method Selection, the Notice of Method Revocation or the Notice of Removal of the Method Selection Agent or in the mailing thereof shall affect the validity of any change in the Dividend Determination Method or any withdrawal, revocation or removal.

(v) Notwithstanding the foregoing, the Method Selection Agent shall not be entitled to change the Dividend Determination Method then applicable to a Series if (i) at the time of an election that the Remarketing Method apply to a Series, the Corporation has not appointed (and given notice or taken such other action as may be necessary for the timely effectiveness of such appointment) a Remarketing Agent, a Tender Agent, a Securities Depository and a Remarketing Depository for such Series, (ii) at the time of an election that the Auction Method apply to a Series, the Corporation has not appointed (and given notice or taken such other action as aforesaid) an Auction Agent, a Securities Depository and at least one Broker-Dealer for such Series, or such election would result in more than one Dividend Period for the shares of Preferred Stock of such Series or (iii) at the time of any such election, a Failure to Deposit has occurred and is continuing. Once the Method Selection Agent has selected a Dividend Determination Method for a Series in the aforesaid manner, such selection shall become effective on the last day of the Dividend Period(s) then applicable to shares of Preferred Stock of such Series notwithstanding any Failure to Deposit for such Series which may occur after the delivery of the Notice of Method Selection by such Method Selection Agent, the failure to remarket tendered shares of Remarketing Preferred of such Series, in the case of the selection of the Remarketing Method, or the lack of Sufficient Clearing Bids in the Auction for such Series, in the case of the selection of the Auction Method.

(d) (i) With respect to shares of Auction Preferred, each successive Dividend Period shall commence on the Dividend Payment Date for the preceding Dividend Period for such Series and shall end (A) in the case of a Dividend Period of 7 to 48 days or a Standard Dividend Period, on the day preceding the next Dividend Payment Date and (B) in the case of a Short Dividend Period or a Long Dividend Period, on the last day of the Short Dividend Period or Long Dividend Period, as the case may be, specified by the Term Selection Agent, in the related Notice of Change in Dividend Period.

(ii) The Term Selection Agent will give telephonic and written notice, not less than 10 and not more than 30 days prior to an Auction Date and based on the then-current Marketing Conditions, to the Corporation, the Auction Agent, the Method Selection Agent, the Securities Depository and any other record holders of a Series of Auction Preferred if it determines that the next succeeding Dividend Period for such Series will be a Dividend Period of 7 to 48 days, a Short Dividend Period or a Long Dividend Period (any such notice, a "Notice of Change in Dividend Period"); provided, that if the then-current

Dividend Period is less than 10 days, the Term Selection Agent will give such Notice of Change in Dividend Period no less than 5 days prior to an Auction Date. Each such Notice of Change in Dividend Period shall be in substantially the form of Exhibit D to the Auction Agent Agreement and shall specify the following terms, (A) the next succeeding Dividend Period for such Series as a Dividend Period of 7 to 48 days, a Short Dividend Period or a Long Dividend Period; provided that a Dividend Period of 7 to 48 days shall only be established so long as corporate holders of such Series of Preferred Stock shall not lose entitlement to the Dividends-Received Deduction as a result of the length of such Dividend Period, (B) the term thereof, (C) in the case of a Short Dividend Period, the Dividend Payment Dates with respect thereto and (D) in the case of a Long Dividend Period, additional redemption provisions or restrictions on redemption, if any, as authorized in Section 4(b)(ii) hereof. However, for any Auction occurring after the initial Auction, the Term Selection Agent may not give a Notice of Change in Dividend Period (and any such Notice of Change in Dividend Period shall be null and void) unless Sufficient Clearing Bids were made in the last occurring Auction for any Series and full cumulative dividends, if any, for all Series of Auction Preferred payable prior to the date of such notice have been paid in full. The Term Selection Agent may establish a Dividend Period of 7 to 48 days, a Short Dividend Period or a Long Dividend Period for any Series of Preferred Stock, if the Term Selection Agent determines that such Dividend Period and, in the case of a Long Dividend Period, additional redemption provisions or restrictions on redemption, provide the Corporation with the most favorable financing alternative based upon the then-current Marketing Conditions. A Notice of Change in Dividend Period may be revoked by the Term Selection Agent on or prior to 10:00 A.M. New York City time on the related Auction Date by telephonic and written notice (a "Notice of Revocation"), in substantially the form of Exhibit E to the Auction Agent Agreement, to the Corporation, the Auction Agent, the Method Selection Agent, the Securities Depository and any other record holders of the shares of such Series, specifying that the Term Selection Agent has determined that because of subsequent changes in such Marketing Conditions, such Dividend Period would not result in the most favorable financing alternative for the Corporation. Notices of Revocation given by the Term Selection Agent will be conclusive and binding upon the Corporation and the holders of shares of Auction Preferred and, except as set forth below in clause (iv), a Notice of Change in Dividend Period given by the Term Selection Agent will be conclusive and binding upon the Corporation and the holder of shares of Auction Preferred.

(iii) Any Notice of Change in Dividend Period with respect to any subsequent Dividend Period for any Series of Auction Preferred will be deemed to have been withdrawn if on or prior to the second Business Day preceding an Auction Date the Corporation shall have removed the Term Selection Agent, provided that the Corporation shall have given Notice of Removal to the Auction Agent, the Method Selection Agent and the Securities Depository and any other record holders of the shares of such Series, no later than 3:00 P.M., New York City time, on such second Business Day. If the Term Selection Agent resigns or is removed, the Dividend Period for each Series of Auction Preferred shall be a Standard Dividend Period until the Corporation appoints a successor Term Selection Agent for such Series and such Term Selection Agent sends a Notice of Change in Dividend Period.

(iv) If the Term Selection Agent does not give a Notice of Change in Dividend Period with respect to the next succeeding Dividend Period for any Series of Auction Preferred or has given such a Notice of Change in Dividend Period and gives a Notice of Revocation with respect thereto or such Notice of Change in Dividend Period is deemed to be withdrawn, such next succeeding Dividend Period shall be a Standard Dividend Period with respect to such Series. In addition, in the event the Term Selection Agent has given a Notice of Change in Dividend Period with respect to the next succeeding Dividend Period for a Series of Preferred Stock and such notice has not been revoked or deemed to be withdrawn, but Sufficient Clearing Bids are not made in the related Auction or such Auction is not held for any reason, such next succeeding Dividend Period for such Series will, notwithstanding such Notice of Change in Dividend Period, be a Standard Dividend Period and the Term Selection Agent may not again give a Notice of Change in Dividend Period (and any such Notice of Change in Dividend Period shall be null and void) for such Series until Sufficient Clearing Bids have been made in an Auction for such Series.

(e) (i) With respect to shares of Remarketing Preferred, the duration of each subsequent Dividend Period and the Applicable Rate for each such subsequent Dividend Period shall be established by the Remarketing Agent for such shares of Remarketing Preferred and will be conclusive and binding on the Corporation and the holders of such shares.

(ii) For each Dividend Period the applicable Remarketing Agent shall establish a dividend rate, not in excess of the Maximum Applicable Rate, which it determines shall be the lowest rate at which tendered shares of Remarketing Preferred would be remarketed at \$250,000 per share. In establishing each Dividend Period and dividend rate, each Remarketing Agent will establish Dividend Periods and dividend rates which it determines will result in the most favorable financing alternative for the Corporation based on the then-current Marketing Conditions.

(iii) Each Holder will be deemed to have tendered its shares of Remarketing Preferred for sale by Remarketing on the Business Day immediately preceding the first day of each subsequent Dividend Period applicable thereto, unless it gives irrevocable notice otherwise. Consequently, a Holder will hold shares of Remarketing Preferred only for a Dividend Period and at a dividend rate accepted by that holder, except for one or more successive Dividend Periods of one day resulting from a Failure to Deposit or the failure to remarket such shares as described below. At any time, any or all shares of Remarketing Preferred of a Series may have Dividend Periods of various lengths. Depending on Marketing Conditions at the time of Remarketing, any or all shares of Remarketing Preferred of a Series may have different Applicable Rates, including those set on the same day for Dividend Periods of equal length.

(f) (i) Not later than 11:00 A.M. New York City time on the Dividend Payment Date (except as provided in Section 3(f)(v) below) for each share of Preferred Stock, the Corporation is required to deposit with the Paying Agent sufficient immediately available funds for the payment of declared dividends.

(ii) Each dividend shall be payable to the holder or holders of record of such shares of Preferred Stock as such holders' names appear on the Stock Books on the Business Day next preceding the applicable Dividend Payment Date. Subject to Section 3(i) below, dividends in arrears (including any Additional Payments) for any past Dividend Payment Date may be declared by the Board of Directors and paid at any time, without reference to any regular Dividend Payment Date, to the holder or holders of record as such holders appear on the Stock Books as of the Business Day next preceding such Dividend Payment Date. Any dividend payment made on any shares of Preferred Stock shall first be credited against the dividends accumulated with respect to the earliest Dividend Payment Date for which dividends have not been paid with respect to such shares.

(iii) So long as the shares of Preferred Stock are held of record by the nominee of the Securities Depository or the Remarketing Depository, as the case may be, dividends will be paid to the nominee of the Securities Depository or the Remarketing Depository, on each Dividend Payment Date. Dividends on shares of Preferred Stock held through the Securities Depository will be paid through the Securities Depository on each Dividend Payment Date in accordance with its normal procedures.

(iv) Dividends on any shares of Preferred Stock held by the Remarketing Depository will be paid through the Remarketing Depository on each Dividend Payment Date by wire or other transfer of immediately available funds to a Holder's account with a commercial bank in the United States so long as such Holder has provided the Remarketing Depository with the necessary information to effect such transfer. Any payments not made by wire or other transfer will be made by check to the Holder of such Preferred Stock.

(v) In the case of dividends payable with respect to a share of Preferred Stock with a Dividend Period of 7 to 48 days, a Standard Dividend Period or a Short Dividend Period, if:

(A)(x) The Securities Depository shall continue to make available to Participants the amounts due as dividends on such shares of Preferred Stock in next-day funds on the dates on which such dividends are payable and (y) a Normal Dividend Payment Date is not a Business Day, or the day next succeeding such Normal Dividend Payment Date is not a Business Day, then dividends shall be payable on the first Business Day preceding such Normal Dividend Payment Date that is next succeeded by a Business Day; or

(B)(x) The Securities Depository shall make available to Participants the amounts due as dividends on such shares of Preferred Stock in immediately available funds on the dates on which such dividends are payable (and the Securities Depository shall have so advised the Auction Agent) and (y) a Normal Dividend Payment Date is not a Business Day, then dividends shall be payable on the first Business Day following such Normal Dividend Payment Date.

(C) In the case of dividends payable with respect to shares of Preferred Stock with a Long Dividend Period, if:

(I)(x) The Securities Depository shall continue to make available to its Participants the amounts due as dividends on such shares of Preferred Stock in next-day funds on the dates on which such dividends are payable and (y) a Normal Dividend Payment Date is not a Business Day, or the day next succeeding such Normal Dividend Payment Date is not a Business Day, then dividends shall be payable on the first Business Day following such Normal Dividend Payment Date that is next succeeded by a Business Day; or

(II)(x) The Securities Depository shall make available to its Participants the amounts due as dividends on such shares of Preferred Stock in immediately available funds on the dates on which such dividends are payable (and the Securities Depository shall have so advised the Auction Agent) and (y) a Normal Dividend Payment Date is not a Business Day, then dividends shall be payable on the first Business Day following such Normal Dividend Payment Date.

(D) Notwithstanding the foregoing, in case of payment in next-day funds, if the date on which dividends on shares of Preferred Stock would be payable as determined as set forth in clauses (A), (B) and (C) above is a day that would result, due to such procedures, in the number of days between successive Auction Dates or Remarketing Dates for such shares (determined by excluding the first Auction Date or Remarketing Date, as the case may be, and including the second Auction Date and the second Remarketing Date, as the case may be), not being at least equal to the then-current minimum holding period (currently set forth in Section 246(c) of the Code) (the "Minimum Holding Period") required for corporate taxpayers to be entitled to the dividends- received deduction on preferred stock held by nonaffiliated corporations (currently set forth in Section 243(a) of the Code) (the "Dividends-Received Deduction"), then dividends on such shares shall be payable on the first Business Day following such date on which dividends would be so payable that is next succeeded by a Business Day that results in the number of days between such successive Auction Dates or Remarketing Dates, as the case may be (determined as set forth above), being at least equal to the then current Minimum Holding Period.

(E) In addition, notwithstanding the foregoing, in the event of a change in law altering the Minimum Holding Period, the period of time between Dividend Payment Dates shall automatically be adjusted so that

there shall be a uniform number of days in subsequent Dividend Periods (such number of days without giving effect to the adjustments referred to above being referred to herein as "Subsequent Dividend Period Days") commencing after the date of such change in law equal to or, to the extent necessary, in excess of the then current Minimum Holding Period; provided that the number of Subsequent Dividend Period Days shall not exceed by more than nine days the length of such then-current Minimum Holding Period and shall be evenly divisible by seven, and the maximum number of Subsequent Dividend Period Days, as adjusted pursuant to this provision, in no event shall exceed 119 days.

(F) If a Normal Dividend Payment Date for shares of Remarketing Preferred with Dividend Periods of less than 7 days is not a Business Day, then dividends shall be payable on the first Business Day following such Normal Dividend Payment Date.

(g)(i) For the Initial Dividend Periods dividends will accumulate at a rate per annum of 3.25% for Series G Preferred Stock, 3.25% for Series H Preferred Stock, 3.25% for Series I Preferred Stock, and 3.25% for Series J Preferred Stock (in each case, the "Initial Dividend Rate"). The dividend rate for each share of Preferred Stock for each subsequent Dividend Period shall be the Applicable Rate determined by either the Auction Method or the Remarketing Method.

(ii) Notwithstanding the application of either the Auction Method or the Remarketing Method, the dividend rate on each share of Preferred Stock shall not exceed the Maximum Applicable Rate per annum for any Dividend Period; provided, however, that the Chief Financial Officer of the Corporation (the "Chief Financial Officer") based on certain factors may increase the Percentage used to calculate the Maximum Applicable Rate at any time up to certain amounts set forth below in Section 3(h)(ii). The provisions of the immediately preceding sentence notwithstanding, at any time that the application of the provisions with respect to a Failure to Deposit would, but for the provisions of the immediately preceding sentence, result in a dividend rate on a share of Preferred Stock being in excess of the Maximum Applicable Rate per annum, the maximum dividend rate applicable to such share of Preferred Stock shall be such higher dividend rate as provided below.

(h)(i) Not later than 10:00 A.M., New York City time, on the related Auction Date or Remarketing Date, as the case may be, and based on the criteria set forth below, the Chief Financial Officer may, upon telephonic and written notice, to the Auction Agent, each applicable Remarketing Agent, the Securities Depository, the Remarketing Depository and any other record holder of shares of Preferred Stock affected thereby, increase the percentage (the "Percentage") used to calculate the Maximum Applicable Rate for any shares of Preferred Stock (a "Notice of Percentage Increase"). Such Notice of Percentage Increase shall specify the new Percentages to be used to calculate the Maximum Applicable Rate and shall be in substantially the form of Exhibit G to the Auction Agent Agreement.

The Chief Financial Officer may increase such Percentages if the Chief Financial Officer determines that supervening considerations make the Percentages then in effect inimical to the financial interests of the Corporation and that such increase is necessary to enable the operation of the then-applicable Method to provide the Corporation with the most favorable financing alternatives based on then-current Marketing Conditions. The Chief Financial Officer may not revoke a Notice of Percentage increase and the Percentages specified therein will be the applicable Percentages for the determination of the Maximum Applicable Rate with respect to such shares for subsequent Dividend Periods, except as described below, until a new Notice of Percentage Increase shall be delivered in accordance with the terms thereof.

(ii) Except as described below, the Chief Financial Officer may not

increase the Percentage used to calculate the Maximum Applicable Rate to above the Percentages set forth in the third column of the table below corresponding to the applicable credit ratings set forth in the first two columns of the table below.

Credit Rating		Maximum Percentage Permitted to be Used to Calculate Maximum Applicable Rate
Moody's	Standard & Poor's	
"aa3" or Above	AA- or Above	175%
"a3" to "a1"	A- to A+	225%
"baa3" to "baa1"	BBB- to BBB+	250%
Below "baa3"	Below BBB	275%

The maximum percentages set forth in the third column of the above table may be increased by the Chief Financial Officer, upon receipt of an opinion of counsel addressed to the Corporation to the effect that the use of such higher percentages to calculate the Maximum Applicable Rate will not adversely affect the tax treatment of the Preferred Stock.

(iii) The Chief Financial Officer may only raise the Percentage applicable to a Series of Auction Preferred if the Chief Financial Officer raises such Percentage for all the shares of such Series. The Chief Financial Officer may, however, only raise the Percentage applicable to shares of Remarketing Preferred with respect to those shares of Remarketing Preferred being remarketed on the same date, and shall not be required to raise the Percentage applicable to any other shares of Remarketing Preferred. However, if the Percentage applicable to a share of Remarketing Preferred is less than the Percentage applicable to any other share of Remarketing Preferred of the same Series, the lower Percentage applicable to such share shall, at the end of the current Dividend Period for such share, automatically be increased to the highest Percentage then applicable to any share of Remarketing Preferred of such Series, unless the Chief Financial Officer elects to increase further the Percentage applicable to such share.

(i)(A) In the event a Failure to Deposit occurs and any such Failure to Deposit shall not have been cured within three Business Days after such occurrence, then until such time as the full amount due shall have been paid to the Paying Agent, the Auction Procedures and the Remarketing Procedures will be suspended. The Applicable Rate for each Dividend Period commencing on or after any such Dividend Payment Date (or redemption date, as the case may be) on which there has been a Failure to Deposit and such Failure to Deposit has not been cured within three Business Days shall be equal to the Default Rate for such Dividend Period. In addition, if any such Dividend Payment Date was not the last day of a Dividend Period, the Applicable Rate for the portion of such Dividend Period commencing on such Dividend Payment Date and ending on the day preceding the next succeeding Dividend Payment Date shall be the Default Rate for such period, computed as if such period were a "Dividend Period". If there has been a failure to pay dividends on the last day of a Dividend Period, the Dividend Period to which such Default Rate will apply shall be a Standard Dividend Period in the case of Auction Preferred and successive one day periods in the case of Remarketing Preferred. If there has been a failure to pay the redemption price of shares of Preferred Stock called for redemption, the Dividend Period to which such Default Rate will apply shall be the period commencing on, and including, the redemption date and ending on, but excluding, the date the redemption price is paid to the Paying Agent. The suspension of the Auction Procedures and the Remarketing Procedures shall continue in effect until there shall occur a Dividend Payment Date at least one Business Day prior to which the full amount of any dividends (whether or not earned or declared) payable on each Dividend Payment Date prior to and including such Dividend Payment Date along with any Additional Payments then due, and the full amount of any redemption price (including accumulated and unpaid dividends) then due shall have been paid to the Paying Agent, and thereupon application of the

Auction Procedures and the Remarketing Procedures shall resume for any Outstanding shares on the terms stated herein for Dividend Periods commencing with such Dividend Payment Date. If a Failure to Deposit is cured within three Business Days, then the Applicable Rate will be the dividend rate established in connection with any Auction or Remarketing relating to such shares of Preferred Stock conducted immediately preceding the Failure to Deposit, provided that the Applicable Rate shall be the Default Rate for each day (excluding the date of deposit) until the Failure to Deposit is cured. Such Default Rate shall be computed using the Dividend Period established in connection with any Auction or Remarketing relating to such shares of Preferred Stock conducted immediately preceding the Failure to Deposit.

(B) Any Failure to Deposit with respect to any share of Preferred Stock shall be deemed to be cured if, with respect to a Failure to Deposit relating to (a) the payment of dividends on such shares of Preferred Stock, the Corporation deposits with the Paying Agent by 11:00 A.M., New York City time, all accumulated and unpaid dividends on such shares of Preferred Stock, including the full amount of any dividends to be paid with respect to the Dividend Period or portion thereof with respect to which the Failure to Deposit occurred, plus Additional Payments, and (b) the redemption of such shares, the Corporation deposits with the Paying Agent by 11:00 A.M., New York City time, funds sufficient for the redemption of such shares (including accumulated and unpaid dividends) and gives irrevocable instructions to apply such funds and, if applicable, the income and proceeds therefrom, to the payment of the redemption price (including accumulated and unpaid dividends) for such shares. If the Corporation shall have cured such Failure to Deposit by making timely payment to the Paying Agent, either the Auction Agent or the Remarketing Agent, as the case may be, will give telephonic and written notice of such cure to each Holder of shares of Preferred Stock at the telephone number and address specified in such Holder's Master Purchaser's Letter and to each Broker-Dealer, in the case of the Auction Agent, as promptly as practicable after such cure is effected. Additional Payments paid to the Paying Agent with respect to a Failure to Deposit will be payable to the Holders of shares of Preferred Stock on the Record Date for the Dividend Payment Date with respect to which such Failure to Deposit occurred.

(j) If an Auction or Remarketing for any shares of Preferred Stock is not held on an Auction Date or Remarketing Date for any reason (other than because of the suspension of Auctions or Remarketing due to a Failure to Deposit as described above), the dividend rate for such shares shall be the Maximum Applicable Rate (calculated assuming a Standard Dividend Period) determined as of such Auction Date or Remarketing Date and the Dividend Period shall be a Standard Dividend Period, in the case of Auction Preferred, and successive Dividend Periods of one day, in the case of Remarketing Preferred, until such shares of Remarketing Preferred are remarketed.

(k) The amount of dividends per share payable on any Dividend Payment Date on a share of Preferred Stock having a Dividend Period of up to 364 days shall be computed by multiplying the Applicable Rate for each Dividend Period by a fraction the numerator of which shall be the number of days between Dividend Payment Dates (calculated by counting the date of the preceding Dividend Payment Date as the first day and the day preceding the current Dividend Payment Date as the last day) and the denominator of which shall be 360, and multiplying the amount so obtained by \$250,000. During any Dividend Period of 365 days or longer, the amount of dividends accumulated on each share will be computed on the basis of a 360-day year consisting of twelve 30-day months.

(l)(i) Holders of shares of each Series of Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of full cumulative dividends. So long as any shares of Preferred Stock are Outstanding, the Corporation shall not declare or pay or set apart for payment any dividends or make any other distributions on, or payment on account of the purchase, redemption or other retirement of the common stock of the Corporation or any other capital stock of the Corporation ranking junior to the Preferred Stock as to dividends or as to distributions upon liquidation,

dissolution or winding-up of the Corporation unless (i) full cumulative dividends on the Preferred Stock have been paid (or declared and a sum sufficient for the payment thereof set apart for such payment) for all Dividend Periods terminating on or prior to the date of such payment, distribution, purchase, redemption or other retirement with respect to such junior capital stock and (ii) the Corporation is not in default with respect to any obligation to redeem or retire shares of the Preferred Stock; provided, however, that the foregoing shall not apply to (i) any dividend payable solely in any shares of any stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Preferred Stock or (ii) the acquisition of shares of any stock ranking, as to dividends or as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Preferred Stock in exchange solely for shares of any other stock ranking, as to dividends and as to distributions in the event of a liquidation, dissolution or winding-up of the Corporation, junior to the Preferred Stock.

(ii) Each dividend will be payable to the holder or holders of record of shares of Preferred stock as they appear on the Stock Books on the Business Day next preceding the applicable Dividend Payment Date. Dividends in arrears for any past Dividend Period (and for any past Dividend Payment Date occurring prior to the end of a Long Dividend Period or a Short Dividend Period) may be declared and paid at any time, without reference to any regular Dividend Payment Date, to the record holders of such shares. Any dividend payment made on any shares of Preferred Stock shall first be credited against the dividends accumulated with respect to the earliest Dividend Payment Date for which dividends have not been paid with respect to such shares. So long as the shares of Preferred stock are held of record by the nominee of the Securities Depository or the Remarketing Depository, as the case may be, dividends will be paid to the nominee of the Securities Depository or the Remarketing Depository, on each Dividend Payment Date.

(iii) Unless otherwise provided for in the Restated Certificate of Incorporation, as the same may be amended, of the Corporation, all payments in the form of dividends made upon shares of Preferred Stock and any other stock ranking on a parity with the Preferred Stock with respect to such dividend shall be pro rata, so that amounts paid per share on the Preferred Stock and such other stock shall in all cases bear to each other the same ratio that the required dividends then payable per share on the shares of Preferred Stock and such other stock bear to each other.

Section 4. Optional Redemption.

(a) At the option of the Corporation, by resolution of the Board of Directors, the shares of a Series of Preferred Stock may be redeemed, in whole or in part, out of funds legally available therefor, on the Business Day immediately preceding any Dividend Payment Date for such shares, upon at least 15 but not more than 45 days notice, at a redemption price per share equal to the sum of \$250,000 plus premium thereon, if any, and an amount equal to accrued and unpaid dividends thereon (whether or not earned or declared) to the date that the Corporation pays the full amount payable upon redemption of such shares; provided that such redemption date shall be the Dividend Payment Date for such shares if the payment on the Business Day preceding such date would reduce the holding period for such shares since the Auction Date or Remarketing Date preceding such payment below the Minimum Holding Period. Pursuant to such right of optional redemption, the Corporation may elect to redeem some or all of the shares of Preferred Stock of any Series without redeeming shares of any other Series.

(b)(i) Notwithstanding the foregoing, if any dividends on shares of any Series of Preferred Stock are in arrears, (i) no shares of such Series of Preferred Stock or of any other Series of Preferred Stock shall be redeemed unless all outstanding shares of each Series of Preferred Stock are simultaneously redeemed and (ii) the Corporation shall not purchase or otherwise acquire any shares of Preferred Stock; provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of Preferred

Stock pursuant to an otherwise lawful purchase or exchange offer made on the same terms to all Holders of Outstanding shares of Preferred Stock.

(ii) In connection with the selection of a Long Dividend Period, the Term Selection Agent or the applicable Remarketing Agent, as the case may be, may restrict the Corporation's ability to redeem shares of Preferred Stock by providing for the payment of a redemption premium or fixing a period of time during which such shares of Preferred Stock may not be redeemed if the Term Selection Agent or the applicable Remarketing Agent, as the case be, determines, based on the then-current Marketing Conditions, that adding such terms will result in the most favorable financing alternative for the Corporation.

(c)(i) If shares of Preferred Stock are to be redeemed, the Redemption Agent will, at the direction of the Corporation, cause to be sent, by first-class or air mail, postage prepaid, telex or facsimile, a notice of redemption to each holder of record (initially Cede & Co., as nominee of the Securities Depository) of shares of Preferred Stock to be redeemed. Such notice of redemption shall be sent not fewer than fifteen nor more than 45 days prior to the redemption date. Each notice of redemption will identify the Preferred Stock to be redeemed by CUSIP number and will state (a) the redemption date, (b) the redemption price, (c) the place where the redemption price is to be paid and (d) the number of shares of Preferred Stock and the Series thereof to be redeemed. The notice will also be published in The Wall Street Journal.

(ii) No defect in the notice of redemption or in the mailing or publication thereof will affect the validity of the redemption proceedings, except as required by applicable law. A notice of redemption will be deemed given on the day that it is mailed in accordance with the foregoing description.

(iii) The Corporation may elect to redeem some or all of the shares of each Series of Preferred Stock.

(iv) In the case of shares of a Series of Auction Preferred, so long as the Securities Depository's nominee is the record holder of such shares, the Redemption Agent will give notice to the Securities Depository, and the Securities Depository will determine the number of shares of each such Series to be redeemed from the accounts of each of its Participants. A Participant may determine to redeem shares from certain of the beneficial holders holding through such Participant (which may include a Participant holding shares for its own account) without redeeming shares from the accounts of other beneficial owners. Any such redemption will be made in accordance with applicable laws and rules.

(v) In the case of shares of Remarketing Preferred, notice of such redemption shall be given to the Securities Depository or the Remarketing Depository, as the case may be, and any other record holders of the Remarketing Preferred to be redeemed. The Corporation shall identify by CUSIP number the shares of Remarketing Preferred to be redeemed. To the extent less than all of the shares of Remarketing Preferred represented by a certificate with a particular CUSIP number are to be redeemed, the applicable Depository shall determine the shares represented by such certificate to be redeemed. In the case of the Securities Depository, the shares to be redeemed shall be determined as described in the preceding paragraph, and in the case of the Remarketing Depository, the Remarketing Depository shall determine the number of shares represented by such certificate to be redeemed from each Holder thereof.

(vi) If any shares of Preferred Stock to be redeemed are not held of record by a nominee for the Securities Depository or the Remarketing Depository, the particular shares of Preferred Stock to be redeemed shall be selected by the Corporation by lot or by such other method as the Corporation shall deem fair and equitable.

(vii) Upon any date fixed for redemption (unless a Failure to Deposit occurs), all rights of the Holders of shares of Preferred Stock called for redemption will cease and terminate, except the right of such Holders to

receive the amounts payable in respect of such redemption therefor, but without interest, and such shares of Preferred Stock will be deemed no longer outstanding and, upon the taking of any action required by applicable law, shall have the status of authorized and unissued shares of preferred stock and may be reissued by the Corporation at any time as shares of any series of preferred stock other than as shares of Preferred Stock.

Section 5. Liquidation Preference.

(a) In the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of the shares of the Preferred Stock shall be entitled to receive, out of the assets of the Corporation, whether such assets are capital or surplus and whether or not any dividends as such are declared but before any payment or distribution of assets is made to holders of common stock of the Corporation or any other class of stock or series thereof ranking junior to the Preferred Stock with respect to the distribution of assets, a preferential liquidation distribution in the amount of \$250,000 per share of Preferred Stock plus an amount equal to accumulated and unpaid dividends on each such share (whether or not declared) to and including the date of such distribution and no more. Neither the merger or consolidation of the Corporation with or into any other corporation, nor the merger or consolidation of any other corporation with or into the Corporation, nor the sale, lease, exchange or other transfer of all or any portion of the assets of the Corporation, shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 5.

(b) If upon any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the assets of the Corporation available for distribution to the holders of Preferred Stock and any other series of capital stock of the Corporation ranking on a parity with the Preferred Stock are insufficient to pay the holders of the Preferred Stock the full amount of the preferential liquidation distributions to which they are entitled, then such assets of the Corporation shall be distributed ratably among the holders of Preferred Stock and any other series of capital stock of the Corporation ranking on a parity with the Preferred Stock based upon the ratio of (x) the aggregate amount available for distribution on all shares of Preferred Stock and such parity stock to (y) the total amount distributable on all shares of Preferred Stock and such parity stock upon liquidation.

Section 6. Voting Rights.

(a) Holders of the Preferred Stock will have no voting rights except as hereinafter described or as otherwise provided by the General Corporation Law of the State of Delaware; provided, however, that the affirmative vote of the holders of record of at least 66 2/3% of the Outstanding shares of Preferred Stock, voting separately as one class, shall be necessary to adopt any alteration, amendment or repeal of any provision of the Articles of Incorporation or this Certificate of Designations (including any such alteration, amendment or repeal effected by any merger or consolidation), if such alteration, amendment or repeal would alter or change the powers, preferences or special rights of the shares of Preferred Stock so as to affect them adversely.

(b)(i) If at any time the equivalent of six or more full quarterly dividends (whether or not consecutive) payable on the Preferred Stock shall be in arrears (to any extent) (a "Default Period"), the number of directors constituting the Board of Directors of the Corporation shall be increased by two (2), and the holders of record of the Preferred Stock shall have the exclusive right, voting as a class with any other shares of preferred stock of the Corporation so entitled to vote thereon, to elect the directors to fill such newly created directorships. This right shall remain vested until all dividends in arrears on the Preferred Stock have been paid or declared and set apart for payment, at which time (A) the right shall terminate (subject to

revesting), (B) the term of the directors then in office elected in accordance with the foregoing shall terminate, and (C) the number of directors constituting the Board of Directors of the Corporation shall be reduced by the number of directors whose term has been terminated pursuant to clause (B) above. For purposes of the foregoing, default in the payment of dividends for the equivalent of six quarterly dividends means, in the case of Preferred Stock which pays dividends either more or less frequently than every quarter, default in the payment of dividends in respect of one or more Dividend Periods containing not less than 540 days.

(ii) Whenever such right shall vest, it may be exercised initially by the vote of the holders of record of a majority of the shares of Preferred Stock present and voting, in person or by proxy, at a special meeting of holders of record of the Preferred Stock or at the next annual meeting of stockholders. A special meeting for the exercise of such right shall be called by the Secretary of the Corporation as promptly as possible, and in any event within 10 days after receipt of a written request signed by the holders of record of at least 25% of the Outstanding shares of the Preferred Stock, subject to any applicable notice requirements imposed by law. Notwithstanding the provisions of this paragraph, no such special meeting shall be held during the 30-day period preceding the date fixed for the annual meeting of stockholders of the Corporation.

(iii) So long as a Default Period continues, any director who shall have been elected by holders of record of Preferred Stock entitled to vote in accordance herewith shall hold office for a term expiring at the next annual meeting of stockholders and during such term may be removed at any time, without cause by, and only by, the affirmative vote of the holders of record of a majority of the shares of Preferred Stock present and voting, in person or by proxy, at a special meeting of such stockholders of record called for such purpose, and any vacancy created by such removal may also be filled at such meeting. A meeting for the removal of a director elected by the holders of record of Preferred Stock and the filling of the vacancy created thereby shall be called by the Secretary of the Corporation as promptly as possible and in any event within 10 days after receipt of request therefor signed by the holders of record of not less than 25% of the Outstanding shares of Preferred Stock, subject to any applicable notice requirements imposed by law. Such meeting shall be held at the earliest practicable date thereafter. Notwithstanding the provisions of this paragraph, no such meeting shall be held during the 30-day period preceding the date fixed for the annual meeting of stockholders of the Corporation.

(iv) Any vacancy caused by the death, resignation or expiration of the term of office of a director who shall have been elected in accordance with these provisions may be filled by the remaining director so elected or, if not so filled, by a vote of holders of record of a majority of the shares of Preferred Stock present and voting, in person or by proxy, at a meeting called for such purpose (or, in the case of expiration of the term of office of such director, at the annual meeting of stockholders of the Corporation). Unless such vacancy shall have been filled by the remaining director or by vote at the annual meeting of stockholders, such special meeting shall be called by the Secretary of the Corporation at the earliest practicable date after such death, resignation or expiration of term of office, and in any event within 10 days after receipt of a written request signed by the holders of record of at least 25% of the Outstanding shares of Preferred Stock. Notwithstanding the provisions of this paragraph, no such special meeting shall be held during the 30-day period preceding the date fixed for the annual meeting of stockholders of the Corporation.

(v) If any meeting of the holders of the Preferred Stock required above to be called shall not have been called within 10 days after personal service of a written request therefor upon the Secretary of the Corporation or within 15 days after mailing the same by registered mail addressed to the Secretary of the Corporation at his principal office, subject to any applicable notice requirements imposed by law, then the holders of record of at least 25% of the Outstanding shares of Preferred Stock may designate in writing a holder of

Preferred Stock to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders or such shorter notice (but in no event shorter than permitted by law) as may be acceptable to the holders of a majority of the total number of shares of Preferred Stock. Any holder of Preferred Stock so designated shall have access to the stock books of the Corporation for the purpose of causing such meeting to be called pursuant to these provisions. Such meeting shall be held at the earliest practicable date thereafter. Notwithstanding the provisions of this paragraph, no such meeting shall be held during the 30-day period preceding the date fixed for the annual meeting of stockholders of the Corporation.

(vi) At any meeting of the holders of record of the Preferred Stock called in accordance with the above provisions for the election or removal of directors, the presence in person or by proxy of the holders of record of one-third of the total number of Outstanding shares of Preferred Stock shall be required to constitute a quorum; in the absence of a quorum, a majority of the holders of record present in person or 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.

Section 7. Auction Procedures.

(a) Certain Definitions. Capitalized terms not defined in this Section 7 shall have the respective meanings specified elsewhere in this part of Article IV(B). As used in this Section 7, the following terms shall have the following meanings, unless the context otherwise requires:

(i) "Available Shares of Auction Preferred" has the meaning set forth in subsection (d)(i) below.

(ii) "Bid" has the meaning set forth in subsection (b)(i) below.

(iii) "Bidder" has the meaning set forth in subsection (b)(i) below.

(iv) "Broker-Dealer Agreement" means an agreement between the Auction Agent and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures specified in these Auction Procedures.

(v) "Hold Order" has the meaning set forth in subsection (b)(i) below.

(vi) "Order" has the meaning set forth in subsection (b)(i) below.

(vii) "Potential Holder" means any Person, including any Existing Holder, (A) who shall have executed a Purchaser's Letter and (B) who may be interested in acquiring shares of Auction Preferred (or, in the case of an Existing Holder, additional shares of Auction Preferred).

(viii) "Sell Order" has the meaning set forth in subsection (b)(i) below.

(ix) "Submission Deadline" means 1:00 P.M., New York City time, on any Auction Date, or such other time on any Auction Date as may be specified from time to time by the Auction Agent as the time prior to which each Broker-Dealer must submit to the Auction Agent in writing all Orders obtained by it for the Auction to be conducted on such Auction Date.

(x) "Submitted Bid" has the meaning set forth in subsection (c)(i) below.

(xi) "Submitted Hold Order" has the meaning set forth in subsection (c)(i) below.

(xii) "Submitted Order" has the meaning set forth in subsection (c)(i) below.

(xiii) "Submitted Sell Order" has the meaning set forth in subsection (c)(i) below.

(xiv) "Sufficient Clearing Bids" has the meaning set forth in subsection (d)(i) below.

(xv) "Winning Bid Rate" has the meaning set forth in subsection (d)(i) below.

(b) Orders by Existing Holders and Potential Holders.

(i) Prior to the Submission Deadline on each Auction Date for any Series of Auction Preferred:

(A) each Existing Holder may submit to a Broker-Dealer information as to:

(1) the number of Outstanding shares of Auction Preferred, if any, held by such Existing Holder that such Existing Holder desires to continue to hold without regard to the Applicable Rate for the next succeeding Dividend Period;

(2) the number of Outstanding shares of Auction Preferred, if any, held by such Existing Holder that such Existing Holder desires to sell, provided that the Applicable Rate for the next succeeding Dividend Period is less than the rate per annum specified by such Existing Holder; and/or

(3) the number of Outstanding shares of Auction Preferred, if any, held by such Existing Holder that such Existing Holder desires to sell without regard to the Applicable Rate for the next succeeding Dividend Period; and

(B) each Broker-Dealer, using a list of Potential Holders that shall be maintained in accordance with the provisions set forth in the Broker-Dealer Agreement for the purpose of conducting a competitive Auction, shall contact both Existing Holders and Potential Holders, including Existing Holders with respect to an offer by any such Existing Holder to purchase additional shares of Auction Preferred, on such list to notify such Existing Holders and Potential Holders as to the length of the next Dividend Period and (i) with respect to any Short Dividend Period or Long Dividend Period, the Dividend Payment Date(s) and (ii) with respect to any Long Dividend Period, any dates before which shares of Auction Preferred may not be redeemed and any redemption premium applicable in an optional redemption and to determine the number of Outstanding shares of Auction Preferred, if any, with respect to which each such Existing Holder and each Potential Holder desires to submit an Order and each such Potential Holder offers to purchase, provided that the Applicable Rate for the next succeeding Dividend Period shall not be less than the rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A) or (B) of this Subsection (b)(i) is hereinafter referred to as an "Order" and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder;" an Order containing the information referred to in clause (A)(1) of this Subsection (b)(i) is hereinafter referred to as a "Hold Order;" an Order containing the information referred to in clause (A)(2) or (B) of this Subsection (b)(i) is hereinafter referred to as a "Bid;" and an Order containing the information referred to in clause (A)(3) of this Subsection (b)(i) is hereinafter referred to as a "Sell Order".

(ii) (A) A Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the number of Outstanding shares of Auction Preferred specified in such Bid if the Applicable Rate determined on such Auction Date shall be less than the rate per annum specified in such Bid; or

(2) such number or a lesser number of Outstanding shares of Auction Preferred to be determined as set forth in Subsections (e)(i)(D) and (e)(iii) if the Applicable Rate determined on such Auction Date shall be equal to the rate per annum specified therein; or

(3) a lesser number of Outstanding shares of Auction Preferred to be determined as set forth in Subsections (e)(ii)(C) and (e)(iii) if such specified rate per annum shall be higher than the Maximum Applicable Rate and Sufficient Clearing Bids do not exist.

(B) A Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the number of Outstanding shares of Auction Preferred specified in such Sell Order; or

(2) such number or a lesser number of Outstanding shares of Auction Preferred to be determined as set forth in Subsections (e)(ii)(C) and (e)(iii) if Sufficient Clearing Bids do not exist.

(C) A Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(1) the number of Outstanding shares of Auction Preferred specified in such Bid if the Applicable Rate determined on such Auction Date shall be higher than the rate per annum specified in such Bid; or

(2) such number or a lesser number of Outstanding shares of Auction Preferred to be determined as set forth in Subsections (e)(i)(E) and (e)(iv) if the Applicable Rate determined on such Auction Date shall be equal to the rate per annum specified therein.

(c) Submission of Orders by Broker-Dealers to Auction Agent.

(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date for any Series of Auction Preferred all Orders obtained by such Broker-Dealer specifying with respect to each Order:

(A) the name of the Bidder placing such Order;

(B) the aggregate number of Outstanding shares of Auction Preferred that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(1) the number of Outstanding shares of Auction Preferred, if any, subject to any Hold Order placed by such Existing Holder;

(2) the number of Outstanding shares of Auction Preferred, if any, subject to any Bid placed by such Existing Holder and the rate per annum specified in such Bid; and

(3) the number of Outstanding shares of Auction Preferred, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate per annum specified in such Potential Holder's Bid.

(Each "Hold Order", "Bid" or "Sell Order" as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order", a "Submitted Bid" or a "Submitted Sell Order", as the case may be, or as a "Submitted Order".)

(ii) If any rate per annum specified in any Submitted Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one-thousandth (.001) of 1%.

(iii) If one or more Orders covering in the aggregate all of the Outstanding shares of Auction Preferred held by an Existing Holder are not submitted to the Auction Agent prior to the Submission Deadline for any reason (including the failure of a Broker-Dealer to contact such Existing Holder or to submit such Existing Holder's Order or Orders), such Existing Holder shall be deemed to have submitted a Hold Order covering the number of Outstanding shares of Auction Preferred held by such Existing Holder that are not subject to Orders submitted to the Auction Agent.

(iv) A Submitted Order or Submitted Orders of an Existing Holder that cover in the aggregate more than the number of Outstanding shares of Auction Preferred held by such Existing Holder will be considered valid in the following order of priority:

(A) any Submitted Hold Order of such Existing Holder will be considered valid up to and including the number of Outstanding shares of Auction Preferred held by such Existing Holder, provided that, if there is more than one such Submitted Hold Order and the aggregate number of shares of Auction Preferred subject to such Submitted Hold Orders exceeds the number of Outstanding shares of Auction Preferred held by such Existing Holder, the number of shares of Auction Preferred subject to each of such Submitted Hold Orders will be reduced pro rata so that such Submitted Hold Orders in the aggregate will cover exactly the number of Outstanding shares of Auction Preferred held by such Existing Holder;

(B) any Submitted Bids of such Existing Holder will be considered valid (in the ascending order of their respective rates per annum if there is more than one Submitted Bid of such Existing Holder) for the number of Outstanding shares of Auction Preferred held by such Existing Holder equal to the difference between (i) the number of Outstanding shares of Auction Preferred held by such Existing Holder and (ii) the number of Outstanding shares of Auction Preferred subject to any Submitted Hold Order of such Existing Holder referred to in clause (iv)(A) above (and, if more than one Submitted Bid of such Existing Holder specifies the same rate per annum and together they cover more than the remaining number of shares of Auction Preferred that can be the subject of valid Submitted Bids of such Existing Holder after application of clause (iv)(A) above and of the foregoing portion of this clause (iv)(B) to any Submitted Bid or Submitted Bids of such Existing Holder specifying a lower rate or rates per annum, the number of shares of Auction Preferred subject to each of such Submitted Bids specifying the same rate per annum will be reduced pro rata so that such Submitted Bids, in the aggregate, cover exactly such remaining number of Outstanding shares of Auction Preferred of such Existing Holder).

(C) any Submitted Sell Order of an Existing Holder will be considered valid up to and including the excess of the number of Outstanding shares of Auction Preferred held by such Existing Holder over the sum of (a) the number of shares of Auction Preferred subject

to Submitted Hold Orders by such Existing Holder referred to in clause (iv)(A) above and (b) the number of shares of Auction Preferred subject to valid Submitted Bids by such Existing Holder referred to in clause (iv)(B) above; provided that, if there is more than one Submitted Sell Order of such Existing Holder and the number of shares of Auction Preferred subject to such Submitted Sell Orders is greater than such excess, the number of shares of Auction Preferred subject to each of such Submitted Sell Orders will be reduced pro rata so that such Submitted Sell Orders, in the aggregate, will cover exactly the number of shares of Auction Preferred equal to such excess.

The number of Outstanding shares of Auction Preferred, if any, subject to Submitted Bids of such Existing Holder not valid under clause (iv)(B) above shall be treated as the subject of a Submitted Bid by a Potential Holder at the rate per annum specified in such Submitted Bids.

(v) If there is more than one Submitted Bid by any Potential Holder in any Auction, each such Submitted Bid shall be considered a separate Submitted Bid with respect to the rate per annum and number of shares of Auction Preferred specified therein.

(d) Determination of Sufficient Clearing Bids, Winning Bid Rate and Applicable Rate.

(i) Not earlier than the Submission Deadline on each Auction Date for any Series of Auction Preferred, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers and shall determine:

(A) the excess of the total number of Outstanding shares of Auction Preferred over the number of shares of Auction Preferred that are the subject of Submitted Hold Orders (such excess being hereinafter referred to as the "Available Shares of Auction Preferred");

(B) from the Submitted Orders, whether the number of Outstanding shares of Auction Preferred that are the subject of Submitted Bids by Potential Holders specifying one or more rates per annum equal to or lower than the Maximum Applicable Rate exceeds or is equal to the sum of:

(1) the number of Outstanding shares of Auction Preferred that are the subject of Submitted Bids by Existing Holders specifying one or more rates per annum higher than the Maximum Applicable Rate, and

(2) the number of Outstanding shares of Auction Preferred that are subject to Submitted Sell Orders.

(if such excess or such equality exists (other than because the number of Outstanding shares of Auction Preferred in clauses (1) and (2) above are each zero because all of the Outstanding shares of Auction Preferred are the subject of Submitted Hold Orders), there shall exist "Sufficient Clearing Bids" and such Submitted Bids by Potential Holders shall be hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids exist, the winning bid rate (the "Winning Bid Rate"), which shall be the lowest rate per annum specified in the Submitted Bids that if:

(1) each Submitted Bid from Existing Holders specifying the Winning Bid Rate and all other Submitted Bids from Existing Holders specifying lower rates per annum were accepted, thus entitling such Existing Holders to continue to hold the shares of Auction Preferred that are the subject of such Submitted Bids, and

(2) each Submitted Bid from Potential Holders specifying the Winning Bid Rate and all other submitted Bids from Potential Holders specifying lower rates per annum were accepted, thus entitling such Potential Holders to purchase the shares of Auction Preferred that are the subject of such Submitted Bids,

would result in such Existing Holders described in subclause (C)(1) continuing to hold an aggregate number of Outstanding shares of Auction Preferred that, when added to the number of Outstanding shares of Auction Preferred to be purchased by such Potential Holders described in subclause (C)(2), would equal or exceed the number of Available Shares of Auction Preferred.

(ii) In connection with any Auction and promptly after the Auction Agent has made the determinations pursuant to Subsection (d)(i), the Auction Agent shall advise the Corporation of the Maximum Applicable Rate and, based on such determinations, the Applicable Rate for the next succeeding Dividend Period as follows:

(A) if Sufficient Clearing Bids exist, that the Applicable Rate for the next succeeding Dividend Period shall be equal to the Winning Bid Rate;

(B) if Sufficient Clearing Bids do not exist (other than because all of the Outstanding shares of Auction Preferred are the subject of Submitted Hold Orders), that the next succeeding Dividend Period will be a Standard Dividend Period and the Applicable Rate for the next succeeding Dividend Period determined shall be equal to the Maximum Applicable Rate for a Standard Dividend Period determined on the Business Day immediately preceding such Auction; or

(C) if all of the Outstanding shares of Auction Preferred are the subject of Submitted Hold Orders, that the Applicable Rate for the next succeeding Dividend Period shall be equal to 58% of the Applicable "AA" Composite Commercial Paper Rate, in the case of Auction Preferred with a Dividend Period of 7 to 48 days, a Standard Dividend Period or a Short Dividend Period of 183 days or less, 58% of the Applicable Treasury Bill Rate in the case of Auction Preferred with a Short Dividend Period of 184 to 364 days, or 58% of the Applicable Treasury Note Rate, in the case of Auction Preferred with a Long Dividend Period, in effect on the Auction Date.

(e) Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Shares of Auction Preferred. Based on the determinations made pursuant to Subsection (d)(i), the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, subject to the provisions of Subsections (e)(iii) and (e)(iv), Submitted Bids and Submitted Sell Orders shall be accepted or rejected in the following order of priority and all other Submitted Bids shall be rejected:

(A) the Submitted Sell Orders of Existing Holders shall be accepted and the Submitted Bid of each of the Existing Holders specifying any rate per annum that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Holder to sell the Outstanding shares of Auction Preferred that are the subject of such Submitted Sell Order or Submitted Bid;

(B) the Submitted Bid of each of the Existing Holders specifying any rate per annum that is lower than the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the Outstanding shares of Auction Preferred that are the subject of such Submitted Bid;

(C) the Submitted Bid of each of the Potential Holders specifying any rate per annum that is lower than the Winning Bid Rate shall be accepted;

(D) the Submitted Bid of each of the Existing Holders specifying a rate per annum that is equal to the Winning Bid Rate shall be accepted, thus entitling each such Existing Holder to continue to hold the Outstanding shares of Auction Preferred that are the subject of such Submitted Bid, unless the number of Outstanding shares of Auction Preferred subject to all such Submitted Bids shall be greater than the number of Outstanding shares of Auction Preferred ("Remaining Shares of Auction Preferred") equal to the excess of the Available Shares of Auction Preferred over the number of Outstanding shares of Auction Preferred subject to Submitted Bids described in Subsections (e)(i)(B) and (e)(i)(C), in which event the Submitted Bids of each such Existing Holder shall be rejected, and each such Existing Holder shall be required to sell Outstanding shares of Auction Preferred, but only in an amount equal to the difference between (1) the number of Outstanding shares of Auction Preferred then held by such Existing Holder subject to such Submitted Bid and (2) the number of shares of Auction Preferred obtained by multiplying (x) the number of Remaining Shares of Auction Preferred by (y) a fraction, the numerator of which shall be the number of Outstanding shares of Auction Preferred held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate number of Outstanding shares of Auction Preferred subject to such Submitted Bids made by all such Existing Holders that specified a rate per annum equal to the Winning Bid Rate; and

(E) the Submitted Bid of each of the Potential Holders specifying a rate per annum that is equal to the Winning Bid Rate shall be accepted, but only in an amount equal to the number of Outstanding shares of Auction Preferred obtained by multiplying (x) the difference between the Available Shares of Auction Preferred and the number of Outstanding shares of Auction Preferred subject to Submitted Bids described in Subsections (e)(i)(B), (e)(i)(C) and (e)(i)(D) by (y) a fraction, the numerator of which shall be the number of Outstanding shares of Auction Preferred subject to such Submitted Bid and the denominator of which shall be the sum of the number of Outstanding shares of Auction Preferred subject to such Submitted Bids made by all such Potential Holders that specified rates per annum equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding shares of Auction Preferred are subject to Submitted Hold Orders), subject to the provisions of Subsection (e)(iii), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids of Potential Holders shall be rejected:

(A) the Submitted Bid of each Existing Holder specifying any rate per annum that is equal to or lower than the Maximum Applicable Rate shall be accepted, thus entitling such Existing Holder to continue to hold the Outstanding shares of Auction Preferred that are the subject of such Submitted Bid;

(B) the Submitted Bid of each Potential Holder specifying any rate per annum that is equal to or lower than the Maximum Applicable Rate shall be accepted, thus requiring such Potential Holder to purchase the Outstanding shares of Auction Preferred that are the subject of such Submitted Bid; and

(C) the Submitted Bids of each Existing Holder specifying any rate per annum that is higher than the Maximum Applicable Rate shall be rejected, thus requiring each such Existing Holder to sell the Outstanding shares of Auction Preferred that are the subject of such Submitted Bid, and the Submitted Sell Orders of each Existing Holder shall be accepted, in both cases only in an amount equal to the

difference between (1) the number of Outstanding shares of Auction Preferred then held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and (2) the number of shares of Auction Preferred obtained by multiplying (x) the difference between the Available Shares of Auction Preferred and the aggregate number of Outstanding shares of Auction Preferred subject to Submitted Bids described in Subsections (e)(ii)(A) and (e)(ii)(B) by (y) a fraction, the numerator of which shall be the number of Outstanding shares of Auction Preferred held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate number of Outstanding shares of Auction Preferred subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If, as a result of the procedures described in Subsections (e)(i) or (e)(ii), any Existing Holder would be entitled or required to sell or any Potential Holder would be entitled or required to purchase, a fraction of a share of Auction Preferred on any Auction Date, the Auction Agent shall, in such manner as in its sole discretion it shall determine, round up or down the number of shares of Auction Preferred to be purchased or sold by any Existing Holder or Potential Holder on such Auction Date so that only whole shares of Auction Preferred will be entitled or required to be sold or purchased.

(iv) If, as a result of the procedures described in Subsection (e)(i), any Potential Holder would be entitled or required to purchase less than a whole share of Auction Preferred on any Auction Date, the Auction Agent shall, in such manner as in its sole discretion it shall determine, allocate shares of Auction Preferred for purchase among Potential Holders so that only whole shares of Auction Preferred are purchased on such Auction Date by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any shares of Auction Preferred on such Auction Date.

(v) Based on the results of each Auction, the Auction Agent shall determine, with respect to each Broker-Dealer that submitted Bids or Sell Orders on behalf of Existing Holders or Potential Holders, the aggregate number of Outstanding shares of Auction Preferred to be purchased and the aggregate number of Outstanding shares of Auction Preferred to be sold by such Potential Holders and Existing Holders and, to the extent that such aggregate number of Outstanding shares of Auction Preferred to be purchased and such aggregate number of Outstanding shares of Auction Preferred to be sold differ, the Auction Agent shall determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, Outstanding shares of Auction Preferred.

Section 8. Auction Agent.

The Corporation shall use its best efforts to maintain, pursuant to a written agreement (the "Auction Agent Agreement"), an Auction Agent with respect to each Series of Auction Preferred, to act in accordance with the provisions set forth herein with respect to such Series.

Section 9. Remarketing Procedures.

(a) Determination of Dividend Periods and Dividend Rates for Remarketing MAPS. Subject to Section 3 hereof, the duration of each subsequent Dividend Period and the dividend rate for each subsequent Dividend Period with respect to any share of Remarketing Preferred will be established by a Remarketing Agent and will be conclusive and binding on the Corporation and the Holder of such share of Remarketing Preferred. Each Remarketing Agent will establish dividend rates, not in excess of the Maximum Applicable Rate, for each Dividend Period which it determines will be the lowest rate at which tendered Shares of

Remarketing Preferred would be remarketed at \$250,000 per share. In establishing each Dividend Period and dividend rate, each Remarketing Agent will establish Dividend Periods and dividend rates which it determines will result in the most favorable financing alternative for the Corporation based on the then-current Marketing Conditions.

(b) Remarketing; Tender for Remarketing. The following procedures shall be applicable to each share of Remarketing Preferred:

(i) The Remarketing Agent. Each Remarketing Agent shall use its best efforts, on behalf of the Holders thereof, to remarket all shares of Remarketing Preferred tendered for sale by Remarketing for which it is acting as Remarketing Agent without charge to such Holder, only at \$250,000 per share, provided that no such Remarketing Agent shall be obligated to remarket such Remarketing Preferred if there shall be a material misstatement or omission in any disclosure document provided by the Corporation and used in connection with the Remarketing of such Remarketing Preferred or at any time such Remarketing Agent shall have determined that it is not advisable to remarket Remarketing Preferred by reason of: (i) a pending or proposed change in applicable tax laws, (ii) a material adverse change in the financial condition of the Corporation, (iii) a banking moratorium, (iv) domestic or international hostilities, (v) an amendment of the provisions hereof which materially and adversely changes the nature of the shares of Remarketing Preferred or the Remarketing Procedures or (vi) a Failure to Deposit. Any Remarketing Agent may, but shall not be obligated to, purchase tendered Remarketing Preferred for its own account. Should the Remarketing Agent for any share of Remarketing Preferred not succeed in Remarketing all such shares of Remarketing Preferred so tendered for Remarketing on any date, such Remarketing Agent shall select the shares of such Remarketing Preferred to be sold from those tendered pro rata. Payments in the amount of \$250,000 per share of Remarketing Preferred remarketed shall be made by the Tender Agent by crediting such payments to the accounts of the Holders thereof maintained by the Tender Agent or, to the extent duly requested of the Tender Agent by Holders, by wire or other transfer in immediately available funds to their accounts with commercial banks in the United States. If for any reason a share of Remarketing Preferred is not remarketed on the date of tender, such share will be retained by its Holder. Until remarketed, each such share of Remarketing Preferred will have successive Dividend Periods of one day and will be entitled to dividends, payable on each succeeding Business Day at the Maximum Applicable Rate.

(ii) Notice of Shares of Remarketing Preferred to be Retained. Each share of Remarketing Preferred will be deemed to have been tendered for sale by Remarketing on the last day of each Dividend Period, unless the Holder thereof gives irrevocable notice to the contrary to the Remarketing Agent for such share of Remarketing Preferred or if so instructed by such Remarketing Agent, to the Tender Agent. Such notice, which may be telephonic or written, must be delivered, prior to 3:00 P.M., New York City time, on the Business Day immediately preceding the last day of a Dividend Period or on the earlier day specified in a notice, if any, mailed by the Tender Agent at the direction of such Remarketing Agent to such record holder at its address as the same appears on the Stock Books of the Corporation, which day will be a Business Day at least four Business Days after the mailing of such notice. The notice from such Holder of an election to retain shares of Remarketing Preferred shall state:

(A) the number of shares of such Remarketing Preferred held by the Securities Depository or the Remarketing Depository, and

(B) the number of such shares of Remarketing Preferred which shall be deemed not to have been so tendered.

(iii) Shares Deemed to Have Been Tendered. The failure to give notice of an election to retain any shares of Remarketing Preferred as provided in (b)(ii) above will constitute the irrevocable tender for sale by Remarketing of such shares of Remarketing Preferred. Certificates representing shares of Remarketing Preferred remarketed will be issued to the Securities Depository or the Remarketing Depository, as the case may be, irrespective of whether the certificates formerly representing such shares of Remarketing Preferred have been delivered to the Tender Agent. A Holder which has not given notice that it will retain its shares of Remarketing Preferred shall have no further rights with respect to such shares of Remarketing Preferred upon the Remarketing of such shares of Remarketing Preferred, except the right to receive any declared but unpaid dividends thereon and the proceeds of the Remarketing of such shares.

(iv) Funds for Purchase of Shares. Payments to Holders of shares of Remarketing Preferred remarketed will be made solely from the proceeds received from the purchasers of such shares in a Remarketing. Neither the Corporation, the Tender Agent nor any Remarketing Agent shall be obligated to provide funds to make payment to the holders of shares of Remarketing Preferred tendered for Remarketing.

(c) The Remarketing Process. The Remarketing process will be conducted on the following schedule and in the following manner (all times are New York City time):

The Last Business Day of a Dividend Period:*
Beginning Not Later Than

1:00 P.M. The Remarketing Agent for the shares of Remarketing Preferred will determine and, upon request, make available to all interested persons non-binding indications of Dividend Periods and dividend rates based upon then-current Marketing Conditions. Each Holder may obtain a binding commitment as to the specific Dividend Period or Dividend Periods and the related Applicable Rate or Applicable Rates which will be applicable to such Holder's shares should such Holder elect to retain them.

At 3:00 P.M. Holders of shares of Remarketing Preferred will be deemed to have tendered shares of Remarketing Preferred for sale by Remarketing at \$250,000 per share unless they have given contrary instructions to the Remarketing Agent for such shares of Remarketing Preferred or, if so instructed by such Remarketing Agent, to the Tender Agent.

After 3:00 P.M. The applicable Remarketing Agent will solicit and receive orders from prospective investors to purchase tendered shares of Remarketing Preferred. A purchaser, at the time of its agreement to purchase shares of Remarketing Preferred, may obtain a binding commitment as to the specific Dividend Period or Dividend Periods and the related Applicable Rate or Applicable Rates for such shares of Remarketing Preferred based upon then-current Marketing Conditions.

First Business Day of Next Dividend Period:

Opening of Business The applicable Remarketing Agent will continue, if necessary, remarketing shares of Remarketing Preferred as described above.

By 1:00 P.M. The applicable Remarketing Agent will have completed Remarketing and will advise the Tender Agent as to the Applicable Rate and Dividend Period applicable to each share of Remarketing Preferred commencing a Dividend Period on that day and of any failure to remarket.

By 2:30 P.M. New Holders must deliver the purchase price as instructed by the applicable Remarketing Agent. Former Holders will be paid the proceeds of the Remarketing of their shares by the Tender Agent (upon surrender of their certificates, if applicable).

*Or such other time and day as may have been specified in a notice mailed to the holders of Remarketing Preferred.

Section 10. The Remarketing Agent.

The Corporation will take all reasonable action necessary so that, at all times, at least one investment bank, broker, dealer or other organization qualified to remarket shares of Remarketing Preferred and to establish Dividend Periods and Applicable Rates is acting as Remarketing Agent for each share of Remarketing Preferred.

Section 11. Book Entry System.

(a) Shares of Preferred Stock with Dividend Periods of 7 days or longer shall be represented by a global certificate or certificates registered in the name of a nominee of the Securities Depository, as depository for such shares of Preferred Stock. Shares of Remarketing Preferred with Dividend Periods of less than 7 days shall be represented by a global certificate or certificates registered in the name of a nominee of the Remarketing Depository, as depository for such shares of Remarketing Preferred.

(b) All of the Outstanding shares of Auction Preferred of each Series shall be represented by a single certificate for each Series registered in the name of the nominee of the Securities Depository unless otherwise required by law or unless there is no Securities Depository. If there is no Securities Depository, shares of Auction Preferred shall be registered in the Stock Books in the name of the Existing Holder thereof and such Existing Holder thereupon will be entitled to receive a certificate therefor and be required to deliver a certificate therefor upon transfer or exchange thereof.

(c) Each Series of Remarketing Preferred shall be represented by a separate global security or global securities and shares of Remarketing Preferred having different Dividend Payment Dates, dividend rates, redemption provisions or Percentages, if any, shall be represented by a separate global security.

(d) Interests in shares of Preferred Stock represented by a global security will be shown on, and transfers thereof will be effected only through, records maintained by the respective depository.

(e) If the Securities Depository should resign and the Corporation not select a substitute securities depository, physical delivery of certificates

shall be made in the names of designated transferees in exchange for the global security or securities held for the account of the Securities Depository.

Section 12. Miscellaneous.

(a) So long as the dividend rate is based on the results of an Auction or Remarketing, a Holder (i) may sell, transfer or otherwise dispose of shares of Auction Preferred only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer or to a Person that has delivered a signed copy of a Purchaser's Letter to a Broker-Dealer, and in the case of all transfers other than pursuant to Auctions, such Existing Holder of the shares of Auction Preferred, its Broker-Dealer or its Participant advises the Auction Agent of such transfer, (ii) may transfer shares of Remarketing Preferred only pursuant to a tender of such shares to the Tender Agent or to a person that has delivered a signed copy of a Purchaser's Letter to a Remarketing Agent, and in the case of all transfers of shares of Remarketing Preferred other than pursuant to a tender of such shares, the holder of the shares so transferred advises a Remarketing Agent of such transfer and (iii) unless otherwise required by law, shall have its ownership of shares of Preferred Stock maintained in book entry form by the Securities Depository or, in the case of shares of Remarketing Preferred with a Dividend Period of less than 7 days, the Remarketing Depository.

(b) Each Remarketing Agent will be required to register on a list maintained pursuant to a Remarketing Agreement a transfer of shares of Remarketing Preferred for which it is the Remarketing Agent from a holder to another person only if such transfer is made to a person that has delivered a signed copy of a Purchaser's Letter to such Remarketing Agent and if (i) such transfer is pursuant to a Remarketing or (ii) such Remarketing Agent has been notified in writing (A) by such holder of such transfer or (B) by any person that purchased or sold such Remarketing Preferred in a Remarketing of the failure of such Remarketing Preferred to be delivered or paid for, as the case may be, in connection with such Remarketing. A Remarketing Agent is not required to register a transfer of Remarketing Preferred pursuant to clause (ii) above on or prior to the Business Day immediately preceding the first day of a subsequent Dividend Period for such Remarketing Preferred unless it receives the written notice required by such clause (ii) by 3:00 P.M., New York City time, on the second Business Day preceding the first day of such subsequent Dividend Period. Such Remarketing Agent will rescind a transfer registered on such list as a result of a Remarketing if the Remarketing Agent is notified in writing of the failure of shares of Remarketing Preferred to be delivered or paid for as required. Any transfer of shares of Remarketing Preferred made in violation of the terms of a Purchaser's Letter may affect the right of the Person acquiring such shares to participate in Remarketings.

(c)(i) If the Method of determining the Dividend Rate for some or all of the Series of Preferred Stock is the Auction Method, the Corporation or any Affiliate of the Corporation may not submit for its own account a Bid or Hold Order in an Auction. If the Corporation or any Affiliate holds shares of Auction Preferred for its own account, it must submit a Sell Order in the next auction with respect to such shares. Any Broker-Dealer that is an Affiliate of the Corporation may not submit for its own account Bid Orders or Hold Orders in Auctions. If such affiliated Broker-Dealer holds shares of Auction Preferred for its own account, it must submit a Sell Order in the next Auction with respect to such shares of Auction Preferred.

(ii) The Corporation or any Affiliate of the Corporation may acquire, hold or dispose of shares of Remarketing Preferred. Subject to such limitations as the Corporation and the Remarketing Agent may agree, it and its Affiliates will purchase shares of Remarketing Preferred, if any, during Remarketings only after 3:00 P.M. on the Business Day immediately preceding the first day of each subsequent Dividend Period and only at Applicable Rates and for Dividend Periods established by the Remarketing Agents without regard to such offers by the Corporation or its Affiliates and will tender shares of Remarketing Preferred for Remarketing only upon at least 10 days' prior notice to the

Remarketing Agents; provided, however, that if the then current Dividend Period is less than 10 days, the Corporation will give notice to the Remarketing Agent on the day such Dividend Period of less than 10 days commences. In the event that the Corporation or its Affiliates purchase shares of Remarketing Preferred for their respective accounts, all shares of Remarketing Preferred tendered by other holders, including any such Remarketing Preferred owned by a Remarketing Agent, will be remarketed before the Remarketing of any such Remarketing Preferred owned by the Corporation or its Affiliates. If any shares of Remarketing Preferred tendered for Remarketing are not sold, any shares of Remarketing Preferred tendered for Remarketing by the Corporation or an Affiliate of the Corporation, up to the number of such shares not so sold, will be deemed not to have been so tendered.

(d) The purchase price of each share of Preferred Stock which is sold either through the Auction Procedures or the Remarketing Procedures shall be \$250,000.

(e) If a holder of Converted Auction Preferred fails to give irrevocable notice otherwise to the Remarketing Agent for such Remarketing Preferred (or, if so instructed by such Remarketing Agent, to the Tender Agent) by no later than 3:00 P.M., New York City time, on the Business Day immediately preceding the first day of the subsequent Dividend Period applicable thereto, or such other day as is specified in a notice delivered in the manner set forth in Section 9(b)(ii), such holder will be deemed to have tendered such Converted Auction Preferred for sale by Remarketing on such Business Day.

(f) An Auction will be held in respect of each Series of Converted Remarketing Preferred on the Initial Auction Date. If a holder of Converted Remarketing Preferred does not submit an Order in such Auction, such holder will be deemed to have submitted a Sell Order in such Auction.

13. Exclusive Remedy. In the event that dividends are not timely declared on the shares of Preferred Stock, the exclusive remedy of Holders against the Corporation shall be as set forth in this part of Article IV (B) and in no event shall Holders of such shares have a specifically enforceable right to the declaration of dividends.

14. Additional Terms. (a) The Board of Directors may interpret the provisions of this part of Article IV (B) to resolve any inconsistency or ambiguity or remedy any formal defect.

(b) The headings of the various subdivisions of this part of Article IV (B) are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

C. Except as otherwise provided by the General Corporation Law of the State of Delaware or by any resolution heretofore or hereafter adopted by the Board of Directors fixing the relative powers, preferences and rights and the qualifications, limitations or restrictions of any additional series of Preferred Stock, the entire voting power of the shares of the Company for the election of directors and for all other purposes, as well as all other rights appertaining to shares of the Company, shall be vested exclusively in the Common Stock. Each share of Common Stock shall have one vote upon all matters to be voted on by the holders of the Common Stock, and shall be entitled to participate equally in all dividends payable with respect to the Common Stock and to share ratably, subject to the rights and preferences of any Preferred Stock, in all assets of the Company in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, or upon any distribution of the assets of the Company.

D. The Company shall not, without either the prior approval of a majority of the total number of shares then issued and outstanding and entitled to vote or the receipt by the Company of a favorable opinion issued by a nationally

recognized investment banking firm designated by the Committee of Equity Security Holders of Texaco Inc. appointed in the Company's jointly administered Chapter 11 case in the United States Bankruptcy Court for the Southern District of New York or its last chairman (or his designee) to the effect that the proposed issuance is fair from a finance point of view to the stockholders of the Company issue to its stockholders generally (i) any warrant or other right to purchase any security of the Company, any successor thereto or any other person or entity or (ii) any security of the Company containing any such right to purchase, which warrant, right or security (a) is exercisable, exchangeable or convertible, based or conditioned in whole or in part on (I) a change of control of the Company or (II) the owning or holding of any number or percentage of outstanding shares or voting power or any offer to acquire any number of shares or percentage of voting power by any entity, individual or group of entities and/or individuals or (b) discriminates among holders of the same class of securities (or the class of securities for which such warrant or right is exercisable or exchangeable) of the Company or any successor thereto.

V.

The Company is to have perpetual existence.

VI.

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

VII.

No holder of stock of the Company shall have any preferential right of subscription to any share of any class of stock of the Company issued or sold, or to any obligations convertible into stock of the Company, or any right of subscription to any thereof other than such, if any, as the Board of Directors in its discretion may determine, and at such prices as the Board of Directors may fix.

VIII.

The Company may use its surplus earnings or accumulated profits in the purchase or acquisition of its own capital stock from time to time as its Board of Directors shall determine, and such capital stock so purchased may, if the directors so determine, be held in the treasury of the Company as treasury stock, to be thereafter disposed of in such manner as the directors shall deem proper.

IX.

(A) Number, Election and Terms of Directors. Except as otherwise fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of any class or series of stock having preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the directors of the Company shall be fixed from time to time by or pursuant to the by-laws. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the manner specified in the by-laws, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1985, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1986, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1987, with each class to hold office until its successor is elected

and qualified. At each annual meeting of the stockholders of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

(B) Stockholder Nomination of Director Candidates. Advance notice of stockholder nominations for the election of directors shall be given in the manner provided in the by-laws.

(C) Newly Created Directorships and Vacancies. Except as otherwise provided for or fixed by or pursuant to the provisions of Article IV hereof relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation or disqualification, or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director so elected shall stand for election (for the balance of his term) at the next annual meeting of stockholders, unless his term expires at such annual meeting. Any vacancy on the Board of Directors resulting from removal by stockholder vote shall be filled only by the vote of a majority of the voting power of all shares of the Company entitled to vote generally in the election of directors, voting together as a single class.

(D) Removal. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, any director may be removed from office, with or without cause, only by the affirmative vote of the holders of 66 2/3% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class.

(E) Amendment, Repeal, Etc. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of all shares of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article IX.

X.

In furtherance, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

(A) to fix in the by-laws from time to time the number of directors of the Company, none of whom need be stockholders;

(B) to fix the amount to be reserved as working capital over and above its capital stock paid in;

(C) to borrow money and to make and issue notes, bonds, debentures, obligations and evidence of indebtedness of all kinds, with or without the privilege of conversion into stock of the Company; and also to authorize and cause to be executed mortgages and liens upon the real and personal property of the Company and conveyances of its real estate;

(D) from time to time to determine whether and to what extent, and at what times and places, and under what conditions and regulations, the accounts and books of the Company (other than the stock ledger), or any of them, shall be open to inspection of stockholders; and no stockholder shall have any right of inspecting any account book or document of the Company except as conferred by statute, unless authorized by a resolution of the stockholders or directors; and

(E) if the by-laws so provide, to designate by resolution three or more of its number to constitute an executive committee, which committee shall, for the time being, have and exercise such of the powers of the Board of Directors in the management of the business and affairs of the Company, and have power to authorize the seal of the Company to be affixed to all papers which may require it.

The Company may in its by-laws confer powers upon its directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon them by statute.

Both stockholders and directors shall have power, if the by-laws so provide, to hold their meeting and to have one or more offices within or without the State of Delaware, and to keep the books of the Company (subject to the provisions of applicable laws), outside of the State of Delaware at such places as may be from time to time designated by the Board of Directors.

XI.

Any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of all shares of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article XI.

XII.

The Board of Directors shall have power to make, alter, amend and repeal the by-laws (except so far as the by-laws adopted by the stockholders shall otherwise provide). Any by-laws made by the directors under the powers conferred hereby may be altered, amended or repealed by the directors or by the stockholders. Notwithstanding the foregoing and anything contained in this Certificate of Incorporation to the contrary, Section 2 of Article I and Sections 1,2,3 and 4 of Article II of the by-laws shall not be altered, amended or repealed and no provision inconsistent therewith shall be adopted without the affirmative vote of the holders of at least 66 2/3% of the voting power of all the shares of the Company entitled to vote generally in the election of directors, voting together as a single class. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 66 2/3% of the voting power of all shares of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with or repeal this Article XII.

XIII.

(A) Vote Required for Certain Business Combinations.

(1) Higher Vote for Certain Business Combinations. In addition to any affirmative vote required by law or this Certificate of Incorporation, and except as otherwise expressly provided in Section B of this Article XIII:

(a) any merger or consolidation of the Company or any Subsidiary

(as hereinafter defined) with (i) any Interested Stockholder (as hereinafter defined) or (ii) any other Company (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(b) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Company or any Subsidiary having an aggregate Fair Market Value of \$100 million or more; or

(c) the issuance or transfer by the Company or any Subsidiary (in one transaction or a series of transactions) of any securities of the Company or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$100 million or more or;

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

(e) any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Company or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class (it being understood that for purposes of this Article XIII, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article IV of this Certificate of Incorporation). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

(2) Definition of "Business Combination." The term "Business Combination" as used in this Article XIII shall mean any transaction which is referred to in any one or more of clauses (a) through (e) of paragraph (1) of this Section (A).

(B) When Higher Vote is Not Required. The provisions of Section A of this Article XIII shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any other provision of this Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs (1) and (2) are met:

(1) Approval by Disinterested Directors. The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

(2) Price and Procedure Requirements. All of the following conditions shall have been met:

(a) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share

by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (a) within the two-year period immediately prior to the first publication announcement of the proposal of the Business Combination (the "Announcement Date") or (b) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article XIII as the "Determination Date"), whichever is higher.

(b) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other class of outstanding Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph 2(b) shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Stockholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company; and

(iii) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

(c) The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash or in the same form as the Interested Stockholder has previously paid for shares of such class of Voting Stock. If the Interested Stockholder has paid for shares of any class of Voting Stock with varying forms of consideration, the form of consideration for such class of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class of Voting Stock previously acquired by it. The price determined in accordance with paragraph 2(a) and 2(b) of this Section B shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

(d) After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (i) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (ii) there shall have been (A) no reduction in the annual rate of dividends paid on the Common Stock

(except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (B) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (iii) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

(e) After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Company, whether in anticipation of or in connection with such Business Combination or otherwise.

(f) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the Company at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(C) **Vote Required for Certain Stock Repurchases.** In addition to any other requirement of this Certificate of Incorporation, the affirmative vote of the holders of at least 50% of the Voting Stock (other than Voting Stock beneficially owned by a Selling Stockholder (as hereinafter defined)), shall be required before the Company purchases any outstanding shares of Common Stock at a price above the Market Price (as hereinafter defined) from a person actually known by the Company to be a Selling Stockholder, unless the purchase is made by the Company (i) on the same terms and as a result of an offer made generally to all holders of Common Stock or (ii) pursuant to statutory appraisal right.

(D) **Certain Definitions.** For the purposes of this Article XIII:

(1) A "person" shall mean any individual, firm, corporation or other entity.

(2) "Interested Stockholder" shall mean any person (other than the Company or any Subsidiary) who or which:

(a) is the beneficial owner, directly or indirectly, of more than 20% of the voting power of the outstanding Voting Stock; or

(b) is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 20% or more of the voting power of the then outstanding Voting Stock; or

(c) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(3) A person shall be a "beneficial owner" of any Voting Stock:

(a) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns directly or indirectly; or

(b) which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

(c) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

(4) For the purposes of determining whether a person is an Interested Stockholder pursuant to paragraph 2 of this Section C, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph 3 of this Section C but shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

(5) "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on March 1, 1984.

(6) "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Company; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph 2 of this Section C, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Company.

(7) "Disinterested Director" means any member of the Board of Directors who is unaffiliated with the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(8) "Fair Market Value" means: (a) in the case of the stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board of Directors in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board of Directors in good faith.

(9) "Selling Stockholder" means any person who or which is the beneficial owner of in the aggregate more than 1% of the outstanding shares of Common Stock and who or which has purchased or agreed to purchase any

of such shares within the most recent two-year period and who sells or proposes to sell Common Stock in a transaction requiring the affirmative vote provided for in Section C of this Article XIII.

(10) "Market Price" means the highest sale price on or during the period of five trading days immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or if such stock is not quoted on the Composite Tape on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of stock on or during the period of five trading days immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors.

(E) Powers of the Board of Directors. A majority of the directors shall have the power and duty to determine for the purposes of this Article XIII, on the basis of information known to them after reasonable inquiry, (1) whether a person is an Interested Stockholder, (2) the number of shares of Voting Stock beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Company or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$100 million or more. A majority of the directors shall have the further power to interpret all of the terms and provisions of this Article XIII.

(F) No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article XIII shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

(G) Amendment, Repeal, etc. Notwithstanding any other provisions of this Certificate of Incorporation or the by-laws (and notwithstanding the fact that a lesser percentage may be specified by law, this Certificate of Incorporation or the by-laws) the affirmative vote of the holders of 80% or more of the outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal, or adopt any provisions inconsistent with this Article XIII.

XIV.

A director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the Delaware General Corporation Law as the same exists or may hereafter be amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Company shall not adversely affect any right or protection of a director of the Company existing at the time of such repeal or modification.

XV.

The Company 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 this Certificate of Incorporation or statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, Robert E. Koch, an Assistant Secretary of Texaco Inc., a Delaware corporation, do hereby certify that the foregoing includes all of the provisions of the Restated Certificate of Incorporation of Texaco Inc. filed with the Delaware Secretary of State on April 27, 1990, as amended on December 22, 1992 and November 9, 1994.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Company this 27th day of March, 1995.

Robert E. Koch

.....
Assistant Secretary

BY-LAWS OF TEXACO INC,

A Delaware Corporation

ARTICLE I.
Stockholders.

SECTION 1. Annual Meeting. The annual meeting of stockholders shall be held on the second Tuesday in May of each year at 10:00 in the morning, or at such time of day or on such other date in each calendar year as may be fixed by the Board of Directors, for the election of directors and the transaction of any other business as may properly come before the meeting.

SECTION 2. Stockholder Action; Special Meetings. Any action required or permitted to be taken by the stockholders of the Company must be effected at a duly called annual or special meeting of such holders and may not be effected by any consent in writing by such holders. Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors.

SECTION 3. Notice of Meetings. Notice of each meeting of stockholders, annual or special, stating the time and place, and, if a special meeting, the purpose or purposes in general terms, shall be mailed no earlier than 60 days and no later than 10 days prior to the meeting to each stockholder at the stockholder's address as the same appears on the books of the Company.

SECTION 4. Place. Meetings of the stockholders shall be held at such place or places as the Board of Directors may direct, the place to be specified in the notice.

SECTION 5. Quorum. At any meeting of stockholders, the holders of a majority of the voting shares issued and outstanding, being present in person or represented by proxy, shall be a quorum for all purposes, except where otherwise provided by statute.

SECTION 6. Adjournments. Any annual or special meeting of stockholders duly and regularly called in accordance with these by-laws may adjourn one or more times and no further notice of such adjourned meeting or meetings shall be necessary. If at any annual or special meeting of stockholders a quorum shall fail to attend in person or by proxy, a majority in interest of the stockholders attending in person or by proxy may adjourn the meeting to another time, or to another time and place, and there may be successive adjournments for like cause and in like manner without further notice until a quorum shall attend. Any business may be transacted at any such adjourned meeting or meetings which might have been transacted at the meeting as originally called.

SECTION 7. Organization. The Chairman of the Board, or, in his absence, the Vice Chairman, or, in their absence, the President, or, in their absence, one of the Executive Vice Presidents, or, in their absence, one of the Senior Vice Presidents, or, in their absence, a Vice President appointed by the stockholders, shall call meetings of the stockholders to order and shall act as chairman thereof. The Secretary of the Company, if present, shall act as secretary of all meetings of the stockholders; and, in his absence, the presiding officer may appoint a secretary.

SECTION 8. Voting. At each meeting of the stockholders, every stockholder of record (at the closing of the transfer books if closed) shall be entitled to vote in person or by proxy appointed by an instrument in writing subscribed by such stockholder or by his duly authorized attorney and delivered to and filed with the Secretary at the meeting; and each stockholder shall have one vote for each share of stock standing in his name. Voting for directors, and upon any question at any meeting, shall be by ballot, if demanded by any stockholder.

SECTION 9. List of Stockholders. The Secretary shall keep records from which a list of stockholders can be compiled, and shall furnish such list upon order of the Board of Directors.

ARTICLE II.
The Board of Directors.

SECTION 1. Number, Election and Terms. Except as otherwise fixed by or pursuant to the provisions of Article IV of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect additional directors under specified circumstances, the number of the directors of the Company shall be fixed from time to time by the Board of Directors but shall not be less than three. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as determined by the Board of Directors, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1985, another class to be originally elected for a term expiring at

to be held in 1987, with each class to hold office until its successor is elected and qualified. At each annual meeting of the stockholders of the Company, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election.

SECTION 2. Newly Created Directorships and Vacancies. Except as otherwise provided for or fixed by or pursuant to the provisions of Article IV of the Certificate of Incorporation relating to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect directors under specified circumstances, newly created directorships resulting from any increases in the number of directors or any vacancies on the Board of Directors resulting from death, resignation or disqualification, or other cause shall be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Any director so elected shall stand for election (for the balance of his term) at the next annual meeting of stockholders, unless his term expires at such Annual Meeting. Any vacancy on the Board of Directors resulting from removal by stockholder vote shall be filled only by the vote of a majority of the voting power of all shares of the Company entitled to vote generally in the election of directors, voting together as a single class. The affirmative vote of the holders of at least a majority of the then outstanding shares of capital stock of the Company voting generally in the election of directors, voting together as a single class, shall be required to repeal the foregoing provisions.

SECTION 3. Removal. Subject to the rights of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation to elect Directors under specified circumstances, any director may be removed from office, with or without cause, only by the affirmative vote of the holders of 66-2/3% of the combined voting power of the then outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class.

SECTION 4. Nominations. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or a proxy committee appointed by the Board of Directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such stockholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than (i) with respect to an election to be held at an annual meeting of stockholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to stockholders. Each such notice shall set forth: (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Company if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

SECTION 5. First Meeting of Board. After each annual meeting of stockholders, the Board of Directors shall meet for the purpose of organization, the election of officers, and the transaction of other business, forthwith after each annual meeting, and if a majority of the directors are present at such place and time, no other notice of such meeting shall be required to be given to the directors. The place and time of such first meeting may also be fixed by written consent of the directors.

SECTION 6. Regular Meetings. Regular meetings of the Board are fixed and may be held without notice at the office of the Company in Harrison, New York on the fourth Friday in each month at 9:00 A.M., or at such other time and place, either within or without the State of Delaware, as the Board may provide by resolution, without other notice than such resolution. If less than a quorum is present at any meeting time and place, those present may adjourn from time to time until a quorum shall be present, but if there shall be no quorum prior to another regular meeting time, then such meetings of less than a quorum need not be recorded.

SECTION 7. Special Meetings. Special meetings of the Board shall be held whenever called by the Chairman of the Board, or, in his absence, by the Vice Chairman of the Board, or, in their absence, by the President, or by one-third of the directors then in office. The person or persons authorized to call special meetings of the Board may fix any place, either within or without the State of Delaware, as the place for holding any special meeting. Unless otherwise specified in the notice thereof, any business may be transacted at a special meeting.

SECTION 8. Notice of Special Meetings. The Secretary shall mail to each director notice of any special meeting at least two days before the meeting, or shall telegraph or telephone such notice not later than the day before the meeting. When all directors are present, any business may be transacted without any previous notice. Any director may waive notice of any meeting.

SECTION 9. Quorum. A majority of the total number of directors, or half of the total number when the number of directors then in office is even, shall constitute a quorum for the transaction of business, and a majority of those present at the time and place of any regular or special meeting, although less than a quorum, may adjourn the same from time to time, as provided in these by-laws.

SECTION 10. Chairman. At all meetings of the Board, the Chairman of the Board, or, in his absence, the Vice Chairman of the Board, or, in their absence, the President, or, in their absence, a chairman chosen by the directors present, shall preside.

SECTION 11. Action without Meeting. A statement in writing, signed by all members of the Board of Directors or the Executive Committee, shall be deemed to be action by the Board or Committee, as the case may be, to the effect therein expressed, and it shall be the duty of the Secretary to record such statement in the minute books of the Company under its proper date.

ARTICLE III.
Executive Committee and Other Committees.

SECTION 1. Executive Committee. The Board of Directors shall appoint an Executive Committee of seven or more members to serve during the pleasure of the Board to consist of the Chairman of the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, the President, and such additional directors as the Board may from time to time designate.

SECTION 2. The Chairman of the Executive Committee. The Chairman of the Executive Committee shall be designated by the Board of Directors and shall be a member of the Board and of the Executive Committee. He shall preside at meetings of the Executive Committee, and shall do and perform such other things as may from time to time be assigned to him by the Board of Directors.

SECTION 3. Vacancies. Vacancies in the Executive Committee shall be filled by the Board.

SECTION 4. Executive Committee to Report. All action by the Executive Committee shall be reported promptly to the Board and such action shall be subject to review by the Board, provided that no rights of third parties shall be affected by such review.

SECTION 5. Procedure. The Executive Committee, by a vote of a majority of all of its members, shall fix its own times and places of meeting, shall determine the number of its members constituting a quorum for the transaction of business, and shall prescribe its own rules of procedure, no change in which shall be made save by a majority vote of all of its members.

SECTION 6. Powers. During the intervals between the meetings of the Board, the Executive Committee shall possess and may exercise all the powers of the Board in the management and direction of the business and affairs of the Company, except those which by applicable statute are reserved to the Board of Directors.

SECTION 7. Other Committees. From time to time the Board may appoint other committees, and they shall have such powers as shall be specified in the resolution of appointment.

ARTICLE IV.
Officers.

SECTION 1. Number. The Board of Directors shall elect the executive officers of the Company which may include a Chairman of the Board, one or more Vice Chairmen of the Board, a President, one or more Vice Presidents (one or more of whom may be designated as Executive Vice Presidents or as Senior Vice Presidents or by other designations), a General Counsel, a Secretary, a Treasurer, a Comptroller, and a General Tax Counsel. A person may at the same time hold, exercise and perform the powers and duties of more than one executive officer position. In addition to the executive officers, the Board may appoint one or more Assistant Secretaries, Assistant Treasurers and Assistant Comptrollers and such other officers or agents as the Board may from time to time deem necessary or desirable. All officers and agents shall perform the duties and exercise the powers usually incident to the offices or positions held by them, those prescribed by these by-laws, and those assigned to them from time to time by the Board or by the Chief Executive Officer.

SECTION 2. The Chairman of the Board. The Chairman of the Board shall be a member of the Board of Directors and of the Executive Committee. He shall preside at meetings of the stockholders and of the directors, and shall keep in close touch with the administration of the affairs of the Company, shall advise and counsel

with the Vice Chairman of the Board and the President, and with other executives of the Company and shall do and perform such other duties as may from time to time be assigned to him by the Board of Directors or by the Executive Committee.

SECTION 3. The Vice Chairman of the Board. The Vice Chairman of the Board shall be a member of the Board of Directors and the Executive Committee. He shall keep in close touch with the administration of the affairs of the Company, shall advise and counsel with the Chairman of the Board and the President, and with other executives of the Company, and shall do and perform such other duties as may from time to time be assigned to him by the Board of Directors or the Executive Committee.

SECTION 4. The President. The President shall be a member of the Board of Directors and of the Executive Committee. He shall keep in close touch with the administration of the affairs of the Company, shall advise and counsel with the Chairman of the Board and the Vice Chairman of the Board and with other executives of the Company, and shall do and perform such other duties as may from time to time be assigned to him by the Board of Directors or by the Executive Committee. In the absence of the Chairman of the Board, he shall preside at meetings of the stockholders and of the directors.

SECTION 5. The Chief Executive Officer. Either the Chairman of the Board, or the President, as the Board of Directors may designate, shall be the Chief Executive Officer of the Company. The officer so designated shall have, in addition to the powers and duties applicable to the office set forth in either Section 2 or 4 of this Article IV, general active supervision over the business and affairs of the Company and over its several officers, agents, and employees, subject, however, to the direction and control of the Board or the Executive Committee. The Chief Executive Officer shall see that all orders and resolutions of the Board or the Executive Committee are carried into effect, and, in general, shall perform all duties incident to the position of Chief Executive Officer and such other duties as may from time to time be assigned by the Board or the Executive Committee.

SECTION 6. The Executive Vice Presidents. The Executive Vice Presidents shall keep in touch with the administration of the affairs of the Company, shall advise and counsel with the Chairman of the Board, the Vice Chairman of the Board and with the President and with other executives of the Company, and shall do and perform such other duties as from time to time may be assigned to them by the Board of Directors, the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, or the President. In the absence of the Chairman of the Board, the Vice Chairman of the Board and the President, the senior Executive Vice President shall preside at meetings of the stockholders.

SECTION 7. The Senior Vice Presidents. Each Senior Vice President shall have such powers as may be conferred upon him by the Board of Directors, and shall perform such duties as from time to time may be assigned to him by the Board of Directors, the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, or the President.

SECTION 8. The Vice Presidents. Each Vice President shall have such powers as may be conferred upon him by the Board of Directors, and shall perform such duties as from time to time may be assigned to him by the Board of Directors, the Executive Committee, the Chairman of the Board the Vice Chairman of the Board, or the President.

SECTION 9. The General Counsel. The General Counsel shall have charge of all the legal affairs of the Company and shall exercise supervision over its contract relations.

SECTION 10. The Secretary. The Secretary shall keep the minutes of all meetings of the stockholders and the Board of Directors in books provided for the purpose. He shall attend to the giving and serving of all notices for the Company. He shall sign with the Chairman of the Board, the Vice Chairman of the Board, the President, and Executive Vice President, a Senior Vice President, or a Vice President, such contracts as may require his signature, and shall in proper cases affix the seal of the Company thereto. He shall have charge of the certificate books and such other books and papers as the Board of Directors may direct. He shall sign with the Chairman, the President, or a Vice President certificates of stock, and he shall in general perform all the duties incident to the Office of Secretary, subject to the control of the Board, and shall perform such other duties as from time to time may be assigned to him by the Board of Directors, the Executive Committee, the Chairman of the Board, the Vice Chairman of the Board, or the President. Any Assistant Secretary may, in his own name, perform any duty of the Secretary, when so requested by the Secretary or in the absence of that officer, and may perform such duties as may be prescribed by the Board. In the absence of the Secretary and of all Assistant Secretaries, minutes of any meetings may be kept by a Secretary pro tem, appointed for that purpose by the presiding officer.

SECTION 11. The Treasurer. The Treasurer shall have charge and custody of and be responsible for all the funds and securities of the Company, and may invest the same in any securities as may be permitted by law; designate depositories in which all monies and other valuables to the credit of the Company may be deposited; render to the Board, or any committee designated by the Board, whenever the Board or such committee may require, an account of all transactions as Treasurer; and in general perform all the duties of the office of Treasurer and such other duties as from time to time may be assigned by the Chairman of the Board, the

Vice Chairman of the Board, the President, the officer of the Company who may be designated Chief Financial Officer, and the Board of Directors. In case one or more Assistant Treasurers be appointed, the Treasurer may delegate to them the authority to perform such duties as the Treasurer may determine.

SECTION 12. The Comptroller. The Comptroller shall be the principal accounting officer of the corporation; shall have charge of the Company's books of accounts, records and auditing, shall ensure that the necessary internal controls exist within the Company to provide reasonable assurance that the Company's assets are safeguarded and that financial records are maintained and publicly disclosed in accordance with generally accepted accounting principles; and in general perform all the duties incident to the office of Comptroller and such other duties as from time to time may be assigned by the Chairman of the Board, the Vice Chairman of the Board, the President, the officer of the Company who may be designated Chief Financial Officer, and the Board of Directors. In case one or more Assistant Comptrollers be appointed, the Comptroller may delegate to them such duties as the Comptroller may determine.

SECTION 13. The General Tax Counsel. The General Tax Counsel shall have charge of all the tax affairs of the Company.

SECTION 14. Tenure of Officers: Removal. All officers elected or appointed by the Board shall hold office until their successor is elected or appointed and qualified, or until their earlier resignation or removal. All such officers shall be subject to removal, with or without cause, at any time by the affirmative vote of a majority of the whole Board.

ARTICLE V. Indemnification.

SECTION 1. Right to Indemnification. The Company shall indemnify, defend and hold harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or other, including appeals, by reason of the fact that he is or was a director, officer or employee of the Company, or is or was serving at the request of the Company as a director, officer or employee of any corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee or in any other capacity while serving as a director, officer or employee, to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said Law permitted the Company to provide prior to such amendment) against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; provided, however, that except as provided in Section 2 hereof with respect to proceedings seeking to enforce rights to indemnification, the Company shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors of the Company.

The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the Company expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that if required by law at the time of such payment, the payment of such expenses incurred by a director or officer in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of such proceeding, shall be made only upon delivery to the Company of an undertaking, by or on behalf of such director or officer to repay all amounts so advanced if it should be determined ultimately that such director or officer is not entitled to be indemnified under this Section or otherwise.

"Employee," as used herein, includes both an active employee in the Company's service as well as a retired employee who is or has been a party to a written agreement under which he might be, or might have been obligated to render services to the Company.

SECTION 2. Right of Claimant to Bring Suit. If a claim under Section 1 is not paid in full by the Company within sixty days or, in cases of advances of expenses, twenty days, after a written claim has been received by the Company, the claimant may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the Company) that the claimant has not met the standards of conduct which make it permissible under the Delaware General Corporation Law for the Company to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Company. Neither the failure of the Company (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Company (including its Board of Directors, independent legal counsel or its stockholders) that the claimant had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant had not met the applicable standard of conduct. The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Article that the procedures and presumptions of this Article are not valid, binding and enforceable and shall stipulate in any such proceeding that the Company is bound by all the

provisions of this Article.

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SECTION 3. Non-Exclusivity and Survival. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article (a) shall apply to acts or omissions antedating the adoption of this by-law, (b) shall be severable, (c) shall not be exclusive of other rights to which any director, officer or employe may now or hereafter be entitled, (d) shall continue as to a person who has ceased to be such director, officer or employe and (e) shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VI.
Capital Stock.

SECTION 1. Form and Execution of Certificates. The certificates of shares of the capital stock of the Company shall be in such form as shall be approved by the Board. The certificates shall be signed by the Chairman of the Board, the President, or a Vice President, and the Secretary or an Assistant Secretary.

SECTION 2. Certificates to be Entered. Certificates shall be consecutively numbered, and the names of the owners, the number of shares and the date of issue, shall be entered in the books of the Company.

SECTION 3. Old Certificates to be Canceled. Except in the case of lost or destroyed certificates, and in that case only upon performance of such conditions as the Board may prescribe, no new certificate shall be issued in lieu of a former certificate until such former certificate shall have been surrendered and canceled.

SECTION 4. Transfer of Shares. Shares shall be transferred only on the books of the Company by a holder thereof in person or by his attorney appointed in writing, upon the surrender and cancellation of certificates for a like number of shares.

SECTION 5. Regulations. The Board may make such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock of the Company.

SECTION 6. Registrar. The Board may appoint a registrar of transfers and may require all certificates to bear the signature of such registrar.

SECTION 7. Closing of Transfer Books. If deemed expedient by the Board, the stock books and transfer books may be closed for the meetings of the stockholders, or for other purposes, during such periods as from time to time may be fixed by the Board, and during such periods no stock shall be transferable on said books.

SECTION 8. Dates of Record. If deemed expedient by the Board, the directors may fix in advance, a date, not exceeding 60 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, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting or entitled 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, and in such case 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, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, as the case may be, notwithstanding any transfer of any stock on the books of the Company after any such record date fixed as aforesaid.

SECTION 9. Rights to Purchase Securities. The Company shall not, without either the prior approval of a majority of the total number of shares then issued and outstanding and entitled to vote or the receipt by the Company of a favorable opinion issued by a nationally recognized investment banking firm designated by the Committee of Equity Security Holders of Texaco Inc. appointed in the Company's jointly administered chapter 11 case in the United States Bankruptcy Court for the Southern District of New York or its last chairman (or his designee) to the effect that the proposed issuance is fair from a finance point of view to the stockholders of the Company issue to its stockholders generally (i) any warrant or other right to purchase any security of the Company, any successor thereto or any other person or entity or (ii) any security of the Company containing any such right to purchase, which warrant, right or security (a) is exercisable, exchangeable or convertible, based or conditioned in whole or in part on (I) a change of control of the Company or (II) the owning or holding of any number or percentage of outstanding shares or voting power or any offer to acquire any number of shares or percentage of voting power by any entity, individual or group of entities and/or individuals or (b) discriminates among holders of the same class of securities (or the class of securities for which such warrant or right is exercisable or exchangeable) of the Company or any successor thereto. The affirmative vote of the holders of at least a majority of the then outstanding shares of capital stock of the Company voting generally in the election of directors, voting together as a single class, shall be required to repeal the foregoing provisions.

ARTICLE VII.
Fair Price.

A. Vote Required for Certain Business Combinations.

1. Higher Vote for Certain Business Combinations. In addition to any affirmative vote required by law or the Certificate of Incorporation, and except as otherwise expressly provided in Section B of this Article VII:

a. any merger or consolidation of the Company or any Subsidiary (as

hereinafter defined) with (i) any Interested Stockholder (as hereinafter defined) or (ii) any other person (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

* 6 *

b. any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the Company or any Subsidiary having an aggregate Fair Market Value of \$100 million or more; or

c. the issuance or transfer by the Company or any Subsidiary (in one transaction or a series of transactions) of any securities of the Company or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of \$100 million or more; or

d. the adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of an Interested Stockholder or any Affiliate of any Interested Stockholder; or

e. any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Company or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class (it being understood that for purposes of this Article VII, each share of the Voting Stock shall have the number of votes granted to it pursuant to Article IV of the Certificate of Incorporation). Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

2. Definition of "Business Combination". The term "Business Combination" as used in this Article VII shall mean any transaction which is referred to in any one or more of clauses (a) through (e) of paragraph 1 of this Section A. B. When Higher Vote is Not Required. The provisions of Section A of this Article VII shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any provision of the Certificate of Incorporation, if all of the conditions specified in either of the following paragraphs 1 and 2 are met:

1. Approval by Disinterested Directors. The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

2. Price and Procedure Requirements. All of the following conditions shall have been met:

a. The aggregate amount of the cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the higher of the following:

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of Common Stock acquired by it (a) within the two-year period immediately prior to the first publication announcement of the proposal of the Business Combination (the "Announcement Date") or (b) in the transaction in which it became an Interested Stockholder, whichever is higher; and

(ii) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Stockholder became an Interested Stockholder (such latter date is referred to in this Article VII as the "Determination Date"), whichever is higher.

b. The aggregate amount of the cash to be received per share by holders of shares of any other class of outstanding Voting Stock shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph 2b shall be required to be met with respect to every class of outstanding Voting Stock, whether or not the Interested Stockholder has previously acquired any shares of a particular class of Voting Stock):

(i) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Stockholder for any shares of such class of Voting Stock acquired by it (a) within the two-year period immediately prior to the Announcement Date or (b) in the transaction in which it became an Interested Stockholder, whichever is higher;

(ii) (if applicable) the highest preferential amount per share to which the holders of shares of such class of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company; and

(iii) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher.

c. The consideration to be received by holders of a particular class of outstanding Voting Stock (including Common Stock) shall be in cash. The price determined in accordance with paragraphs 2a and 2b of this Section B shall be subject to appropriate adjustment in the event of any stock dividend, stock split, combination of shares or similar event.

d. After such Interested Stockholder has become an Interested Stockholder and prior to the consummation of such Business Combination: (i) except as approved by a majority of the Disinterested Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (ii) there shall have been (a) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Disinterested Directors, and (b) an increase in such annual rate of dividends as

necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (iii) such Interested Stockholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Stockholder becoming an Interested Stockholder.

e. After such Interested Stockholder has become an Interested Stockholder, such Interested Stockholder shall not have received the benefit, directly or indirectly (except proportionately as a stockholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Company, whether in anticipation of or in connection with such Business Combination or otherwise.

f. A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public stockholders of the Company at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

C. **Vote Required for Certain Stock Repurchases.** In addition to any other requirement of this Certificate of Incorporation, the affirmative vote of the holders of at least 50% of the Voting Stock (other than Voting Stock beneficially owned by a Selling Stockholder (as hereinafter defined)), shall be required before the Company purchases any outstanding shares of Common Stock at a price above the Market Price (as hereinafter defined) from a person actually known by the Company to be a Selling Stockholder, unless the purchase is made by the Company (a) on the same terms and as a result of an offer made generally to all holders of Common Stock or (b) pursuant to statutory appraisal rights.

D. **Certain Definitions.** For the purpose of this Article VII:

1. A "person" shall mean any individual, firm, corporation or other entity.

2. "Interested Stockholder" shall mean any person (other than the Company or any Subsidiary) who or which:

a. is the beneficial owner, directly or indirectly, of more than 20% of the voting power of the outstanding Voting Stock; or

b. is an Affiliate of the Company and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 20% or more of the voting power of the then outstanding Voting Stock; or

c. is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Stockholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

3. A person shall be a "beneficial owner" of any Voting Stock:

a. which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns directly or indirectly; or

b. which such person or any of its Affiliates or Associates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (ii) the right to vote pursuant to any agreement, arrangement or understanding; or

c. which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

4. For the purposes of determining whether a person is an Interested Stockholder pursuant to paragraph 2 of this Section D, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph 3 of this Section D but shall not include any other shares which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

5. "Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on January 1, 1988.

6. "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Company; provided, however, that for the purposes of the definition of Interested Stockholder set forth in paragraph 2 of this Section D, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Company.

7. "Disinterested Director" means any member of the Board of Directors who is unaffiliated with the Interested Stockholder and was a member of the Board of Directors prior to the time that the Interested Stockholder became an Interested Stockholder, and any successor of a Disinterested Director who is unaffiliated with the Interested Stockholder and is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

8. "Fair Market Value" means (a) in the case of the stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for the New York Stock Exchange-Listed Stocks, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations

System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board of Directors in good faith; and (b) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by a majority of the Disinterested Directors.

9. "Selling Stockholder" means any person who or which is the beneficial owner of in the aggregate more than 1% of the outstanding shares of Common Stock and who or which has purchased or agreed to purchase any of such shares within the most recent two-year period and who sells or proposes to sell Common Stock in a transaction requiring the affirmative vote provided for in Section C of this Article VII.

10. "Market Price" means the highest sale price on or during the period of five trading days immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stock, or if such stock is not quoted on the Composite Tape on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of stock on or during the period of five trading days immediately preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors.

E. Powers of the Board of Directors. A majority of the directors shall have the power and duty to determine for the purposes of this Article VII, on the basis of information known to them after reasonable inquiry, (1) whether a person is an Interested Stockholder, (2) the number of shares of Voting Stock beneficially owned by any person, (3) whether a person is an Affiliate or Associate of another, (4) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Company or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of \$100 million or more. A majority of the directors shall have the further power to interpret all of the terms and provisions of this Article VII.

F. No Effect on Fiduciary Obligations of Interested Stockholders. Nothing contained in this Article VII shall be construed to relieve any Interested Stockholder from any fiduciary obligation imposed by law.

G. Amendment, Repeal, etc. Notwithstanding any other provisions of the Certificate of Incorporation or these by-laws (and notwithstanding the fact that a lesser percentage may be specified by law, the Certificate of Incorporation or these by-laws) the affirmative vote of the holders of at least a majority of then outstanding shares of capital stock of the Company voting generally in the election of directors, voting together as a single class shall be required to repeal the foregoing provisions of this Article VII.

ARTICLE VIII.

Seal.

The seal of the Company shall be in circular form containing the name of the Company around the margin, with a five pointed star in the center embodying a capital "T".

ARTICLE IX.

By-Law Amendments.

Subject to the provisions of the Certificate of Incorporation, these by-laws may be altered, amended or repealed at any regular meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority vote of the shares represented and entitled to vote at such meeting; provided that in the notice of such special meeting notice of such purpose shall be given. Subject to the laws of the State of Delaware, the Certificate of Incorporation and these by-laws, the Board of Directors may by majority vote of those present at any meeting at which a quorum is present amend these by-laws, or enact such other by-laws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Company.

I, Robert E. Koch, Assistant Secretary of Texaco Inc., a Delaware corporation, do hereby certify that the above and foregoing is a true and correct copy of the by-laws of said Company as amended to February, 26, 1993, and now in effect.

Dated Harrison, N.Y. March 27, 19 95 Robert E. Koch

Assistant Secretary

TEXACO INC. AND SUBSIDIARY COMPANIES
COMPUTATION OF EARNINGS PER SHARE OF COMMON STOCK
FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

(Millions of dollars, except per share amounts)

Primary Net Income Per Common Share	1994	1993	1992
-----	----	----	----
Net income from continuing operations, before cumulative effect of accounting changes	\$ 979	\$ 1,259	\$ 1,038
Net loss from discontinued operations	(69)	(191)	(26)
Cumulative effect of accounting changes	-----	-----	(300)
Net income	910	1,068	712
Preferred stock dividend requirements	(91)	(101)	(99)
Primary net income available for common stock	\$ 819	\$ 967	\$ 613
	=====	=====	=====
Average number of primary common shares outstanding (thousands)	258,813	258,923	258,656
	=====	=====	=====
Primary net income per common share	\$ 3.17	\$ 3.74	\$ 2.37
	=====	=====	=====
Fully Diluted Net Income Per Common Share			

Net income	\$ 910	\$ 1,068	\$ 712
Preferred stock dividend requirements of non-dilutive issues and adjustments to net income associated with dilutive securities	(90)	(64)	(100)
Fully diluted net income	\$ 820	\$ 1,004	\$ 612
	=====	=====	=====
Average number of primary common shares outstanding (thousands)	258,813	258,923	258,656
Additional shares outstanding assuming full conversion of dilutive convertible securities into common stock (thousands):			
Convertible debentures	148	148	159
Series B ESOP Convertible Preferred Stock	-----	10,499	-----
Other	69	81	96
	-----	-----	-----
Average number of fully diluted common shares outstanding (thousands)	259,030	269,651	258,911
	=====	=====	=====
Fully diluted net income per common share	\$ 3.17	\$ 3.72	\$ 2.36
	=====	=====	=====

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
OF TEXACO ON A TOTAL ENTERPRISE BASIS (UNAUDITED)
FOR EACH OF THE FIVE YEARS ENDED DECEMBER 31, 1994 (a)
(in millions of dollars)

	Years Ended December 31,				
	1994	1993	1992	1991	1990
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-92	\$1,409	\$1,392	\$1,707	\$1,744	\$2,448
Dividends from less than 50% owned companies more or (less) than equity in net income	(1)	(8)	(9)	5	(7)
Minority interest in net income	44	17	18	16	12
Previously capitalized interest charged to income during the period	29	33	30	23	16
Total earnings	1,481	1,434	1,746	1,788	2,469
Fixed charges:					
Items charged to income:					
Interest charges	594	546	551	644	676
Interest factor attributable to operating lease rentals	118	91	94	76	58
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc.	31	4	—	—	—
Total items charged to income	743	641	645	720	734
Interest capitalized	21	57	109	80	50
Interest on ESOP debt guaranteed by Texaco Inc.	14	14	18	26	38
Total fixed charges	778	712	772	826	822
Earnings available for payment of fixed charges (Total earnings + Total items charged to income)	\$2,224	\$2,075	\$2,391	\$2,508	\$3,203
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges of Texaco on a total enterprise basis	2.86	2.91	3.10	3.04	3.90
	=====	=====	=====	=====	=====

(a) Excludes discontinued chemical operations.

DEFINITIONS OF SELECTED FINANCIAL RATIOS

CURRENT RATIO

Current assets divided by current liabilities.

RETURN ON AVERAGE STOCKHOLDERS' EQUITY

Net income divided by average stockholders' equity. Average stockholders' equity is computed using the average of the monthly stockholders' equity balances.

RETURN ON AVERAGE CAPITAL EMPLOYED

Net income plus minority interest plus after-tax interest expense divided by average capital employed. Capital employed consists of stockholders' equity, total debt and minority interest. Average capital employed is computed on a four-quarter average basis.

TOTAL DEBT TO TOTAL BORROWED AND INVESTED CAPITAL

Total debt, including capital lease obligations, divided by total debt plus minority interest liability and stockholders' equity.

EXPLORATION AND PRODUCTION

Our plan for growth is designed to add to the value of our worldwide oil and gas reserves by focusing investment on the best upstream opportunities while disposing of underperforming, and therefore unprofitable, fields. During 1994, we increased our oil and gas production rate and replaced 111% of our combined worldwide liquids and gas production, at a highly competitive cost of \$3.54 per barrel. Each dollar we invested in our upstream business added \$1.99 to the net present value of our reserves. We will build on that outstanding performance--already among the best in our industry. We expect to increase our production by 14% over the next five years. Beyond that, we will continue to pursue aggressive exploration programs in those areas of the world where we can leverage our technological capabilities and business experience.

GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A1.

UNITED STATES

Our U.S. upstream assets, which produced 407,000 barrels of crude oil and natural gas liquids and 1.7 billion cubic feet of natural gas a day last year--about 62% of the company's worldwide equivalent net production--are a focal point of Texaco's growth plan.

Our strategy is to generate sustained growth in cash flow and earnings from the remaining core assets by increasing production 13%, or some 80,000 barrels of oil equivalent a day, from 1995 to 1999. This production increase will flow from low-to-modest-risk programs to further develop current fields, additional exploratory drilling in productive basins, and other well-defined opportunities, mainly within the Gulf of Mexico, Southern Louisiana and the Permian Basin of West Texas and New Mexico.

Our sale on March 1, 1995, to Apache Corporation of more than 300 scattered, mature producing fields located in Texas, Louisiana, the Rocky Mountains and the Mid-Continent area represented a milestone in our U.S. growth plan. Cumulatively, these fields and others still to be sold represent about half of Texaco's U.S. producing fields, but they account for less than 10% of our total U.S. production, reserves and cash flow, and were not contributors to earnings.

GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A2.

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GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A ITEM A3.

The proceeds from these and similar sales of underperforming U.S. assets will be redeployed to strengthen Texaco's financial position and to invest in growth opportunities, primarily core U.S. properties where technologies such as 3-D seismic, horizontal drilling and enhanced recovery techniques will generate significant new production.

By concentrating our efforts on core properties and by utilizing the latest exploration and production technology, we hope to achieve our goal of reducing lifting costs.

DEVELOPING THE GULF OF MEXICO

In the prolific Gulf of Mexico region, a major contributor to Texaco's upstream profitability, we hold interests in 87 producing fields and 105 undeveloped leases off the coasts of Texas, Alabama and Louisiana.

Daily net production averaged 44,000 barrels of oil and 779 million cubic feet of natural gas during 1994, with gas production up 10% over 1993.

Prominent developments include the Hercules project in the Ewing Bank area (33.3% Texaco), which began production in September 1994. Our share of peak gross production of 42,000 barrels of oil a day from this platform represents 6% of our total anticipated 1995 Gulf equivalent production.

A discovery on the wholly owned Teal South prospect in the Eugene Island area directly resulted from utilizing 3-D seismic data developed in our operations at the adjacent Teal field. This efficient leveraging of data is expected to yield daily production of 5,000 barrels of oil and 5 million cubic feet of gas by the end of 1995.

The 50%-owned Shasta prospect in the Green Canyon area, which will begin production in late 1995, will be our first company-operated subsea installation in the Gulf of Mexico. This installation, employing a production template on the sea bottom in water 850 feet deep and a nine-mile pipeline to a Texaco platform, will be a model for future subsea developments in the Gulf.

We have embarked on a five-year exploration plan focused on the 37 deepwater prospects we own in the Gulf, in depths from 1,300 to 7,800 feet, to identify significant reserves for future production.

EXPANDING ONSHORE RESERVES

The revitalization of mature producing areas along the Louisiana coast is made possible through the application of world-class technology and energized by the satisfactory 1994 settlement of our long-standing royalties dispute with the State of Louisiana. We will explore and develop many opportunities in this area over the years ahead.

One example is Bay de Chene, where we completed our first horizontal well onshore Louisiana during 1994. This 50-year-old field, like many others in South Louisiana, contains oil remaining in the reservoirs after production from vertical wells declined.

The new horizontal well at Bay de Chene produces 950 barrels of oil a day, compared with the 200 barrels we might expect from a marginally economical vertical well drilled in the same location. This project demonstrates how horizontal drilling technology can add reserves, improve recovery rates and accelerate cash flow, especially in those areas where we already have in place production and transportation infrastructure.

In South Louisiana and South Texas, we made extensive use of 3-D seismic programs to both discover new and better define old reservoirs in more than 20 fields. Through 1994, initial drilling in five of these fields yielded a success rate of 83% and the company booked 14.7 million barrels of oil equivalent reserves.

The Permian Basin oil fields of West Texas and Southwest New Mexico remain highly profitable, with net daily production in 1994 of 47,000 barrels of oil and 192 million cubic feet of gas. Texaco is an industry leader in the Permian Basin, where we have added 87 million barrels of oil equivalent to booked reserves since 1989.

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A4.

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U.S. EXPLORATION AND PRODUCTION CORE OPERATING AREAS

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A5.

In other U.S. core assets, the application of leading-edge technology and heightened efficiencies are also adding economical reserves and profitable production.

At the giant Kern River field in Bakersfield, California, one of the world's largest heavy-oil steamflood operations, we have maintained net production of 80,000 barrels

a day, while reducing operating expenses, excluding fuel, by 30% since 1991.

In 1994, we booked 13.5 million barrels of additional reserves at Kern River as a result of recovery improvements primarily due to innovative heat-management practices.

Contributing to the energy efficiency of Kern River and other heavy-oil fields onshore California are six cogeneration plants, fueled by natural gas, which provide steam for the operation of the fields and electric power for sale to the local utility.

WELLHEAD TO BURNER-TIP

Texaco's natural gas operations continue to grow as this fuel becomes an increasingly important component of the world energy mix. To capitalize on opportunities arising from increased demand and the recent deregulation of U.S. gas markets, we are pursuing a wellhead-to-burner-tip strategy that integrates our ability to gather, process, store, transport and market natural gas and gas liquids.

Our new Gulf Coast Star Center (SM) (Service Mark)--encompassing four Texaco-operated gas processing plants, gas-gathering and intrastate pipelines and a large gas storage facility in Louisiana--is ideally designed to capture value for Texaco. The Star Center delivers some 224 million cubic feet a day of Texaco equity natural gas to customers directly connected to our Bridgeline Gas Distribution System. Bridgeline is the leading gas marketer in Louisiana, accounting for 20% of the gas market.

Our Sabine Pipe Line Company, an interstate pipeline serving the Gulf Coast area, increased its volume and service base to 660 million cubic feet a day and over 140 customers in 1994. Through a strategic alliance with other market service centers, Sabine can now service customers in the Northeast.

LATIN AMERICA

Privatization trends and growing economies in various Latin American countries, combined with rising demand for hydrocarbon products, offer new opportunity for the oil and gas industry.

During 1994, Texaco's net production in Latin America averaged 18,000 barrels of oil and 117 million cubic feet of natural gas a day from operations in Colombia and

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A6.

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IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A7.

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Trinidad. We expect to double our gas sales there by 1998 by expanding our production capacity and our markets in both countries.

INVESTING IN CORE BUSINESSES

In Colombia, we are improving our position through new investment in our core natural gas business, while moving ahead with the divestiture of marginal assets. By the end of 1994, we sold five oil fields in Colombia, and we expect to sell our remaining heavy oil fields there in 1995.

The natural gas business in Colombia continues to grow, and production from the 50%-owned Guajira block meets about 75% of the country's total demand. To help satisfy the anticipated need for more than 500 million cubic feet of gas a day in Colombia by

the year 2000, we plan to place a second off-shore platform in the Guajira block during 1996. In addition, two contracts we are currently finalizing will pave the way for new exploration in the prolific Middle Magdalena Valley.

Development of the large Dolphin gas field, 60 miles off the eastern coast of Trinidad, also ties into our worldwide strategy to increase gas production. Dolphin development is proceeding on budget, with first deliveries planned early in 1996. The field, jointly owned by Texaco and British Gas, has estimated gross proved reserves of about 250 billion cubic feet of gas, targeted for the industrial market in Trinidad, and may contain substantially more reserves.

In Ecuador--where our affiliate, Texaco Petroleum Company (Texpet), ceased to be the operator of a joint venture with the national oil company in 1990--two independent audits have concluded that there is no widespread or lasting environmental impact from the former joint operations. Recently, Texpet and the Ecuadorean government reached an agreement in principle on the scope of remediation to be conducted, based on these reports. Texpet is committed to restoring any areas for which it is responsible, and continues to work with the government of Ecuador toward that goal.

EUROPE

We intend to double the net present value of our upstream business in Europe by the year 2000, and we made strong progress toward that goal during 1994. Net production increased by 52,000 barrels a day of oil equivalent during the year, and a major development project underway in the U.K. North Sea Captain field (see pages 6 and 7) dramatically improved our reserve position and will contribute 60,000 barrels a day of oil equivalent to production by early 1997.

GROWING NORTH SEA VALUE

Texaco operates or has interests in 11 producing fields in the U.K. North Sea, where our 1994 net daily production increased dramatically to 95,000 barrels of liquids (up 64% vs. 1993) and approximately 98 million cubic feet of salable natural gas (a 347% increase vs. 1993). The 1994 improvements were due primarily to the first full-year contributions from the Orwell and Strathspey fields, and production from the new replacement Bravo platform in the Piper field.

The Danish Underground Consortium (DUC), 15%-owned by Texaco, achieved record production levels during 1994. Texaco's share totaled 25,000 barrels of oil and 61 million cubic feet of salable gas a day. A full year of production from DUC's new Regnar and Valdemar fields, plus an active program of development drilling, contributed significantly to these results.

DUC embarked on a substantial new investment program during the year, which will provide the facilities to produce, process and transport an additional 1.4 trillion cubic feet of gas (some 210 billion cubic feet Texaco's share) under an expanded sales contract with the Danish national gas company. Initial sales should begin in 1997.

GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A8.

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GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A9.

LONG-TERM POTENTIAL IN RUSSIA

In partnership with Exxon, Amoco and Norsk Hydro, Texaco formed the Timan Pechora Company L.L.C. to negotiate a production-sharing agreement with the

Russian Government, covering a large area in the Timan Pechora Basin some 1,100 miles northeast of Moscow.

When the required government approvals and the legislative framework are in place, Timan Pechora Company will embark on an appraisal program in a contract area that the Russians have calculated may contain more than 2 billion barrels of oil.

Another major project that has potential for significant, long-term production is the 2,700-square-mile Kirinsky block offshore Sakhalin Island in Russia's Far East. Texaco and its partner Mobil are negotiating with the Russian Government for a production-sharing agreement covering this block.

Our production restoration project with Sutorminskneft in Western Siberia, providing technical services and equipment in return for part of the restored crude production, was suspended in 1994 after the successful completion of the initial phase. Continuation of the project into its second phase was not warranted, due to an insufficient level of crude export quota guarantees from the Russian Government.

WEST AFRICA

Despite political instability in Nigeria and civil war in Angola, we managed to maintain valuable oil production in these troubled regions during 1994.

Offshore Nigeria, we operate and hold a 20% working interest in a consortium that maintained Texaco's share of crude oil production at 9,000 barrels a day, despite a 1994 strike by oil workers against the Nigerian Government.

We also recently acquired a 30% equity interest in prime deepwater blocks near our current Nigerian operations from Statoil, the Norwegian state oil company, and British Petroleum. That joint venture will begin further exploration in 1995.

Despite the civil war in Angola, which resulted in the temporary shut-in of two fields in the northern portion of an offshore block in which Texaco owns a 20% interest, we increased our share of production slightly to 7,000 barrels a day during 1994 at the southern end of the block.

Following the signing of a ceasefire agreement late in 1994, we are moving ahead with plans to expand production offshore Angola and resume some production from restored onshore facilities during the second half of 1995.

MIDDLE EAST/FAR EAST

Our upstream operations in the Middle East and Far East increased their total production by 17% during 1994 to 220,000 barrels of crude oil a day. These operations offer a number of strategic opportunities for growing additional production and reserves.

EXPANDING THE CORE

In Indonesia, a core producing area for Texaco over many years, the operations of our affiliate P.T. Caltex Pacific Indonesia (CPI), owned equally by Texaco and Chevron, include four production-sharing contract areas on the island of Sumatra, accounting for nearly half of Indonesia's total oil production.

CPI's total production has grown from 698,000 barrels a day in 1991 to 718,000 in 1994. Texaco's share of 1994 production was 122,000 barrels a day. The Duri steamflood, the largest such operation in the world, reached record high production of 300,000 barrels a day in October 1994. CPI expects to sustain high rates of Duri production, through phased development, into the next decade.

In a totally new undertaking, a geothermal energy project has been brought on line by Amoseas Indonesia, a Texaco-Chevron

joint venture dedicated primarily to energy exploration outside Sumatra. The 55-mega-watt Darajat Geothermal Project, located on the island of Java, is supplying electricity to the national electric power company.

STRATEGIC DEVELOPMENT IN CHINA

Texaco has greatly expanded its activities in China, which is opening a number of significant basins to foreign participation. Our share of production from the ACT Operators Group, a joint venture with AGIP, Chevron and the China National Offshore Oil Corporation in the South China Sea, was 8,000 barrels of oil a day in 1994. The two platforms the Group plans to bring on stream during the summer of 1995 will boost our share of daily net production to approximately 12,000 barrels.

With Texaco as operator, exploration drilling has begun on three highly prospective blocks in the East China Sea, offshore Shanghai. A consortium of Texaco (40% interest), AGIP and Maersk is the first foreign contractor to drill in this major underexplored area with large potential reserves.

In February 1994, we signed a production-sharing contract giving us a 20% interest in an upstream project within the remote Tarim Basin of northwestern China, the first major onshore area to be opened to international investors.

Onshore China offers numerous other opportunities for Texaco to leverage our technological expertise and history of good relations with that country. Projects now under discussion with Chinese companies include enhanced oil recovery programs at existing fields, and a number of gas exploration and development opportunities.

NATURAL GAS INITIATIVES

The rapid growth of Pacific Rim markets offers Texaco significant opportunities for expanding our position in the natural gas business.

In the Gulf of Martaban off the coast of Myanmar (formerly Burma), we have a 50% interest and are the operator in a consortium appraising four natural gas blocks. Although additional confirmation drilling is necessary, first commercial production from the Yetagun field, discovered in 1992, could occur by 1998, with anticipated production of 200 million cubic feet a day. We are investigating opportunities to market the gas in Thailand.

The large Gorgon gas field off the coast of western Australia offers another solid strategic opportunity. Based on ongoing evaluations in the Gorgon field, operated by West Australian Petroleum (WAPET), a consortium in which Texaco has a 28.6% interest, the field may contain substantial reserves of natural gas. In December 1994, WAPET made another significant gas discovery on the Chrysaor structure, north of Gorgon.

We are also participating through WAPET in oil exploration and producing activities in western Australia. Texaco's net daily production here increased by over 40%, to 19,000 barrels, late in 1994 after the Roller and Skate fields came on stream.

RESTORED MIDDLE EAST PRODUCTION

Through our wholly owned subsidiary, Saudi Arabian Texaco Inc., Texaco holds a concession from Saudi Arabia covering 50% of the petroleum resources in the onshore Partitioned Neutral Zone (PNZ), between Kuwait and Saudi Arabia.

Reconstruction of the producing facilities in the PNZ since the Gulf War has returned the area to nearly 90% of its prewar capacity of some 140,000 barrels a day. Texaco's share of production reached 48,000 barrels a day by the end of 1994.

GROWING RESERVES AND PRODUCTION

We are aggressively applying our action steps for growth throughout our worldwide exploration and producing operations.

We are focusing on opportunities that build on Texaco's record as an efficient oil and

gas producer. We will continue to leverage our solid asset base and technological capabilities as we grow the volume and the value of our reserves and production.

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MANUFACTURING AND MARKETING

Maintaining the highest levels of performance and efficiency throughout our manufacturing and marketing systems is crucial to the success of Texaco's plan for growth. With this in mind, we are applying the principles of reliability engineering to curtail downtime and increase product output, without any compromise of safety or the environment, throughout our manufacturing system. Concurrently, we are streamlining our marketing network, while invigorating the level of customer service within our retail outlets. We are uniformly dedicated to capturing maximum value from the sales of such world-class products as our new CleanSystem3 gasolines and Havoline motor oils.

GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A11.

UNITED STATES

Texaco's equity crude processing capacity at seven U.S. refineries, including our share of three plants operated by Star Enterprise, our joint venture with the Saudi Arabian Oil Company for manufacturing and marketing along the U.S. East and Gulf Coasts, totaled 674,000 barrels a day at year-end 1994.

Investments at all of these facilities are currently focused on enhancing manufacturing efficiency, on optimizing our conversion capacity and on efficiently meeting government rules for fuel composition.

* Our Los Angeles refinery and Star's Delaware City plant installed units last year to help us produce reformulated gasolines, responding to recent Federal mandates for cleaner fuels.

* To increase its output of higher value light fuels, Star Enterprise is also spending nearly \$90 million to upgrade the fluid catalytic cracking units at Port Arthur, Texas; Convent, Louisiana; and Delaware City.

* And, at Texaco's El Dorado, Kansas, refinery, a \$75-million coke gasification/cogeneration plant, due to come on stream in 1996, will capitalize on Texaco's patented gasification technology to cut the costs of process steam and electricity, while providing a lower cost, environmentally superior method of handling low-grade coke and refinery wastes.

GROWING U.S. MARKETS

The introduction of our new CleanSystem3 gasolines in March 1994--supported by an advertising campaign that emphasized the

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GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A12.

new product's high performance, improved mileage and lower emissions--contributed to solid growth in Texaco-branded gasoline sales throughout the U.S.

These gasoline sales increased by some 150 million gallons for the year, including Star Enterprise, which markets its gasoline under the Texaco brand. High-performance Power Plus and Power Premium grades posted especially strong gains.

To capture significant additional value from our retail network, we expanded the prestigious Star Mart (R) (Registered) convenience store operation in 1994 to 263 locations, and we

plan to add 185 more outlets to the Texaco and Star Enterprise systems in 1995. Both systems are also forging strategic alliances with fast-food companies to generate additional customer traffic and sources of revenue.

To leverage those relationships, Texaco Refining and Marketing has developed and test-marketed new-generation facilities-- combining a gasoline and convenience store format with fast-food service--in four states. Star Enterprise launched similar co-development programs in five additional areas.

BUILDING A GLOBAL BRAND

Our Havoline Formula 3 (R) (Registered) brand remains the top selling motor oil in the U.S. among the major integrated oil companies. In addition, it is now a global brand that is sold in 64 countries, giving Texaco a new opportunity to build market share in some of the world's most exciting economies.

In addition, Texaco Lubricants Company maintains its momentum into the installed oil market. The operation of 450 Texaco Xpress Lube R (Registered) facilities in 41 states is part of an ambitious, five-year program to expand our motor oil and industrial lubricants business.

In September we opened our first U.S. used oil recycling plant in Marrero, Louisiana. The facility, which will process up to 50 million gallons of used oil annually, recycling it to marine fuels, is the prototype for others planned for the U.S., Europe and the Far East.

Texaco's worldwide fuels and marine marketing arm sold some 80 million barrels of fuel in 1994 to shipping companies, utilities and other commercial customers.

LATIN AMERICA

Texaco manufactures or markets petroleum products in over 40 Caribbean and Latin American countries. During 1994, our Latin American downstream units continued to benefit from a positive business environment, buttressed by our traditional market prominence throughout much of the region.

We enhanced efficiency during the year through a restructuring program designed to reduce operating expenses. As part of this plan, we downsized the divisional headquarters in Coral Gables, Florida, and entered into joint-terminal arrangements in the eastern Caribbean, Colombia and Brazil.

Three wholly or partly owned refineries in Panama, Guatemala and Martinique, supplemented by a sophisticated trading and transportation system, enable us to supply the region with gasoline, kerosine, jet fuel, diesel and fuel oil at fully competitive costs.

We continued a \$77-million upgrading and expansion of our wholly owned Panama refinery, scheduled for completion by mid-1995, which is expected to increase plant throughput to 60,000 barrels of crude oil a day.

Also in 1994, the introduction of our CleanSystem3 gasolines into much of the Caribbean and Central America enhanced our penetration of these rapidly growing markets. In this region, we are the leading marketer, supplying about 27% of the retail fuel demand and 30% of lubricants through some 1,200 branded retail outlets.

In Haiti, we resumed operations following the termination of the U.S. sanctions and plan to recover our former strong market presence there during 1995.

In Brazil, Texaco's second largest market

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IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A13.

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outside the United States, annual economic growth of 5% offers us solid future

prospects. Texaco Brazil--with sales of over 1.2 million barrels a year--has a 22% share of this, the largest lubricants market in Latin America.

We are also breaking new ground throughout much of Latin America with our Star Mart stores, as well as through joint ventures with fast-food chains, banks, video rental companies and dry cleaners.

EUROPE

Surplus products and stiff competition continue to pressure margins in many of our European markets. Economic growth is expected to remain slow over 1995.

Anticipated environmental legislation will mandate cleaner products from more efficient and environmentally sound manufacturing plants. We are responding to these challenges on a country-by-country basis.

Northwestern Europe is a mature marketing area in which growth will come primarily from extending current lines of business and forming new business alliances.

In 1994, we sold our 50% interest in the Swedish joint-venture marketing company, Texaco Marketing AB, to our partner OK Petroleum AB. And, early in 1995, we entered into a joint venture with Norsk Hydro to sell petroleum products in Denmark, Norway and, potentially, the Baltic States. The joint venture, which combines the partners' service station networks, will hold a strong position in Norway and Denmark, with about 20% and 17% of the respective national gasoline markets.

Meanwhile, we intend to selectively expand Texaco's presence in the growing markets of southern and eastern Europe.

ENHANCING COMPETITIVENESS

At our wholly owned, 180,000-barrel-a-day Pembroke refinery in Wales, we are evaluating alternatives to optimize gasoline capability and increase the quantity and quality of diesel production. This refinery, in combination with our 65% share of the throughput of the Pembroke Cracking Company, is one of the premier refining facilities in Europe.

Our financial and operational results in 1994 were adversely impacted by an explosion and fire which occurred in July at the Pembroke Cracking Company. The affected units returned to full operation in December. Engineering and reliability studies are underway to assure Pembroke's long-term competitive performance.

Expansion of the catalytic cracking unit at the end of 1993 and the associated construction of an MTBE unit early in 1994 at the 35%-owned, 399,000-barrel-a-day Nerefco refinery in Rotterdam expanded our production of gasoline components.

We gained a quality advantage and achieved increases in branded gasoline sales throughout northwestern Europe following the introduction of CleanSystem3 gasolines in March 1994. In an overall declining market, volume at our 1,380 investment stations in Europe increased by 1.6% over 1993, averaging some 54,000 gallons a month.

Our strategy to strengthen Texaco's retail network incorporates new service station design and convenience formats in our state-of-the-art retail outlets throughout the U.K., the Netherlands and Scandinavia.

We are also consolidating our downstream operations on the Continent. A new region will be responsible for marketing from the Benelux to the Mediterranean, where changing markets offer excellent growth possibilities. Business development is accelerating in Eastern Europe, and we have targeted Poland as a prime marketing area.

In the U.K., our largest market in Europe, we have significantly restructured and rationalized operations to reduce costs and organize the downstream business to compete more effectively. We are developing strategic marketing partnerships,

GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A15.

including an alliance with Pepsico to establish Pizza Hut R (Registered) units in selected Star Markets and our co-development project with another major fast-food chain. In addition, we introduced the first co-branded Visa Global credit card in 1994.

Texaco also established a natural gas marketing department in the U.K. to capitalize on the recently deregulated gas market.

CALTEX

Caltex Petroleum Corporation, our 50% joint venture with Chevron, manufactures and markets refined petroleum products in over 60 countries, primarily east of Suez. It is pursuing an ambitious program to upgrade its refining system and marketing network to capitalize fully on the key growth markets of the Pacific Rim region.

MAJOR UPGRADING AND EXPANSION

Caltex has equity interests in 14 refineries in the Asia-Pacific region, Africa and the Middle East. Total equity capacity is nearly one million barrels a day.

Caltex plans capital investments, including its share in affiliates, of some \$8 billion between 1995 and 1999, of which some 60% is targeted for refining. Upgrading and expansion projects will allow use of lower cost feedstocks, increase output of light products and meet stringent environmental standards.

In Thailand, Caltex has an equity interest in a \$1.7-billion grassroots refinery currently under construction. It is also adding crude running and product upgrading capacity to its principal export refinery in Singapore. To meet Korea's increasing demand for transportation fuels, Caltex' 50%-owned affiliate, Honam Oil, is constructing a 70,000-barrel-a-day catalytic cracking unit. These projects will come on stream over the next two years.

ATTRACTIVE CALTEX MARKETS

Despite weakness in the refining sector last year, marketing margins remain robust. With average shares of 18% in motor fuels and 20% in lubricants, Caltex directed the majority of its marketing investments in 1994 to expanding and improving its retail network, which includes more than 18,000 outlets.

Caltex continues to invest in high-potential growth markets, including some countries that have only recently opened their borders to foreign investment.

Asia's emerging markets, with their huge populations and rapidly expanding economies, are a centerpiece of our strategy to grow Caltex. China offers enormous retail potential and Caltex is aggressively pursuing opportunities to expand its retail and lubricants operations. Caltex is also conducting a refinery investment feasibility study and is considering constructing a major liquefied petroleum gas (LPG) terminal in Shantou.

In India, Caltex is capitalizing on the country's increasing openness to foreign investment. Caltex manufactures and markets lubricants through a joint venture with a local Indian company and is planning to become a major LPG marketer.

Following the lifting of U.S. sanctions, Caltex opened an office in Vietnam which, along with the rest of Indochina, represents a significant market expansion opportunity.

POWER OF THE STAR

Our plan for growth calls on Texaco people to build on the power of the Star--our valued trademark--to augment our ongoing success in adding sales in selective markets.

We will also continue to enhance the efficiency of our refineries as we battle to overcome increased costs from mandated regulations and arbitrary product specifications,

and market-driven decreases in margins.

Our strategies for growing volume through streamlined, productive business units are designed to help us "make our own margins" in highly competitive markets, thereby increasing the value of our shareholders' investment.

GRAPHIC MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A16.

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TECHNOLOGY AND RESEARCH

Technological innovation supports and energizes all of Texaco's core businesses. We are a leader in identifying and applying the most advanced technologies for discovering and producing hydrocarbons. These technologies enable us to increase cost-effective production of oil and natural gas from new and existing fields and to extend our reserve base. Downstream, our international research teams help improve refinery processes and grow profitable market share with petroleum products that meet changing customer needs. Our commitment to supporting research and technology creates value for stockholders by enhancing our operations, and it opens new doors to strategic partnerships with businesses and governments worldwide.

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A17.

ADVANCED UPSTREAM TECHNOLOGY

In the Houston laboratories of our Exploration and Production Technology Department (EPTD), multidisciplinary teams of geoscientists and engineers are developing integrated technology that maximizes the potential of Texaco's hydrocarbon resources.

To gain optimal production from our wholly owned Captain field in the U.K. North Sea, Texaco teams will combine horizontal drilling with new subsea pumping and metering systems that incorporate Texaco technology. Economic development of Captain's heavy oil depends on advances that make it possible to drill horizontal wells as long as 6,000 feet in highly unconsolidated sands.

To complement this drilling technology, engineers and scientists at EPTD's multi-phase flow research facility near Humble, Texas, have successfully created an "extended-reach" production system to transport unseparated mixtures of oil and gas over long distances, eliminating the number of offshore structures for development, reducing costs and expanding our operating environment.

Underscoring Texaco's technological capability is our leadership in the Deepstar Program, a consortium of companies pooling technology to recover potentially huge oil and gas reserves in deepwater areas of the Gulf of Mexico. The subsea development of the Shasta prospect in late 1995 will be the first commercial application of Deepstar technology.

At Texaco's two large steamflood operations--Kern River field in California and Indonesia's Duri field, operated by Texaco's affiliate Caltex Pacific Indonesia--engineers

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A18.

Texaco Inc. 1994 Annual Report to Stockholders page 21.

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A19.

and scientists continually seek new technologies to address the challenges of heat management.

At Kern River, engineering and research teams in 1994 introduced Texaco's patent-pending Splitigator™ (Trade Mark) steam distribution piping technique, which supplies the optimal

level of heat to extract the field's highly viscous oil, reducing production fuel costs by 10%.

Duri's heat management program generates 50% more daily production than anticipated with the same amount of steam, adding 5,000 barrels a day of oil in 1994. And Texaco-developed pressure and rate control devices will facilitate efforts to recover several hundred million barrels of oil from a new reservoir in Duri's shallow Rindu zone sands.

While these innovative techniques are reducing lifting costs and adding value to our hydrocarbon reserves, work is also proceeding on the Texaco Energy and Environmental Multispectral Imaging Spectrometer, which will increase our position as a cost-competitive finder of oil and natural gas reserves. Scheduled for deployment in the second quarter of 1995, this aircraft-mounted sensor will help Texaco identify prospective hydrocarbon deposits and monitor the impact of producing operations in environmentally sensitive areas.

CREATING HIGH-PERFORMANCE PRODUCTS

At our Research and Development Department laboratories in Beacon, New York; Port Arthur, Texas; and Ghent, Belgium, Texaco scientists formulate high-performance products to help expand our market share and bolster our competitive advantage.

Texaco's line of CleanSystem3 gasolines, introduced last year in the U.S., Europe and Latin America, is one example. This superior motor fuel not only cleans fuel injectors and intake valves, but also removes existing deposits from the combustion chamber. Motorists' acceptance of CleanSystem3 demonstrates that technologically advanced products carry their value directly to the bottom line.

Also contributing to Texaco's growth is our ability to create lubricant products that meet rising automotive performance standards, and demands of industrial and commercial users. In 1994, we developed, improved or commercialized more than 50 industrial and transportation lubricants tailored to customer requirements.

Texaco scientists and engineers also apply innovative technology to improve the manufacturing processes that generate our products, often by entering strategic alliances and licensing agreements with other companies.

For example, in conjunction with a prominent catalyst manufacturer, we developed and successfully tested our new Tex-2710 ultra-low sediment catalyst in 1994. Designed for use with Texaco-licensed H-Oil R (Registered) refining technology, this catalyst enhances the production of light petroleum products from residual oil, thereby increasing refinery yields.

We made excellent progress during 1994 and into 1995 in the licensing of facilities based on our unique Texaco Gasification Process, an advanced technology that converts low-grade hydrocarbons such as high-sulfur coal, petroleum coke and heavy oil into a clean synthesis gas for the production of electric power, chemicals and other industrial products. During 1994, this proprietary technology was selected for six important projects in the U.S., China and Spain, with additional major gasification agreements concluded early in 1995.

Texaco's concern for the environment is a major consideration in all our operations, and a number of research projects are undertaken solely to make our processes environmentally sound. Among these are a membrane-based, wastewater treatment unit; membrane technology to reclaim fluid emulsions used in the metalworking industry; and continuing research in bioremediation techniques.

In every aspect of our business, our ability to apply advanced, innovative technologies gives Texaco a competitive advantage. Our strong commitment to research and technology underpins our plan for growth and profitability.

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A20.

IMAGE MATERIAL APPEARS HERE.

TEXACO'S VISION AND VALUES

IMAGE MATERIAL APPEARS HERE.
SEE APPENDIX, PART A, ITEM A22.

Throughout its 93-year history, Texaco has lived by--and thrived on--a set of sustaining corporate values. These values reinforce our commitment to produce high-quality products and services for our customers in order to generate consistent, fully competitive returns for our shareholders. Our core values also energize our drive to develop the full potential of every Texaco employee, and commit us to exacting standards of ethical conduct and corporate responsibility within the communities we serve throughout the world.

If Texaco is to achieve our vision of industry leadership, we must have a highly motivated and effective workforce, prepared to respond to the competitive rigors we face. Central to our goal is the need for clear channels of interactive, meaningful communications throughout the organization.

To facilitate communication, to test the scope and depth of commitment to our values and progress on employee-related issues, periodic surveys are conducted across the entire Texaco team. Among the results of such activity are the refinement and focusing of the broad array of training services we offer to hone the professional skills of Texaco employees, the broadened use of teams to tackle vexing operational and managerial issues and the programs initiated to underscore and understand the importance of diversity in the workplace.

We have been making solid progress on affirmative action plans, through which we have increased the representation of minority groups and women in our workforce at a time when the redefinition of how we manage and how we do business has seen a reduction in worldwide workforce for continuing operations of some 21% since year-end 1991. To assure our commitment to continued progress, we are updating and broadening our studies in regard to equal employment opportunity and affirmative action. As in the past, a report will be available to shareholders later in 1995.

Equally important and under constant consideration is Texaco's core value of dedication to protection of the environment, as well as the health and safety of our employees, customers and neighbors.

As we strive for continuous improvement in this crucial arena, we have focused on such areas as reducing atmospheric releases of chemicals, managing wastes from our operations more effectively and reducing the number of lost-time incidents. Audit teams regularly review environment, health and safety issues at operating facilities worldwide. We have compiled and reported on our progress in the third edition of Texaco's Environment, Health and Safety Review, which was sent to shareholders in 1994.

Texaco invigorates its commitment to social responsibility through our corporate contributions programs, distributions by the Texaco Foundation and ever-broadening employee volunteer programs. From our long-standing support of major cultural institutions such as the Metropolitan Opera, to equally significant efforts to enhance education and beautify the environment, Texaco seeks to improve the quality of life within the communities we serve.

With our corporate principles and values as guides, we will continue to monitor, assess and report our progress in corporate social responsibility, environmental compliance, ethical conduct and respect for the individual.

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FINANCIAL REVIEW

Texaco Inc. and Subsidiary Companies

CONSOLIDATED HIGHLIGHTS

(Millions of dollars, except

per share and ratio data)	1994	1993	1992
Revenues from continuing operations	\$33,353	\$34,071	\$36,530
Net income from continuing operations, before cumulative effect of accounting changes	\$ 979	\$ 1,259	\$ 1,038
Discontinued chemical operations:			
Net loss from operations	--	(17)	(26)
Net loss on disposal	(69)	(174)	--
	(69)	(191)	(26)
Cumulative effect of accounting changes	--	--	(300)
Net income	\$ 910	\$ 1,068	\$ 712
Stockholders' equity	\$ 9,749	\$10,279	\$ 9,973
Total assets	\$25,505	\$26,626	\$25,992
Total debt	\$ 6,481	\$ 6,826	\$ 6,581
Per common share (dollars)			
Net income (loss) before cumulative effect of accounting changes:			
Continuing operations	\$ 3.43	\$ 4.47	\$ 3.63
Discontinued chemical operations	(.26)	(.73)	(.10)
Cumulative effect of accounting changes	--	--	(1.16)
Net income	\$ 3.17	\$ 3.74	\$ 2.37
Cash dividends	\$ 3.20	\$ 3.20	\$ 3.20
Current ratio	1.20	1.44	1.33
Return on average stockholders' equity*	9.8%	12.5%	10.9%
Return on average capital employed*	8.0%	9.4%	8.5%
Total debt to total borrowed and invested capital	38.5%	38.7%	39.3%

*Returns exclude discontinued chemical operations and the 1992 cumulative effect of accounting changes.

GRAPHIC MATERIALS APPEAR HERE.
SEE APPENDIX, PART B, ITEM B1 AND ITEM B2.

Consolidated worldwide net income for the year 1994 was \$910 million, or \$3.17 per common share, compared with \$1,068 million, or \$3.74 per common share for the year 1993 and \$712 million, or \$2.37 per common share for the year 1992.

These results include special gains and charges as well as discontinued chemical operations. Also, results for 1992 reflect the cumulative effect of the adoption of Statement of Financial Accounting Standards (SFAS) 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and SFAS 109, "Accounting for Income Taxes," including Texaco's equity in the Caltex group of companies and Star Enterprise. The adoption of these two Standards resulted in a net cumulative charge as of January 1, 1992 of \$300 million, or \$1.16 per common share. Excluding the cumulative effect of accounting changes, net income for 1992 amounted to \$1,012 million, or \$3.53 per common share.

DISCONTINUED CHEMICAL OPERATIONS

In 1993, Texaco entered into memorandums of understanding with an affiliate of the Jon M. Huntsman Group of Companies for the sale of substantially all of Texaco's worldwide chemical operations and, therefore, has accounted for these operations as discontinued operations.

On April 21, 1994, Texaco Inc. received from Huntsman Corporation \$850 million on the sale of Texaco Chemical Company and related interna-

tional operations, consisting of \$650 million in cash and an 11-year subordinated note with a face amount of \$200 million. Not included in this transaction was Texaco's worldwide lubricant additives business. On February 14, 1995, Texaco and Huntsman Corporation announced that they intend to form a joint venture to own and operate this business, which includes manufacturing facilities in Port Arthur, Texas and Ghent, Belgium, among others, as well as sales and marketing offices in various locations in the U.S. and abroad. Formation of the joint venture is expected to take place during the first half of 1995.

Summary statements and other detailed financial information on discontinued chemical operations can be found in Note 4 to the Consolidated Financial Statements on page 44 of this report.

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PLAN FOR GROWTH

On July 5, 1994, Texaco announced a plan for growth, designed to thrust the company into top quartile performance among petroleum industry competitors. Building on the company's demonstrated successes as a cost-competitive finder of oil and natural gas resources, the action plan focuses on asset redeployment, the reduction of overheads and improved operating efficiencies through cost controls and strengthened core businesses.

By the end of 1994, initial achievements included the following:

Texaco has reversed the trend of production decline, increasing worldwide output by 66,000 barrels of oil equivalent per day in 1994. Higher production of crude oil in the North Sea, Indonesia and the Partitioned Neutral Zone, joined by increased natural gas output, were key factors.

Sales of Texaco branded motor fuels increased, aided by the introduction of CleanSystem3 gasolines in the U.S., Europe and Latin America.

Texaco cut overhead costs by some \$200 million during 1994, continuing the company's trend of reducing operating expenses.

In addition, Texaco has taken the following actions:

Completed the sale, during the third quarter of 1994, of its 50% equity interest in the joint-venture company, Texaco Marketing AB, which operates service stations and manufactures and markets lubricants in Sweden, to its partner OK Petroleum AB for a purchase price of \$60 million.

Completed the sale, in March 1995, of more than 300 scattered Texaco producing fields to Apache Corporation for approximately \$600 million. The properties included in the sale are located in the Permian Basin of Texas, offshore Gulf of Mexico, onshore Louisiana, East and South Texas, the Rocky Mountains and the Mid-Continent area of the United States.

Signed an agreement with STENA, a Swedish marine transportation company, to create a strategic alliance to coordinate Texaco's international marine transportation requirements. The alliance is to be completed during the first quarter of 1995.

Signed an agreement with Norsk Hydro to create a joint venture, effective January 1, 1995, for the sale of petroleum products in Norway, Denmark and, potentially, in the Baltic States. The joint venture will hold a strong position in the Norwegian and Danish markets, with a gasoline market share of approximately 20% and 17%, respectively. The joint venture will also have the capacity for future growth in the region, and will have a major presence in markets for diesel, lubricants and heating fuel.

GRAPHIC MATERIALS APPEAR HERE.

SEE APPENDIX, PART B, ITEM B3 AND ITEM B4.

Announced a projected capital expenditure

level for 1995 of \$3.3 billion, an increase of 20% over the 1994 spending level.

RESULTS OF CONTINUING OPERATIONS

The following analysis relates to Texaco's consolidated and functional results for continuing operations.

REVENUES

Consolidated worldwide revenues from continuing operations were \$33.4 billion in 1994 as compared to \$34.1 billion in 1993 and \$36.5 billion in 1992. Revenues for 1994 as compared to 1993 decreased principally due to lower worldwide average crude oil prices and lower U.S. crude oil volumes, partially offset by increased international sales as a result of higher production. Higher sales volumes of natural gas in the U.S. and sales from new gas production in Europe were generally offset by lower U.S. natural gas prices. Sales volumes of refined products increased, mainly in the U.S., including higher sales of gasolines, which were somewhat offset by lower product prices. Product sales in Latin America benefited from both higher volumes and prices, which were partly offset by lower prices and volumes in Europe.

In 1993, revenues declined as compared to 1992 reflecting lower worldwide prices for crude oil and refined products, partially offset by higher natural gas prices.

COSTS AND EXPENSES

Purchases and other costs were \$23.9 billion in 1994, \$24.7 billion in 1993 and \$27.0 billion in 1992. This downward trend reflects the impact of declining worldwide average crude oil prices and lower purchases. Partially offsetting the 1994 decreases were higher volumes of natural gas purchased in the United States. Costs for refined products for 1994 as compared with 1993 were virtually unchanged, yet declined from 1992 reflecting lower volumes.

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In 1994, Texaco continued to realize benefits from decreased expenses from its initiatives to reduce overheads and improve operational efficiencies. During each of the last three years, the company was successful in reducing cash operating expenses. These improvements were achieved despite higher levels of activity, the pressures of inflation and expenses associated with efforts to reduce overheads and restructure operations. Texaco has reduced the number of employees in worldwide continuing operations from 37,500 at the end of 1991 to 29,700 in 1994, a decrease of approximately 21%.

Depreciation, depletion and amortization expenses increased in 1994, as compared to 1993, mainly reflecting higher international oil and gas production resulting from successful project completions, mainly in the U.K. North Sea.

INCOME TAXES

Income tax expense was \$225 million in 1994, a tax benefit of \$87 million in 1993 and a tax expense of \$311 million in 1992. The year 1994 included higher taxable income from the expanding international producing operations which are generally subject to high statutory tax rates. Also, the year 1994 had lower tax benefits relating to the sales of interests in a subsidiary than in 1993. The year 1993 also included certain nonrecurring tax benefits from tax law and rate changes in the United Kingdom.

NET INCOME

Consolidated net income from continuing operations includes special items in addition to net income directly related to the current production, manufacturing, marketing and distribution of products and services of the company. The elements of consolidated net income from continuing operations are provided below. Explanations of net income are shown in the functional analysis which follows.

(Millions of dollars) 1994 1993 1992

Net income, before special items	\$ 915	\$1,132	\$1,138
Net special charges	(125)	(83)	(130)
Tax benefits on sales of interests in a subsidiary	189	210	30

Net income from continuing operations, before cumulative effect of accounting changes	\$ 979	\$1,259	\$1,038
=====			

The Consolidated Financial Statements and related Notes should be read in conjunction with this financial review.

GRAPHIC MATERIALS APPEAR HERE.
SEE APPENDIX, PART B, ITEM B5 AND ITEM B6.

FUNCTIONAL ANALYSIS
Worldwide net income from continuing operations in the following table is segregated between operating and corporate/nonoperating. Operating results are further segregated functionally and geographically.

NET INCOME

(Millions of dollars)	1994	1993	1992

Operating earnings (losses)			
Petroleum and natural gas			
Exploration and production			
United States	\$ 414	\$ 510	\$ 543
International	253	322	416

Total	667	832	959
Manufacturing, marketing and distribution			
United States	257	215	267
International	360	434	300

Total	617	649	567
Total petroleum and natural gas	1,284	1,481	1,526
Nonpetroleum	(32)	(13)	(19)

Total operating earnings	1,252	1,468	1,507
Corporate/nonoperating	(273)	(209)	(469)

Net income from continuing operations, before cumulative effect of accounting changes	\$ 979	\$1,259	\$1,038
=====			

PETROLEUM AND NATURAL GAS EXPLORATION AND PRODUCTION

UNITED STATES

(Millions of dollars)	1994	1993	1992

Operating earnings, before special items	\$ 438	\$ 548	\$ 576
Special charges	(24)	(38)	(33)

Total operating earnings	\$ 414	\$ 510	\$ 543

Selected Operating Data
Net production of

crude oil and NGL's (MBPD)	407	423	432
Net production of natural gas-- available for sale (MMCFPD)	1,716	1,729	1,782
Natural gas sales (MMCFPD)	3,092	2,735	2,705
	=====	=====	=====

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Total domestic upstream operating earnings were \$414 million, \$510 million and \$543 million for the years 1994, 1993 and 1992, respectively. Operating earnings in the U.S. were impacted by the downward slide in average crude oil prices during the three-year period. Texaco's average crude oil price of \$16.36 per barrel in 1992 declined \$2.10 per barrel in 1993 and an additional \$.83 per barrel in 1994. In 1994, crude oil prices rose steadily during the first six months from a low of approximately \$11 per barrel at the beginning of the year to about \$14 per barrel at year-end.

Operating earnings in 1994 as compared to 1993 were also adversely impacted by a \$.20 per MCF drop in average natural gas prices from the price levels experienced in 1993. Most of this drop in natural gas prices in 1994 occurred in the second half of the year due to oversupply conditions and unseasonably warm weather on the U.S. East Coast during the fourth quarter. This decrease in natural gas prices contrasted with a 20% increase in average natural gas prices in 1993 over 1992 levels.

Operating results were also impacted by lower crude oil and natural gas production, which has declined less than 3% annually on a barrel of oil equivalent basis during the past two years. The impact of normal production declines from maturing fields was largely offset by added production from the company's successful exploration and development program. Although natural gas sales volumes remained virtually flat from 1992 to 1993, sales increased approximately 13% in 1994 as compared to 1993, reflecting increased marketing efforts to meet rising demand.

Significantly lower operating expenses in all periods benefited results. Expense reductions, before taxes and special items, of \$67 million in 1993 as compared to 1992, and an additional \$111 million in 1994, exemplify the company's beneficial restructuring programs and business process initiatives to reduce producing and overhead expenses.

Operating results for the year 1994 include a net gain of \$4 million resulting from gains on sales of various producing properties of \$36 million less certain asset write-downs of \$32 million.

Total operating earnings for 1994 included special charges of \$24 million for the estimated cost of employee separations.

Total operating earnings for 1993 included a deferred tax charge due to the U.S. income tax rate increase and a special charge related to staff reductions. Results for 1992 included special charges primarily related to staff reductions, property damage associated with Hurricane Andrew and environmental and other issues.

GRAPHIC MATERIALS APPEAR HERE.
SEE APPENDIX, PART B, ITEM B7 AND ITEM B8.

INTERNATIONAL

(Millions of dollars)	1994	1993	1992
	-----	-----	-----
Operating earnings, before special items	\$269	\$212	\$414
Net special (charges) credits	(16)	110	2
	-----	-----	-----
Total operating earnings	\$253	\$322	\$416
Selected Operating Data			
Net production of crude oil and			

NGL's, including CPI (MBPD)	376	305	304
Net production of natural gas-- available for sale (MMCFPD)	319	238	213
Natural gas sales (MMCFPD)	337	255	223
	=====	=====	=====

Texaco's total operating results outside the United States were \$253 million, \$322 million and \$416 million for 1994, 1993 and 1992, respectively. Total operating earnings for 1994 included special charges of \$16 million related to the adjustment to fair market value of certain facilities being offered for sale and the estimated cost of employee separations. Total operating results for 1993 included a benefit of \$169 million related to changes in the U.K. Petroleum Revenue Tax associated with the taxability of certain items, as well as a tax rate reduction. This was partially offset by special charges related to staff reductions and the write-down of the carrying value of certain assets, principally in the North Sea, brought about by changes in the Petroleum Revenue Tax laws. Special items for 1992 included a gain related to the favorable settlement of a Danish tax issue and special charges primarily related to staff reductions.

Excluding special items, operating results benefited in all three years from increasing crude oil production, mainly in the North Sea, Australia, Indonesia and the Partitioned Neutral Zone between Kuwait and Saudi Arabia. North Sea crude oil production in 1994 increased significantly over 1993 levels primarily from new production and development at the Strathspey, Saltire and Piper fields. The shut-in of North Sea production platforms for scheduled maintenance and installation of safety equipment negatively impacted results for 1992. New production in Australia from the Roller and Skate fields benefited results in 1994, whereas new production in Indonesia from the Belida field in 1993 benefited results for both years. Also, natural gas results in 1994 increased mainly due to new production in the North Sea from the Orwell, Strathspey and Saltire fields.

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Lower worldwide crude oil prices resulting from global economic and supply/demand factors, caused Texaco's average international crude oil prices to decrease from 1992 through 1994, which adversely impacted earnings.

Operating results were impacted by non-cash charges of \$15 million in 1994 and benefits of \$8 million and \$99 million for 1993 and 1992, respectively, relating to the currency exchange impacts under SFAS 109 of the Pound Sterling on deferred income taxes.

MANUFACTURING, MARKETING AND DISTRIBUTION

UNITED STATES

(Millions of dollars)	1994	1993	1992
	-----	-----	-----
Operating earnings, before special items	\$ 281	\$ 306	\$ 288
Net special charges	(24)	(91)	(21)
	-----	-----	-----
Total operating earnings	\$ 257	\$ 215	\$ 267
Selected Operating Data--including interest in an affiliate			
Refinery input (MBPD)	673	658	652
Refined product sales (MBPD)	882	830	880
	=====	=====	=====

Total operating earnings for 1994 were \$257 million versus \$215 million and \$267 million in 1993 and 1992, respectively. Included in 1994 total operating earnings were special charges of \$24 million related to the adjustment to fair market value of certain facilities offered for sale and the estimated cost of employee separations. Total operating results for 1993 included special charges mainly for staff reductions and reserves for environmental remediation. Special charges in 1992 related mainly to staff reductions and property damage associated with a fire at the Los Angeles refinery.

Excluding special items, operating results for 1992 through 1994 benefited from increased sales of branded gasolines of over 3% from 1992, in part due to the successful introduction in March 1994 of Texaco's CleanSystem3. Sales volumes in 1994 also included a greater volume of higher margin premium gasoline sales. However, rising crude costs and oversupply conditions in the marketplace, some of which arose during the fourth quarter due to new reformulated gasoline requirements and unseasonably warm weather on the East Coast, decreased margins during 1994. Results for 1993 versus 1992 reflect improved product margins especially on the East and Gulf Coasts of the U.S. due to lower crude costs. However, operating earnings for the year 1992 and the year 1993, as well as the first quarter of 1994, were adversely impacted by downtime at various refineries. Earnings for 1994 benefited from improved refinery performance during the last half of the year, as refinery throughputs for the year exceeded 1993 levels.

GRAPHIC MATERIALS APPEAR HERE.

SEE APPENDIX, PART B, ITEM B9 AND ITEM B10.

Texaco's trading and pipeline transportation network continued to be a strong contributor to the downstream results throughout these periods.

INTERNATIONAL

(Millions of dollars)	1994	1993	1992
Operating earnings, before special items	\$ 375	\$ 464	\$ 335
Net special charges	(15)	(30)	(35)
Total operating earnings	\$ 360	\$ 434	\$ 300
Selected Operating Data--including interests in affiliates			
Refinery input (MBPD)	780	812	769
Refined product sales (MBPD)	1,470	1,504	1,454

Texaco's total operating earnings outside the United States were \$360 million in 1994 compared with \$434 million and \$300 million in 1993 and 1992, respectively. In the areas served by the company's affiliate Caltex, including most Pacific Rim countries and South Africa, strong margins prevailed in 1993 as compared with 1992. However, in 1994, decreased results reflect depressed refining margins in Bahrain, Japan and Singapore due to rising crude prices during the year, as well as unfavorable currency exchange effects, mainly in the early part of the year. Benefits of \$16 million were realized in 1994 as compared to charges of \$51 million in 1993 due to lower of cost or market adjustments of inventories.

Higher margins and product volumes in the Latin American operating areas, mainly in Brazil, continued to benefit earnings from 1992 through 1994. However, 1994 earnings, as compared to 1993, were negatively impacted as a result of downtime caused by the Panama refinery fire.

Operating results in Europe in 1994, as compared to 1993, reflect decreased product margins due to rising crude prices and oversupply conditions during the year and the negative impact from the Pembroke, Wales, refinery fire. Earnings for

1993 as compared to 1992 benefited from improved product margins.

Operating results for 1994 included non-cash charges of \$16 million, as compared to benefits of \$4 million and \$23 million in the years 1993 and 1992, respectively, relating to the currency exchange impacts under SFAS 109 of the Pound Sterling on deferred income taxes.

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Total operating earnings for 1994 included special charges related to the estimated cost of employee separations of \$29 million, and the adjustment to fair market value of certain properties being offered for sale of \$9 million, partly offset by a gain of \$23 million related to the sale of our interest in a downstream joint venture in Sweden.

Special charges included in operating results for 1993 related to staff reductions and the reduction in the carrying value of certain marketing assets. Special charges in 1992 primarily related to financial reserves for the expected resolution of environmental and other issues, the write-down of the carrying value of certain assets and staff reductions.

NONPETROLEUM

(Millions of dollars)	1994	1993	1992
Operating losses, before special items	\$ (3)	\$ (9)	\$ (1)
Special charges	(29)	(4)	(18)
Total operating losses	\$(32)	\$(13)	\$(19)

Operating results in 1994, as compared to 1993, benefited from higher revenues from the licensing of gasification technology. These licensing profits in 1993 were somewhat less than in 1992.

Included in total 1994 operating results were special charges of \$29 million by an insurance subsidiary related to property damage from the fires occurring at both the Pembroke, Wales, and Panama refineries in the latter half of the year.

The year 1993 included a special charge relating to an increase in the U.S. income tax rate. The year 1992 included special charges by an insurance subsidiary for property damage related to a fire at the Los Angeles refinery and Hurricane Andrew, as well as charges related to financial reserves for the expected resolution of litigation issues.

CORPORATE/NONOPERATING

(Millions of dollars)	1994	1993	1992
Corporate/nonoperating, before special items	\$(445)	\$(389)	\$(474)
Net special charges	(17)	(30)	(25)
Tax benefits on sales of interests in a subsidiary	189	210	30
Total	\$(273)	\$(209)	\$(469)

Corporate/nonoperating results include interest expense, general corporate expenses as well as interest income, dividends and other nonoperating income.

For 1994, 1993 and 1992, benefits were realized from lower corporate overhead, resulting from the company's continuing expense reduction efforts. In all periods, results were adversely impacted by lower U.S. tax benefits associated with interest expense.

During 1994, results were adversely affected by the reduction in capitalized interest expense resulting from project completions, mainly in the North Sea. Also, benefits from sales of marketable securities in 1994 were lower than amounts realized in 1993 and 1992.

Results for 1992, before special items, included a \$15 million charge related to the early call of several high cost debt issues. The year 1992 also benefited from the receipt of interest income on U.K. and Danish tax refunds.

Special items for years 1994 and 1993 included the impact of current tax benefits realized and deferred tax benefits realizable through the sales of interests in a subsidiary. These benefits are realizable due to taxable gains on completed and announced sales of non-core assets, including the sale of discontinued chemical

operations. Additionally, special items in 1994 and 1993 included charges relating to staff reductions.

Also included in 1993 were benefits from a tax law change, a windfall profits tax refund and special charges relating to oil and gas issues. The year 1992 included tax benefits related to the sale of an interest in a subsidiary, special charges primarily related to staff reductions and the write-down of the carrying value of certain assets.

EMPLOYEE SEVERANCE PROGRAM

On July 5, 1994, Texaco announced its plan for growth which includes a series of action steps to increase competitiveness and profitability. This program also calls for reduction in overheads and improvements in operating efficiencies. Implementation of Texaco's program is expected to result in the reduction of approximately 2,500 employees involving both the U.S. and international upstream and downstream segments, as well as various support staff functions. During the second quarter of 1994, Texaco recorded a charge of \$88 million, net of tax, for the anticipated severance costs associated with the reduction of the 2,500 employees.

As of December 31, 1994, implementation of Texaco's program has included reductions of approximately 1,365 employees worldwide with a related commitment to severance payments of \$64 million, or an after-tax cost of \$43 million. Of this commitment, payments of \$39 million have been made as of December 31, 1994. Currently, there is no change in the company's projections under this program.

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ENVIRONMENTAL MATTERS

As one of Texaco's core strategies, the Environment, Health and Safety (EHS) policies underscore the importance of safeguarding both the environment wherever the company conducts its business, and the health and safety of our employees and neighbors. The company has an ongoing EHS process that emphasizes continuous improvement and works closely with governmental agencies to ensure that all domestic and international laws and regulations are met. The worldwide responsibilities for this process are coordinated by a corporate division president and are overseen by the Public Responsibility Committee of the Board of Directors. The company has realized improvements in its systems for managing EHS activities which include enhanced facility auditing practices, diverse remediation and emergency preparedness systems, and innovative processes and technologies that are compatible with a clean environment while providing our customers with competitively priced products and services.

Texaco is involved in many proactive organizations that define and promote environmental standards such as the American Petroleum Institute, the Global Climate Coalition and the International Chamber of Commerce. Texaco is associated with over 30 oil spill cooperatives worldwide which includes the Oil Spill Response Limited, East Asia Response Limited and the Marine Spill Response Corporation. Additionally, Texaco underwrites its own International Oil Spill Response team and carries out regional drills under the provisions of the U.S. Oil Pollution Act of 1990.

Texaco makes substantial capital and operating expenditures concerning the environment. These expenditures relate to the reduction of the release of pollutants into the air and water and to the appropriate recycling or disposal of wastes. These expenditures also include costs associated with remediation obligations at company operated sites, previously operated sites and certain third party sites.

The discussion that follows details environmental expenditures and reserve information relative to Texaco and its equity in affiliates.

In 1994, Texaco's capital environmental expenditures totaled \$350 million, or nearly 13% of Texaco's 1994 capital expenditure program, with \$198 million expended in the United States. Capital expenditures projected for the company for 1995 and 1996 total \$375 million and \$291 million, respectively. For these 1995 and 1996 capital expenditures, approximately 64% and 66%, respectively, will relate to operations in the United States. Included in the foregoing expenditures are amounts associated with the modification of the company's refining and distribution systems to produce reformulated gasoline which is required under the U.S. Clean Air Act. The requirement for Phase I reformulated gasoline was effective January 1, 1995.

GRAPHIC MATERIALS APPEARS HERE.
SEE APPENDIX, PART B, ITEM B11 AND B12.

Texaco spent and expensed \$436 million in 1994 associated with the reduction of pollution in the company's ongoing operations, the manufacturing of cleaner burning fuels and in the management of the company's environmental programs, including Superfund taxes. A similar level of expenditures is expected in 1995.

Expenditures in 1994 relating to remediation amounted to \$152 million. The company had financial reserves of \$709 million at the end of 1994 for the estimated future costs of its environmental remediation programs. These expenditures and reserves principally relate to remediation activities at refineries, terminals and service stations, and to third party waste sites in which Texaco has been named a responsible party.

Since the enactment of the Comprehensive Environmental Response, Compensation and Liability Act (commonly referred to as Superfund), the Environmental Protection Agency (EPA), other regulatory agencies and groups have identified Texaco as a potentially responsible party (PRP) for cleanup of hazardous waste sites. Texaco has determined that it may have potential exposure, though limited in certain cases, at about 190 multiparty hazardous waste sites, of which 78 sites are on the EPA's National Priority List. Although liability under Superfund is joint and several, the company is actively pursuing and/or participating in the sharing of Superfund costs with other identified PRP's on the basis of the weight, volume and toxicity of the material contributed by the PRP's. The expenditures in 1994 relating to remediation included \$18 million for multiparty waste sites. The financial reserves for environmental remediation include \$73 million relative to multiparty waste sites. This reserve is based on the company's analysis of developments at various of these sites for which costs can reasonably be estimated. However, there are potential additional costs for waste sites for which a range of exposures cannot reasonably be estimated until further information develops. In many cases, the amounts and types of wastes are still under investigation by regulatory agencies.

In addition to the environmental remediation reserves, the company also provides financial reserves to cover the cost of restoration and abandonment of its oil and gas producing properties. These reserves at December 31, 1994 totaled \$840 million. Expenditures in 1994 for restoration and abandonment amounted to \$52 million.

In summary, Texaco has provided, to the extent reasonably measurable, financial reserves for its probable environmental remediation liabilities. The recording of these obligations is based on tech-

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nical evaluations of the currently available facts, interpretation of the regulations and the company's experience with similar sites. Additional financial reserve requirements relative to existing and new remediation sites may be necessary in the future when more facts are known. In addition, capital and other environmental expenditures may be required in the future as the result of new or revised regulations. The potential also exists for further legislation to provide limitations on liability. It is not possible to project the costs or a range of costs for environmental items beyond that disclosed above due to uncertainty surrounding future developments, both in relation to remediation exposure and to regulatory initiatives. However, while future environmental expenditures that will be incurred by the petroleum industry may certainly be significant in the absolute, they will be a cost of doing business that will have to be recovered in the marketplace. The fact that Texaco has taken a proactive approach to prevention, detection and remediation of environmental problems gives the company a competitive position in our industry with respect to future environmental costs. Moreover, it is not believed that such future costs will be material to the company's financial position nor to its operating results over any reasonable period of time.

LIQUIDITY AND CAPITAL RESOURCES

The company's cash, cash equivalents and short-term investments totaled \$464 million at December 31, 1994 as compared with \$536 million at year-end 1993.

Texaco's net cash provided by operating activities for 1994 of \$2.9 billion (as presented on the Statement of Consolidated Cash Flows) was impacted by several significant cash inflows and outflows that were not directly related to current period operations. These items include a cash inflow relating to the discontinuation of financing by Texaco of credit card receivables of its affiliate, Star Enterprise, and cash outflows for payments related to the State of Louisiana royalties settlement which is discussed below and certain environmental, severance and legal expenditures. In the aggregate, these items increased Texaco's net cash flow by some \$70 million.

In addition to cash from operating activities, proceeds of nearly \$1 billion were received from asset sales, including \$650 million from the sale of its chemical operations. These sources of cash plus financing activities were used to support Texaco's capital and exploratory program of \$2.1 billion, for the payment of dividends to common, preferred and minority shareholders of \$1 billion, the retirement of \$648 million of preferred stock, the retirement of debt and for other general corporate purposes.

GRAPHIC MATERIALS APPEAR HERE.

SEE APPENDIX, PART B, ITEM B13, ITEM B14 AND ITEM B15.

In April of 1994, Texaco completed the sale of substantially all of its worldwide chemical operations, which had been classified as discontinued operations. In addition to the \$650 million cash proceeds received, the company also received an 11-year subordinated note with a face amount of \$200 million. Additional information regarding discontinued operations is contained in Note 4.

In 1994, Texaco reduced total debt some \$300 million to \$6.5 billion at year-end 1994. This decline lowered Texaco's ratio of total debt to total borrowed and invested capital to 38.5% at December 31, 1994 from 38.7% at year-end 1993.

During the 1992 through 1994 period, Texaco continued to restructure its debt portfolio by redeeming, prior to maturity, over \$1 billion of high cost debt, in addition to scheduled debt maturities, and securing over \$2 billion of attractive term-committed funding. As a result, the company's liquidity position was improved as the average maturity of its debt at year-end increased from 9.0 years in 1992 to 12.2 years in 1994. Contractual annual maturities of long-term debt over the next five years have been balanced to avoid unusual draws on cash in any one year. The company's weighted average interest rate on total debt outstanding at December 31, 1994, including the immaterial effect of debt-related derivatives, rose by only one-half of a percentage point to 7.6% from a year ago. This was achieved despite sharply rising interest rates as measured by the 2.5 percentage point increase in U.S. Federal Funds rate.

Financing activities in 1994 also reflect the issuance of \$112 million of preferred stock by Texaco Capital LLC, a finance subsidiary of Texaco Inc. During 1994, Texaco redeemed in cash and retired all outstanding shares of its Series C Variable Rate Cumulative Preferred Stock having an aggregate liquidation preference of \$267 million. Additionally, during 1994, Texaco commenced a stock repurchase program and purchased 6.1 million shares of its common stock through open market transactions. On November 8, 1994, the company exchanged the purchased shares of common stock for all of the shares of Texaco Inc.'s Series E Variable Rate Cumulative Preferred Stock, with a stated value of \$381 million, which were then retired. These actions, in conjunction with related financing and investing activities, reduced the company's overall cost of capital.

Texaco continues to maintain a \$2 billion revolving credit facility as of year-end 1994 as compared to credit facilities of \$2.35 billion at December 31, 1993. The \$2 billion facility remained unused at year-end 1994. During the year, Texaco terminated a \$350 million revolving credit facility. Texaco also terminated its \$400 million accounts receivable sales facility. Additionally, in 1994, a subsidiary of Texaco entered into a revolving credit

facility for \$330 million, which was fully utilized as of December 31, 1994 and is reflected in long-term debt.

During 1994, Texaco reached an out-of-court global settlement with the State of Louisiana in which Texaco agreed to pay the State \$250 million to end a long-standing royalties dispute. This amount, which was fully reserved for in previous years, did not result in a 1994 charge to income. Texaco paid the first installment of \$150 million in February 1994 and will pay \$50 million in 1995 and \$50 million in 1996. Texaco also agreed to and has initiated an economic expansion program in Louisiana which will cause \$152 million to be spent over a five-year period on expanded activity and investments affecting state-owned oil and gas properties in which Texaco has interests.

Subsequent to 1994, Texaco completed a sale to Apache Corporation of more than 300 scattered producing fields for approximately \$600 million. Proceeds from this sale will be reinvested in core businesses and used to strengthen Texaco's financial position to ensure that the Company is well positioned for future growth opportunities.

As an international petroleum company, Texaco is exposed to commodity price, foreign exchange and interest rate risks. These risks are primarily managed by the careful structuring of transactions with their related exposures. To a lesser extent, the company also employs certain commonly used derivative financial instruments as a cost-effective and efficient means of managing its risks. Derivative usage is subject to corporate risk management policies which prohibit speculative positions and restrict the amount of exposure on all derivative transactions by establishing dollar, term and volumetric limits. Accordingly, the company's exposure in derivative transactions, in the aggregate, is immaterial.

The company considers its financial position sufficient to meet its anticipated future financial requirements.

RESERVES

Texaco's worldwide net proved reserves at year-end 1994, including equity in P.T. Caltex Pacific Indonesia (CPI), a 50% owned affiliate operating in Indonesia, totaled 3.7 billion barrels of oil equivalent, of which 57% are located in the United States. The worldwide reserves include 2.7 billion barrels of crude oil and natural gas liquids, and 6.2 trillion cubic feet of natural gas.

GRAPHIC MATERIALS APPEAR HERE.

SEE APPENDIX, PART B, ITEM B16 AND ITEM B17.

On a worldwide basis, including equity reserves and excluding purchases and sales, the company added new volumes to its reserve base equal to 111% of combined liquids and gas production in 1994, 112% in 1993 and 94% in 1992. During 1994, the company added new volumes to its reserve base equal to 90% of combined liquids and gas production in the United States and 141% outside the United States. The three-year worldwide reserve replacement average for 1992-1994 was 106% and the five-year replacement average for 1990-1994 was 107%.

Texaco's worldwide finding and development costs were \$3.54 in 1994, \$4.04 over the three-year period 1992-1994 and \$4.15 over the five-year period 1990-1994.

See the "Supplemental Oil and Gas Information" section starting on page 62 for further information regarding Texaco's estimated proved reserves.

CAPITAL AND EXPLORATORY EXPENDITURES

Worldwide capital and exploratory expenditures for continuing operations, including equity in such expenditures of affiliates, were \$2.7 billion for the year 1994 as compared to \$2.9 billion in 1993 and \$3.0 billion in 1992. The decline reflects the impact of continuing depressed crude oil prices and low refined product margins. Texaco, however, is committed to its worldwide plan for growth and adding value for its shareholders. The company continues to add to its underground reserve base through a focused and balanced approach. This approach mixes a selection of low to high risk exploration opportunities with those opportunities where established core reserves can be exploited through enhanced reserve recovery programs utilizing

Texaco's technological expertise. Texaco is also upgrading refinery facilities to enhance the production of valuable light-end products and to meet the challenges of environmental mandates. Texaco continues to improve product distribution through investments in its retail marketing outlets. Many of these opportunities are in the international sector as evidenced by the increased focus on expenditures outside the United States over recent years.

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UNITED STATES

Upstream capital and exploratory expenditures in 1994 were essentially unchanged as compared to 1993 and increased when compared to 1992 representing higher drilling and workover activity with particular emphasis on developmental gas projects. Downstream expenditures in 1994 by Texaco and its affiliate, Star Enterprise, declined as compared to recent years due primarily to the completion of major refinery projects and upgrades in 1993, partially offset by increased investments in 1994 involving a reformulated gasoline project and higher expenditures relating to marketing and pipeline investments as compared to 1992.

INTERNATIONAL

Upstream capital and exploratory expenditures in 1994 declined from recent years reflecting successful project completions in the U.K. North Sea which have increased production of liquids and natural gas. This decline was partially offset by increased investments in Nigeria, Trinidad and Australia, as well as development activities which began in a U.K. North Sea field in 1994. Downstream expenditures in 1994 increased compared to 1993 and 1992, reflecting refinery upgrades and modernization and higher marketing investments by the company's affiliate, Caltex, which conducts operations in the Middle East and Far East. In addition, expenditures increased due to an ongoing refinery upgrade project in Panama which began late in 1993. These increases were partially offset by lower expenditures for service station construction and rehabilitation in the U.K. and the completion of European refinery upgrades underway in 1993 and 1992.

1995 CAPITAL AND EXPLORATORY EXPENDITURES

Texaco's capital and exploratory spending level, including equity in such expenditures of affiliates, is projected to approximate \$3.3 billion during 1995, an increase of 20% over the 1994 spending level. This level of expenditures includes the partial reinvestment of proceeds from asset sales and reflects Texaco's determination to expand upon its core activities and aggressively pursue attractive opportunities around the world to grow shareholder value in 1995 and beyond. Of this amount, 56% has been designated for upstream opportunities and 44% for downstream and other activities. On a geographical basis, 55% will be directed to international areas and 45% to the U.S.

Upstream investments encompass a focused worldwide risk-balanced exploration program, as well as major offshore developments such as the Captain field in the U.K. North Sea and other opportunities in Trinidad, Colombia and West Africa. In the United States, capital spending will be targeted on existing growth properties, mainly in South Louisiana, the Gulf of Mexico and the Permian Basin in Texas. In addition, expenditures continue to be designated for development projects in the Partitioned Neutral Zone, an area located between Kuwait and Saudi Arabia.

Downstream investments will emphasize selective high growth areas around the world. The 1995 program includes expanding our presence in the Pacific Rim through Texaco's affiliate, Caltex, and capitalizing on the synergies of broader marketing alliances, such as Texaco's joint venture with Norsk Hydro in Norway, Denmark and, potentially, in the Baltic States. In the U.S., expenditures will concentrate on increased marketing investments by Texaco and its affiliate, Star Enterprise, as well as continued expenditures to upgrade our refineries and meet environmental requirements.

Texaco is also accelerating its strategic marketing with companies such as Subway R (Registered) and Taco Bell R (Registered) to support co-development projects in Texaco convenience stores.

Other planned investments will continue to support Alternate Energy as a growth business through opportunities in cogeneration, gasification and power generation projects.

CAPITAL AND EXPLORATORY EXPENDITURES

(Millions of dollars)	1994	1993	1992
Texaco Inc. and subsidiary companies			
United States			
Exploration	\$ 194	\$ 194	\$ 190

Production	595	602	545
Manufacturing, marketing and distribution	271	347	363
Other	35	37	60
Total	1,095	1,180	1,158
International			
Exploration	241	280	254
Production	404	475	607
Manufacturing, marketing and distribution	292	291	318
Other	2	6	16
Total	939	1,052	1,195
Total Texaco Inc. and subsidiary companies	2,034	2,232	2,353
Equity in affiliates			
United States			
Exploration and production	1	3	3
Manufacturing, marketing and distribution	152	147	246
Other	3	7	17
Total	156	157	266
International			
Exploration and production	150	151	148
Manufacturing, marketing and other*	401	352	237
Total	551	503	385
Total equity in affiliates	707	660	651
Total continuing operations	2,741	2,892	3,004
Discontinued operations	22	84	160
Total worldwide	\$2,763	\$2,976	\$3,164

*Excludes expenditures of Caltex' affiliated companies.

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INDUSTRY REVIEW

REVIEW OF 1994

The world economy expanded at a 3.2% rate in 1994, the highest rate of growth since 1989. Spurred by accommodative monetary policy and rising exports, Continental Europe joined North America and the United Kingdom in economic recovery. The Japanese economy remained relatively weak, but showed some signs of improvement after being stimulated by tax cuts and increased public works spending. The strongest economic growth last year continued to be in the developing world, especially in the newly industrializing nations of the Pacific Rim and Latin America. Gross Domestic Product continued to fall in most of the former Soviet republics, but positive growth occurred in several of the Eastern European economies.

World petroleum demand rose to a record 68.2 million BPD in 1994, an increase of one million BPD from its 1993 level. Demand in the industrialized nations increased by 0.9 million BPD, reflecting the combined effects of the economic recovery, unusually cold winter weather in the United States, and a summer heat wave in Japan. In the developing countries, petroleum consumption grew by an additional 0.8 million BPD, bolstered by strong increases in demand in the Pacific Rim countries and Latin America. Despite increased demand in Eastern Europe, oil demand in the former Soviet bloc as a whole (including Eastern Europe) continued its downward trend of recent years, falling by 0.7 million BPD.

WORLD PETROLEUM DEMAND

(MBPD)	1994	1993	1992
Industrial nations	39.9	39.0	38.8
Developing nations	22.1	21.3	20.2
Former Soviet bloc	6.2	6.9	8.2
Total	68.2	67.2	67.2

On the supply side, total net non-OPEC crude oil production rose from 35.2 million BPD to 35.6 million BPD, reversing a five-year decline. Buoyed by higher output from the United Kingdom, the North Sea reached a record level of over 5 million BPD in 1994. There were gains in other non-OPEC producing countries as well, particularly Argentina and Yemen. These increases, which totaled 1.2 million BPD, were more than sufficient to offset a 0.2 million BPD decline in crude output in the United States and a 0.6 million BPD production loss in the former Soviet Union.

OPEC crude oil production also rose in 1994, averaging 25 million BPD, an increase of 0.3 million BPD from 1993 levels. Iraq, OPEC's historically second largest producer, remained excluded from the international market by United Nations sanctions.

Despite the general improvement in economic and petroleum demand fundamentals, excess oil inventories worldwide depressed international petroleum prices during the early months of 1994. The per-barrel spot price of U.S. benchmark West Texas Intermediate (WTI), for example, averaged just \$14.85 during the January-March period, the lowest quarterly level since the end of 1988. However, OPEC production restraint, the general firming in demand, and supply disruptions in Nigeria helped boost prices in the late spring and summer. WTI briefly approached \$21 per barrel in June, before declining somewhat over the second half of the year. For 1994 overall, WTI averaged \$17.19 per barrel, 6.8% below the previous year.

Even with lower average crude oil prices, refiners' margins in 1994 weakened in most major regions as significant additions to global refining capacity outstripped growth in world petroleum demand.

NEAR-TERM OUTLOOK

World economic growth is expected to accelerate in 1995. While the U.S. economy could slow somewhat as a result of tightening monetary measures by the Federal Reserve, the expansion in Western Europe is projected to gain momentum.

Moreover, the negative near-term effects of the Kobe earthquake on Japan's economic growth are expected to be offset by reconstruction spending in the later part of the year. The economies of the former Soviet Union will probably experience another decline in 1995, but many of the countries of Eastern Europe are anticipated to experience positive economic growth.

Robust economic expansion is expected to boost world oil demand from 68.2 to 69.1 million BPD in 1995. In the United States, slower economic growth and an assumed return to normal weather conditions, should limit oil demand growth to only about 0.1 million BPD. The economic upswing in Western Europe will add another 0.2 million BPD to world demand. Most of the growth in oil demand will continue to come from the developing countries, where petroleum usage is expected to expand by about one million BPD. The declines in the former Soviet bloc are projected to slow significantly to about 0.4 million BPD.

NEAR-TERM WORLD SUPPLY/DEMAND BALANCE

(MBPD)	1995	1994
Demand	69.1	68.2
Supply		
Non-OPEC Crude	36.0	35.6
OPEC Crude	25.1	25.0
Other Liquids	8.3	8.0
	-----	-----
Total Supply	69.4	68.6
	-----	-----
Stock Change	0.3	0.4
	=====	=====

Non-OPEC crude production is expected to increase by 0.4 million BPD in 1995 to 36.0 million BPD. North Sea production will advance further and additional increases are expected from the development of Colombia's Cusiana field and from other producing countries. The combined losses from the United States and the former Soviet Union are anticipated to average about 0.5 million BPD (compared to 0.8 million BPD last year), as the rates of decline moderate in both regions.

Purchases of OPEC oil are projected to increase slightly in 1995, as growth in non-OPEC supplies alone will not meet rising world demand for oil. However, international oil markets could remain unstable and potentially weak in 1995, depending on OPEC's adherence to its quota, the status of Iraqi export flows and other major market forces.

Colder than normal weather in the first part of the year helped push U.S. natural gas consumption up by 0.4 trillion cubic feet (TCF) in 1994 to 20.7 TCF. However, an increase in domestic gas production and additional inflows from Canada contributed to a slide in natural gas prices in the latter part of the year. Despite the expected slowing of the U.S. economy, natural gas consumption is expected to continue to grow in 1995.

STATEMENT OF CONSOLIDATED INCOME
Texaco Inc. and Subsidiary Companies

(Millions of dollars) For the years ended December 31	1994	1993	1992
Revenues			
Sales and services (includes transactions with significant affiliates of \$2,561 million in 1994, \$3,027 million in 1993 and \$3,672 million in 1992)	\$ 32,540	\$ 33,245	\$ 35,687
Equity in income of affiliates, income from dividends, interest, asset sales and other	813	826	843
	33,353	34,071	36,530
Deductions			
Purchases and other costs (includes transactions with significant affiliates of \$1,679 million in 1994, \$1,709 million in 1993 and \$1,838 million in 1992)	23,931	24,667	26,961
Operating expenses	3,069	3,086	3,072
Selling, general and administrative expenses	1,679	1,783	1,792
Maintenance and repairs	390	418	446
Exploratory expenses	307	352	349
Depreciation, depletion and amortization	1,735	1,568	1,536
Interest expense	498	459	477
Taxes other than income taxes	496	549	530
Minority interest	44	17	18
	32,149	32,899	35,181
Income from continuing operations, before income taxes and cumulative effect of accounting changes	1,204	1,172	1,349
Provision for (benefit from) income taxes	225	(87)	311
Net income from continuing operations, before cumulative effect of accounting changes	979	1,259	1,038
Discontinued operations			
Net loss from operations	--	(17)	(26)
Net loss on disposal	(69)	(174)	--
	(69)	(191)	(26)
Cumulative effect of accounting changes	--	--	(300)
Net Income	\$ 910	\$ 1,068	\$ 712
Preferred stock dividend requirements	\$ 91	\$ 101	\$ 99
Net income available for common stock	\$ 819	\$ 967	\$ 613
Net Income Per Common Share (dollars)			
Net income (loss) before cumulative effect of accounting changes	\$ 3.43	\$ 4.47	\$ 3.63
Continuing operations	(.26)	(.73)	(.10)
Discontinued operations	--	--	(1.16)
Cumulative effect of accounting changes	\$ 3.17	\$ 3.74	\$ 2.37
Average Number of Common Shares Outstanding (thousands)	258,813	258,923	258,656

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET
Texaco Inc. and Subsidiary Companies

(Millions of dollars) As of December 31	1994	1993
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 404	\$ 488
Short-term investments--at fair value	60	48
Accounts and notes receivable (includes receivables from significant affiliates of \$142 million in 1994 and \$199 million in 1993), less allowance for doubtful accounts of \$25 million in 1994 and \$28 million in 1993	3,297	3,529
Inventories	1,358	1,298
Assets under agreements for sale (see Note 3)	488	--
Net assets of discontinued operations (see Note 4)	195	1,180
Deferred income taxes and other current assets	217	322
	6,019	6,865
Total current assets	6,019	6,865
Investments and Advances	5,336	4,984

Net Properties, Plant and Equipment	13,483	14,171
Deferred Charges	667	606
	-----	-----
Total	\$25,505	\$26,626
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Notes payable, commercial paper and current portion of long-term debt	\$ 917	\$ 669
Accounts payable and accrued liabilities (includes payables to significant affiliates of \$93 million in 1994 and \$81 million in 1993)		
Trade liabilities	1,980	1,887
Accrued liabilities	1,317	1,437
Estimated income and other taxes	801	763
	-----	-----
Total current liabilities	5,015	4,756
Long-Term Debt and Capital Lease Obligations	5,564	6,157
Deferred Income Taxes	879	1,162
Employee Retirement Benefits	1,130	1,104
Deferred Credits and Other Noncurrent Liabilities	2,558	2,636
Minority Interest in Subsidiary Companies	610	532
	-----	-----
Total	15,756	16,347
Stockholders' Equity		
Variable Rate Cumulative Preferred Stock	--	648
Market Auction Preferred Shares	300	300
ESOP Convertible Preferred Stock	515	536
Unearned employee compensation	(282)	(337)
Common stock--274,293,417 shares issued	1,714	1,714
Paid-in capital in excess of par value	654	655
Retained earnings	7,463	7,463
Currency translation adjustment	87	18
Unrealized net gain on investments	51	58
	-----	-----
	10,502	11,055
Less--Common stock held in treasury, at cost--14,761,296 shares in 1994 and 15,273,372 shares in 1993	753	776
	-----	-----
Total stockholders' equity	9,749	10,279
	-----	-----
Total	\$25,505	\$26,626
	=====	=====

See accompanying notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED CASH FLOWS

Texaco Inc. and Subsidiary Companies

(Millions of dollars) For the years ended December 31	1994	1993	1992
	-----	-----	-----
OPERATING ACTIVITIES			
Net income	\$ 910	\$ 1,068	\$ 712
Reconciliation to net cash provided by (used in) operating activities			
Loss on disposal of discontinued operations	103	223	--
Cumulative effect of accounting changes	--	--	300
Depreciation, depletion and amortization	1,735	1,631	1,627
Deferred income taxes	(213)	(283)	67
Exploratory expenses	307	352	349
Minority interest in net income	44	17	18
Dividends from affiliates, less than equity in income	(79)	(227)	(149)
Gains on asset sales	(125)	(23)	(27)
Changes in operating working capital			
Accounts and notes receivable	278	(275)	650
Inventories	(60)	26	45
Accounts payable and accrued liabilities	(350)	(215)	(529)
Other--mainly estimated income and other taxes	23	(108)	(184)
Other--net	286	176	(204)
	-----	-----	-----
Net cash provided by operating activities	2,859	2,362	2,675
INVESTING ACTIVITIES			
Capital and exploratory expenditures	(2,050)	(2,326)	(2,533)
Proceeds from sale of discontinued operations, net of cash and cash equivalents sold	645	--	--
Proceeds from sales of assets	328	373	176
Purchases of investment instruments	(693)	(1,342)	(1,457)
Sales/maturities of investment instruments	672	1,258	1,303
Other--net	(7)	(7)	(2)
	-----	-----	-----
Net cash used in investing activities	(1,105)	(2,044)	(2,513)
FINANCING ACTIVITIES			
Borrowings having original terms in excess of three months			
Proceeds	660	821	1,707
Repayments	(707)	(796)	(1,529)
Net increase (decrease) in other borrowings	(251)	296	(49)

Issuance of preferred stock	--	--	300
Issuance of preferred stock by subsidiaries	112	425	--
Redemption of Series C Preferred Stock	(267)	--	--
Purchases of common stock for Series E Preferred Stock exchange	(381)	--	--
Dividends paid to the company's stockholders			
Common	(830)	(828)	(828)
Preferred	(91)	(101)	(99)
Dividends paid to minority shareholders	(87)	(84)	(8)
Other--net	(3)	(11)	--
	-----	-----	-----
Net cash used in financing activities	(1,845)	(278)	(506)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7	(13)	(38)
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(84)	27	(382)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	488	461	843
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 404	\$ 488	\$ 461
	=====	=====	=====

See accompanying notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

Texaco Inc. and Subsidiary Companies

(Shares in thousands; amounts in millions of dollars)	1994		1993		1992	
	Shares	Amount	Shares	Amount	Shares	Amount
PREFERRED STOCK--par value \$1; Shares authorized--30,000,000						
Series C Variable Rate Cumulative Preferred Stock-- stated value of \$50 per share						
Beginning of year	5,334	\$ 267	5,334	\$ 267	5,334	\$ 267
Redemption	(5,334)	(267)	--	--	--	--
End of year	--	--	5,334	267	5,334	267
Series E Variable Rate Cumulative Preferred Stock-- stated value of \$100,000 per share						
Beginning of year	4	381	4	381	4	381
Redemption	(4)	(381)	--	--	--	--
End of year	--	--	4	381	4	381
Market Auction Preferred Shares (Series G, H, I and J)-- liquidation preference of \$250,000 per share						
Beginning of year	1	300	1	300	--	--
Issuance	--	--	--	--	1	300
End of year	1	300	1	300	1	300
Series B ESOP Convertible Preferred Stock-- liquidation value of \$600 per share						
Beginning of year	812	487	823	494	828	497
Retirements	(32)	(19)	(11)	(7)	(5)	(3)
End of year	780	468	812	487	823	494
Series F ESOP Convertible Preferred Stock-- liquidation value of \$737.50 per share						
Beginning of year	66	49	67	49	68	50
Retirements	(3)	(2)	(1)	--	(1)	(1)
End of year	63	47	66	49	67	49
UNEARNED EMPLOYEE COMPENSATION (related to ESOP preferred stock and restricted stock awards)						
Beginning of year		(337)		(385)		(435)
Establishment		(5)		(10)		--
Amortization and other		60		58		50
End of year		(282)		(337)		(385)
COMMON STOCK--par value \$6.25; Shares authorized--350,000,000						
Issued	274,293	1,714	274,293	1,714	274,293	1,714
COMMON STOCK HELD IN TREASURY, AT COST						
Beginning of year	15,273	(776)	15,545	(789)	15,799	(799)
Debenture conversions	--	--	--	--	(12)	1
Stock repurchases for preferred stock exchange	6,107	(381)	--	--	--	--
Preferred stock exchange	(6,107)	381	--	--	--	--
Other--mainly employee compensation plans	(512)	23	(272)	13	(242)	9
End of year	14,761	(753)	15,273	(776)	15,545	(789)

See accompanying notes to consolidated financial statements.

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STATEMENT OF CONSOLIDATED STOCKHOLDERS' EQUITY

Texaco Inc. and Subsidiary Companies

(Millions of dollars)	1994	1993	1992
PAID-IN CAPITAL IN EXCESS OF PAR VALUE			
Beginning of year	\$ 655	\$ 654	\$ 658
Issuance and redemption of preferred stock, treasury stock transactions relating to investor services plan and employee compensation plans	(1)	1	(4)
End of year	654	655	654
RETAINED EARNINGS			
Balance at beginning of year	7,463	7,312	7,514
Add:			
Net income	910	1,068	712
Tax benefit on unallocated ESOP Convertible Preferred Stock dividends	11	13	13
Deduct: Dividends declared on			
Common stock (\$3.20 per share in 1994, 1993 and 1992)	830	828	828
Preferred stock			
Series C Variable Rate Cumulative Preferred Stock	13	18	20
Series E Variable Rate Cumulative Preferred Stock	19	25	28
Market Auction Preferred Shares (Series G, H, I and J)	10	8	--
Series B ESOP Convertible Preferred Stock	45	47	47
Series F ESOP Convertible Preferred Stock	4	4	4
Balance at end of year	7,463	7,463	7,312
CURRENCY TRANSLATION ADJUSTMENT			
Beginning of year	18	(24)	(19)
Change during year	69	42	(5)
End of year	87	18	(24)
UNREALIZED NET GAIN ON INVESTMENTS			
Beginning of year	58	--	--
Change during year	(7)	58	--
End of year	51	58	--
STOCKHOLDERS' EQUITY--END OF YEAR (including preceding page)	\$ 9,749	\$ 10,279	\$ 9,973

See accompanying notes to consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Texaco Inc. and Subsidiary Companies

NOTE 1. DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements consist of the accounts of Texaco Inc. and subsidiary companies owned directly or indirectly more than 50 percent. Intercompany accounts and transactions are eliminated.

The U.S. Dollar is the functional currency of all the company's operations and of a substantial portion of the operations of its affiliates accounted for on the equity method. For these operations, all gains and losses from transactions not denominated in the functional currency are included in income currently, except for certain hedging transactions. The cumulative translation effects for the equity affiliates using functional currencies other than the U.S. Dollar are included in the currency translation adjustment in stockholders' equity.

CASH EQUIVALENTS

Highly liquid investments with a maturity of three months or less when purchased are generally considered to be cash equivalents.

INVENTORIES

Virtually all inventories of crude oil, petroleum products and petrochemicals are stated at cost, determined on the last-in, first-out (LIFO) method. Other merchandise inventories are stated at cost, determined on the first-in, first-out (FIFO) method. Materials and supplies are stated at average cost. Inventories are valued at the lower of cost or market.

INVESTMENTS AND ADVANCES

The equity method of accounting is used for investments in certain affiliates owned 50 percent or less, including corporate joint ventures and partnerships. Under this method, equity in the pre-tax income or losses of partnerships and in the net income or losses of corporate joint-venture companies is reflected currently in Texaco's revenues, rather than when realized through dividends or distributions. Investments in the entities accounted for on this method generally reflect Texaco's equity in their underlying net assets.

The company's interest in the net income of affiliates accounted for at cost is reflected in net income when realized through dividends.

Investments in debt securities and in equity securities with readily determinable fair values are generally accounted for at fair value.

PROPERTIES, PLANT AND EQUIPMENT AND DEPRECIATION, DEPLETION AND AMORTIZATION

Texaco follows the "successful efforts" method of accounting for its oil and gas exploration and producing operations.

Lease acquisition costs related to properties held for oil, gas and mineral production are capitalized when incurred. Unproved properties with acquisition costs which are individually significant are assessed on a property-by-property basis, and a loss is recognized, by provision of a valuation allowance, when the assessment indicates an impairment in value. Unproved properties with acquisition costs which are not individually significant are generally aggregated and the portion of such costs estimated to be nonproductive, based on historical experience, is amortized on an average holding period basis.

For purposes of determining and recognizing permanent impairment of productive properties, excluding those assets held for sale, the aggregate carrying value of the productive properties in a geographical operating area is tested against the undiscounted projection of net future cash flows for that area. However, for evaluation of proved properties not yet part of the productive pool of assets, any significant impairment is determined and recognized on an individual property basis.

Exploratory costs, excluding the costs of exploratory wells, are charged to expense as incurred. Costs of drilling exploratory wells, including stratigraphic test wells, are capitalized pending determination whether the wells have found proved reserves which justify commercial development. If such reserves are not found, the drilling costs are charged to exploratory expenses. Intangible drilling costs applicable to productive wells and to development dry holes, as well as tangible equipment costs related to the development of oil and gas reserves, are capitalized.

The costs of productive leaseholds and other capitalized costs related to producing activities, including tangible and intangible costs, are amortized principally by field on the unit-of-production basis by applying the ratio of produced oil and gas to estimated recoverable proved oil and gas reserves. Estimated future restoration and abandonment costs are taken into account in determining amortization and depreciation rates.

Depreciation of properties, plant and equipment related to facilities other than producing properties is provided generally on the group plan, using the straight-line method, with depreciation rates based upon estimated useful life applied to the cost of each class of property. Assets not on the group plan are depreciated based on estimated useful lives using the straight-line method.

Capitalized nonmineral leases are amortized over the estimated useful life of the asset or the lease term, as appropriate, using the straight-line method.

Periodic maintenance and repairs applicable to marine vessels and manufacturing facilities are accounted for on the accrual basis. Normal maintenance and repairs of all other properties, plant and equipment are charged to expense as incurred. Renewals, betterments and major repairs that materially extend the useful life of properties are capitalized and the assets replaced, if any, are retired.

When capital assets representing complete units of property are disposed of, the difference between the disposal proceeds and net book value is credited or charged to income. When miscella-

neous business properties are disposed of, the difference between asset cost and salvage value is charged or credited to accumulated depreciation.

ENVIRONMENTAL EXPENDITURES

When remediation of a property is probable and the related costs can be reasonably estimated, environmentally-related remediation costs are expensed and recorded as liabilities. If recoveries of environmental costs from third parties are probable, a receivable is recorded. Other environmental expenditures, principally maintenance or preventive in nature, are recorded when expended and are expensed or capitalized as appropriate.

MINORITY INTEREST IN SUBSIDIARY COMPANIES

Minority interest in the Consolidated Balance Sheet reflects minority owners' share of stockholders' equity in subsidiaries.

DEFERRED INCOME TAXES

Deferred income taxes are determined utilizing a liability approach. The income statement effect is derived from changes in deferred income taxes on the balance sheet. This approach gives consideration to the future tax consequences associated with differences between financial accounting and tax bases of assets and liabilities. These differences relate to items such as depreciable and depletable properties, exploratory and intangible drilling costs, nonproductive leases, merchandise inventories and certain liabilities. This approach gives immediate effect to changes in income tax laws upon enactment.

Provision is not made for possible income taxes payable upon distribution of accumulated earnings of foreign subsidiary companies and affiliated corporate joint-venture companies when such earnings are deemed to be permanently reinvested.

The company adopted Statement of Financial Accounting Standards 109 as of January 1, 1992. For additional information, refer to Note 2.

NET INCOME PER COMMON SHARE

Primary net income per common share is based on net income less preferred stock dividend requirements divided by the average number of common shares outstanding and common equivalents. Fully diluted net income per common share assumes full conversion of all convertible securities into common stock at the later of the beginning of the year or date of issuance (unless antidilutive).

ACCOUNTING FOR CONTINGENCIES

Certain conditions may exist as of the date financial statements are issued, which may result in a loss to the company, but which will only be resolved when one or more future events occur or fail to occur. Such contingent liabilities are assessed by the company's management and legal counsel. The assessment of loss contingencies necessarily involves an exercise of judgment and is a matter of opinion. In assessing loss contingencies related to legal proceedings that are pending against the company or unasserted claims that may result in such proceedings, the company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed. However, in some instances in which disclosure is not otherwise required, the company may disclose contingent liabilities of an unusual nature which, in the judgment of management and its legal counsel, may be of interest to shareholders or others.

NOTE 2. CHANGES IN ACCOUNTING PRINCIPLES

During the first quarter of 1994, the Caltex group of companies, owned 50% by Texaco, adopted the following Statement of Financial Accounting Standards (SFAS).

Accounting For Certain Investments in Debt and Equity Securities--SFAS 115 requires that certain investments be classified into three categories based on management's intent and be reported at fair value unless intended to be held to maturity. Adoption of SFAS 115, which was effective January 1, 1994, has no effect on reported net income. The cumulative effect on Texaco of Caltex's adoption of SFAS 115 at January 1, 1994 was not material, resulting in an increase in stockholders' equity of \$35 million. The net effect on Texaco for the year 1994 was an additional net increase to stockholders' equity of \$5 million. These increases are primarily unrealized gains on investments classified as available-for-sale by certain affiliates of Caltex.

In 1993, the company adopted the following Statements.

Employers' Accounting for Postemployment Benefits--SFAS 112 requires companies to accrue the cost of postemployment benefits either during the years that the employee renders the necessary service or at the date of the event giving rise to the benefit, depending upon whether certain conditions are met. Adoption of the Standard as of January 1, 1993 did not impact 1993 net income since the company had been accounting for substantially all of these costs in accordance with the new Standard.

Accounting for Certain Investments in Debt and Equity

Securities--SFAS 115 requires that investments in equity securities that have readily determinable fair values and all investments in debt securities be classified into three categories based on management's intent. Such investments are to be reported at fair value except for investments intended to be held to maturity which are to be reported at amortized cost. Previously, all such investments were accounted for at amortized cost.

The cumulative effect on the consolidated financial statements of adopting SFAS 115 as of December 31, 1993 was not material. Adoption of this Standard resulted in an increase in stockholders' equity of \$58 million, after related income taxes, representing unrealized net gains applicable to securities categorized as available-for-sale under the new Standard. SFAS 115 prohibits restatement of previous financial statements.

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During the fourth quarter of 1992, the company and its significant affiliates adopted the following Statements, retroactive to January 1, 1992.

Employers' Accounting for Postretirement Benefits Other Than Pensions--SFAS 106 requires accrual of the cost of postretirement benefits over the estimated service lives of employees. For Texaco, these benefits principally relate to life insurance and health-care coverage. Previously, such costs were accounted for on a pay-as-you-go basis. The adoption of SFAS 106 resulted in a cumulative after-tax charge of \$536 million, or \$2.07 per common share, and an after-tax charge for the year 1992 of \$27 million, or \$.10 per common share.

Accounting for Income Taxes--SFAS 109 maintains the liability concept of income tax accounting in SFAS 96, but allows for the assumption of future taxable income in the recognition of deferred tax assets. Additionally, under SFAS 109 deferred taxes are not recorded on the differences between the historic and current translation rates for accounts translated for financial reporting at historic rates. SFAS 96 required the recording of deferred taxes on such differences. The adoption of SFAS 109 resulted in a cumulative benefit of \$236 million, or \$.91 per common share, and a benefit for the year 1992 of \$177 million, or \$.68 per common share.

NOTE 3. ASSETS UNDER AGREEMENTS FOR SALE

In 1994, Texaco announced that it agreed to sell more than 300 domestic producing fields to Apache Corporation and agreed to form a strategic alliance with STENA which involves the sale of a portion of its international marine fleet. At December 31, 1994, the net properties, plant and equipment and deferred income taxes relating to those assets, and for other non-core assets for which sales agreements have been signed, have been classified as current assets on the Consolidated Balance Sheet. These sales are expected to be completed during the first quarter of 1995.

NOTE 4. DISCONTINUED OPERATIONS

In 1993, Texaco entered into memorandums of understanding with an affiliate of the Jon M. Huntsman Group of Companies for the sale of substantially all of Texaco's worldwide chemical operations and, therefore, has accounted for these operations as discontinued operations.

On April 21, 1994, Texaco Inc. received from Huntsman Corporation \$850 million on the sale of Texaco Chemical Company and related international operations, consisting of \$650 million in cash and an 11-year subordinated note with a face amount of \$200 million. Not included in this transaction was Texaco's worldwide lubricant additives business. On February 14, 1995, Texaco and Huntsman Corporation announced that they intend to form a joint venture to own and operate this business, which includes manufacturing facilities in Port Arthur, Texas and Ghent, Belgium, among others, as well as sales and marketing offices in various locations in the U.S. and abroad. Formation of the joint venture is expected to take place during the first half of 1995. Huntsman Corporation assumed and the joint venture shall assume current liabilities and ongoing contractual obligations of the respective operations, while Texaco retains or shall retain the remaining obligations applicable to events occurring prior to the closing dates.

The results for chemical operations have been classified as discontinued operations for all periods presented in the Statement of Consolidated Income. The assets and liabilities of discontinued operations have been classified in the Consolidated Balance Sheet as "Net assets of discontinued operations" and as of December 31, 1994, the balance in this caption reflects the assets and liabilities of the worldwide lubricant additives business. Discontinued operations have not been segregated in the Statement of Consolidated Cash Flows and, therefore, amounts for certain captions will not agree with the respective Statement of Consolidated Income.

Related party transactions between the discontinued operations and Texaco's significant affiliates included both sale and purchase transactions. Sales to affiliates amounted to \$12 million, \$67 million and \$81 million for 1994, 1993 and 1992, respectively.

For the years 1994, 1993 and 1992, purchases from affiliates amounted to \$20 million, \$118 million and \$102 million, respectively. Receivables from and payables to these affiliates at the end of each of these periods were immaterial.

The summarized results of discontinued operations and related per common share effects are as follows:

(Millions of dollars) For the years ended December 31	1994	1993	1992
Revenues	\$ 415	\$1,114	\$1,128
Loss from operations before income taxes	\$ --	\$ (19)	\$ (44)
Benefit from income taxes	--	2	18
Net loss from operations	\$ --	\$ (17)	\$ (26)
Loss on disposal before income taxes*	\$ (103)	\$ (223)	\$ --
Benefit from income taxes	34	49	--
Net loss on disposal	\$ (69)	\$ (174)	\$ --
Total net loss	\$ (69)	\$ (191)	\$ (26)

*1994 includes \$15 million of income and 1993 includes \$19 million of losses during the phase-out period.

Per common share (dollars)	1994	1993	1992
Net loss from operations	\$ --	\$ (.06)	\$ (.10)
Loss on disposal	(.26)	(.67)	--
Total net loss	\$ (.26)	\$ (.73)	\$ (.10)

Summarized balance sheet data for the discontinued operations is as follows. The difference between the net assets below at December 31, 1993 and the purchase price at that date is reflected in current liabilities in the Consolidated Balance Sheet.

(Millions of dollars) As of December 31	1994	1993
Assets		
Current Assets		
Accounts receivable	\$ 31	\$ 128
Inventories	30	121
Other	6	25
Total current assets	67	274
Net Properties, Plant and Equipment	148	1,025
Other Noncurrent Assets	--	9
Total	\$ 215	\$1,308
Liabilities		
Current Liabilities	\$ 19	\$ 109
Noncurrent Liabilities	1	19
Total	\$ 20	\$ 128
Net assets of discontinued operations	\$ 195	\$1,180

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NOTE 5. INVENTORIES

(Millions of dollars) As of December 31	1994	1993
Crude oil	\$ 284	\$ 304
Petroleum products and petrochemicals	854	726
Other merchandise	30	52
Materials and supplies	190	216

Total	\$1,358	\$1,298
	=====	=====

The excess of estimated current cost over the book value of inventories carried on the LIFO basis of accounting was approximately \$207 million and \$137 million at December 31, 1994 and 1993, respectively.

NOTE 6. INVESTMENTS AND ADVANCES

Investments in affiliates, including corporate joint ventures and partnerships, owned 50% or less are accounted for on the equity method. Texaco's total investments and advances are summarized as follows:

(Millions of dollars) As of December 31	1994	1993
-----	-----	-----
Affiliates accounted for on the equity method		
Caltex group of companies		
Exploration and production	\$ 494	\$ 500
Manufacturing, marketing and distribution	1,873	1,647
	-----	-----
Total Caltex group of companies	2,367	2,147
Star Enterprise	830	863
Other affiliates	709	731
	-----	-----
	3,906	3,741
Miscellaneous investments, long-term receivables, etc., accounted for at		
Fair value	631	699
Cost, less reserve	799	544
	-----	-----
Total	\$5,336	\$4,984
	=====	=====

Texaco's equity in the net income of affiliates accounted for on the equity method, adjusted to reflect income taxes for partnerships whose income is directly taxable to Texaco, is as follows:

(Millions of dollars)	1994	1993	1992
-----	-----	-----	-----
For the years ended December 31			
Equity in net income			
Caltex group of companies			
Exploration and production	\$136	\$134	\$154
Manufacturing, marketing and distribution	210	227	180
	-----	-----	-----
Total Caltex group of companies	346	361	334
Star Enterprise	37	61	7
Cumulative effect of accounting changes--Caltex and Star	--	--	(11)
Other affiliates	111	108	125
	-----	-----	-----
Total	\$494	\$530	\$455
	-----	-----	-----
Dividends received from these companies	\$467	\$366	\$351
	=====	=====	=====

The undistributed earnings of these affiliates accounted for on the equity method included in Texaco's retained earnings were \$2,657 million, \$2,585 million and \$2,363 million as of December 31, 1994, 1993 and 1992, respectively.

CALTEX GROUP

Texaco has investments in the Caltex group of companies, owned 50% by Texaco and 50% by Chevron Corporation. The Caltex group consists of Caltex Petroleum Corporation and subsidiaries, P.T. Caltex Pacific Indonesia and American Overseas Petroleum Limited and subsidiaries. This group of companies is engaged in the exploration for and production, transportation, refining and marketing of crude oil and products in Africa, Asia, the Middle East, Australia and New Zealand.

STAR ENTERPRISE

Star Enterprise (Star) is a joint-venture partnership owned 50% by Texaco and 50% by the Saudi Arabian Oil Company. The partnership refines, distributes and markets Texaco-branded petroleum products in 26 East and Gulf Coast states and the District of Columbia.

The following table provides summarized financial information on a 100% basis for the Caltex group, Star and all other affiliates accounted for on the equity method, as well as Texaco's share. The net income of all partnerships, including Star, is net of estimated income taxes. The actual income tax liability is reflected in the accounts of the respective partners and not shown in the following table.

Star's assets at the respective balance sheet dates include the remaining portion of the assets which were originally transferred from Texaco to Star at the fair market value on the date of formation. Texaco's investment and equity in the income of Star, as reported in the consolidated financial statements, reflect the remaining unamortized historical carrying cost of the assets transferred to Star at formation. Additionally, Texaco's investment includes adjustments necessary to reflect contractual arrangements on the formation of this partnership, principally involving contributed inventories.

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(Millions of dollars)	Caltex group			Star Enterprise			Other equity affiliates			Texaco's share		
	1994	1993	1992	1994	1993	1992	1994	1993	1992	1994	1993	1992
For the years ended												
December 31:												
Gross revenues	\$15,148	\$15,648	\$17,527	\$ 6,100	\$ 6,399	\$ 6,965	\$ 3,058	\$ 3,233	\$ 2,891	\$11,766	\$12,224	\$13,299
Income before income taxes and cumulative effect of accounting changes	\$ 1,111	\$ 1,178	\$ 1,178	\$ 101	\$ 194	\$ 29	\$ 639	\$ 633	\$ 634	\$ 780	\$ 852	\$ 781
Net income (loss)*	\$ 689	\$ 720	\$ 720	\$ 66	\$ 126	\$ (53)	\$ 410	\$ 406	\$ 416	\$ 494	\$ 530	\$ 455
As of December 31:												
Current assets	\$ 2,421	\$ 2,123	\$ 2,378	\$ 928	\$ 1,015	\$ 1,081	\$ 641	\$ 635	\$ 675	\$ 1,711	\$ 1,637	\$ 1,826
Noncurrent assets	7,389	6,266	5,485	3,247	3,188	3,097	3,351	3,481	3,464	6,453	5,888	5,463
Current liabilities	(3,072)	(2,411)	(2,453)	(748)	(647)	(717)	(759)	(755)	(774)	(2,213)	(1,835)	(1,862)
Noncurrent liabilities and deferred credits	(1,853)	(1,537)	(1,453)	(1,109)	(1,161)	(1,170)	(1,835)	(1,928)	(1,979)	(1,969)	(1,876)	(1,890)
Minority interest in subsidiary companies	(152)	(146)	(138)	--	--	--	--	--	--	(76)	(73)	(69)
Net assets (or partners' equity)**	\$ 4,733	\$ 4,295	\$ 3,819	\$ 2,318	\$ 2,395	\$ 2,291	\$ 1,398	\$ 1,433	\$ 1,386	\$ 3,906	\$ 3,741	\$ 3,468

*Net income (loss) for 1992 includes the cumulative effect of accounting changes. For the Caltex group, this represents an after-tax charge of \$26 million for SFAS 106 and a benefit of \$77 million for SFAS 109. For Star Enterprise, adoption of SFAS 106 resulted in an after-tax charge of \$72 million.

**Net assets for the Caltex group includes the cumulative effect at January 1, 1994 of the adoption of SFAS 115, resulting in an increase in stockholders' equity of \$70 million and an additional increase of \$9 million during 1994.

NOTE 7. PROPERTIES, PLANT AND EQUIPMENT

(Millions of dollars) As of December 31	1994		1993	
	Gross	Net	Gross	Net
Exploration and production	\$22,467	\$ 8,050	\$24,759	\$ 8,829
Manufacturing	3,140	2,004	2,932	1,891
Marketing	3,319	2,351	3,123	2,250
Marine	242	47	379	125
Pipe lines	943	399	915	397
Other	984	632	1,041	679
Total	\$31,095	\$13,483	\$33,149	\$14,171
Capital lease amounts included above	\$ 560	\$ 92	\$ 578	\$ 122

Accumulated depreciation, depletion and amortization totaled \$17,612 million and \$18,978 million at December 31, 1994 and 1993, respectively.

NOTE 8. SHORT-TERM DEBT, LONG-TERM DEBT, CAPITAL LEASE OBLIGATIONS AND RELATED DERIVATIVES

Notes payable, commercial paper and current portion of long-term debt

(Millions of dollars) As of December 31	1994	1993
Commercial paper	\$ 862	\$1,195
Notes payable to banks and others with originating terms of one year or less	198	76
Current portion of long-term debt and capital lease obligations		
Indebtedness	497	376
Capital lease obligations	31	47
	1,588	1,694
Less short-term obligations intended to be refinanced	671	1,025
Total	\$ 917	\$ 669

The weighted average interest rates of commercial paper and notes payable to banks at December 31, 1994 and 1993 were 6.0% and 3.4%, respectively.

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Long-term debt and capital lease obligations

(Millions of dollars) As of December 31	1994	1993
Long-Term Debt		
6-7/8% Guaranteed notes, due 1999	\$ 200	\$ 200
6-7/8% Guaranteed debentures, due 2023	195	195
7-1/2% Guaranteed debentures, due 2043	198	198
7-3/4% Guaranteed debentures, due 2033	198	198
7-7/8% Guaranteed notes, due 1995	150	150
8% Guaranteed debentures, due 2032	147	147
8-1/4% Guaranteed debentures, due 2006	149	149
8-3/8% Guaranteed debentures, due 2022	198	198
8-1/2% Guaranteed notes, due 2003	199	199
8-5/8% Guaranteed debentures, due 2010	150	150
8-5/8% Guaranteed debentures, due 2031	199	199
8-5/8% Guaranteed debentures, due 2032	199	199
8.65% Guaranteed notes, due 1998	200	200
8-7/8% Guaranteed debentures, due 2021	150	150
9% Guaranteed notes, due 1994	--	250
9% Guaranteed notes, due 1996	400	400
9% Guaranteed notes, due 1997	200	200
9% Guaranteed notes, due 1999	200	200
9-3/4% Guaranteed debentures, due 2020	250	250
Medium-term notes, maturing from 1995 to 2043 (7.8%)	634	692
Revolving Credit Facility, due 1998-2002--variable rate (6.0%)	330	--
Pollution Control Revenue Bonds, due 2012--variable rate (4.0%)	166	166
Other long-term debt:		
Texaco Inc.-Guarantee of ESOP Series B and F loans-fixed and variable rates (4.8%)	269	329
U.S. dollars (6.4%)	259	254
Other currencies (6.5%)	32	51
Total	5,272	5,324
Capital Lease Obligations (see Note 9)	149	231
	5,421	5,555
Less current portion of long-term debt and capital lease obligations	528	423
	4,893	5,132
Short-term obligations intended to be refinanced	671	1,025
Total long-term debt and capital lease obligations	\$5,564	\$6,157

The percentages reflected for variable-rate debt are the interest rates at December 31, 1994. The percentages reflected for the categories "Medium-term notes" and "Other long-term debt" are the weighted average interest rates at year-end 1994. Where applicable, principal amounts reflected in the preceding schedule include unamortized premium or discount.

During 1994, a subsidiary of Texaco entered into a revolving credit facility for \$330 million, which was fully utilized as of December 31, 1994. During 1993, the company completed public long-term debt offerings totaling \$732 million, which included \$132 million under Texaco's medium-term note program. Also during 1993, the company redeemed, prior to maturity, \$71 mil-

lion of 5-3/4% debentures due in 1997.

At December 31, 1994, Texaco was also party to a revolving credit facility with commitments of \$2 billion with a syndicate of major U.S. and international banks, available as support of the issuance of the company's commercial paper, as well as for working capital and for other general corporate purposes. Texaco had no amounts outstanding under this facility at year-end 1994. Texaco pays a facility fee on the \$2 billion facility. The banks reserve the right to terminate the credit facility upon the occurrence of certain specific events, including change in control.

At December 31, 1994, Texaco's long-term debt included \$671 million of short-term obligations scheduled to mature during 1995, which the company has both the intent and the ability to refinance on a long-term basis, through the use of its \$2 billion revolving credit facility.

Contractual annual maturities of long-term debt, including sinking fund payments and other redemption requirements, for the five years subsequent to December 31, 1994 are as follows (in millions): 1995--\$497; 1996--\$424; 1997--\$340; 1998--\$306; and 1999--\$532. The preceding maturities are before consideration of short-term obligations intended to be refinanced and also exclude capital lease obligations.

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Debt-related derivatives

Texaco seeks to maintain a balanced capital structure that will provide financial flexibility and support the company's strategic objectives while achieving a low cost of capital. This is achieved by balancing the company's liquidity and interest rate exposures. These exposures are managed primarily through the use of long-term and short-term debt instruments which are reported on the balance sheet. However, off-balance sheet derivative instruments, primarily interest rate swaps, are also used as a management tool in achieving the company's objectives. These instruments are used to manage identifiable exposures on a non-leveraged, non-speculative basis.

As part of its interest rate exposure management, the company seeks to balance the benefit of the lower cost of floating rate debt, with its inherent increased risk, with fixed rate debt having less market risk.

Summarized below are the carrying amounts and fair values of the company's debt and debt-related derivatives at December 31, 1994 and 1993. Derivative usage during the periods presented was limited to interest rate swaps and forward rate agreements, where the company either paid or received the net effect of a fixed rate versus a floating rate (commercial paper or LIBOR) index at specified intervals, calculated by reference to an agreed notional principal amount.

(Millions of dollars) At December 31	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes Payable and Commercial Paper	\$1,060	\$1,060	\$1,271	\$1,271
Related Derivatives--Payable	1	3	4	36
Notional principal amount	\$ 425		\$ 550	
Weighted average maturity (years)	0.9		1.5	
Weighted average fixed pay rate	8.01%		8.19%	
Weighted average floating receivable rate	6.26%		3.35%	
Long-Term Debt, including current maturities	\$5,272	\$5,225	\$5,324	\$5,898
Related Derivatives--(Receivable) Payable	--	55	(3)	(15)
Notional principal amount	\$ 777		\$ 982	
Weighted average maturity (years)	3.2		3.9	
Weighted average fixed receivable rate	5.60%		5.54%	
Weighted average floating pay rate	6.27%		3.42%	
Unamortized net gain on terminated swaps	\$ 6	\$ --	\$ 18	\$ --

Fair values noted above are based upon quoted market prices, as well as borrowing rates currently available to the company for bank loans with similar terms and maturities. The fair value of swaps is the estimated amount that would be received or paid to terminate the agreements at year-end, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Amounts receivable or payable based on the interest rate differentials of derivatives are accrued monthly and reflected in interest expense as a hedge of interest on outstanding debt. Gains and losses on terminated swaps are deferred and amortized over the life of the associated debt or the original term of the swap, whichever is shorter.

Since counterparties to the company's derivative transactions are major financial institutions with strong credit ratings, exposure to credit risk on the net interest differential on notional

amounts is minimal. The notional amounts of derivative contracts do not represent cash flow and are not subject to credit risk. The company's counterparty credit exposure limits have been set based upon the maturity and notional amounts of new transactions, as well as on the fair value of outstanding transactions.

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NOTE 9. LEASE COMMITMENTS AND RENTAL EXPENSE

The company has leasing arrangements involving service stations, tanker charters, a manufacturing plant and other facilities. Amounts due under capital leases are reflected in the company's balance sheet as obligations, while Texaco's interest in the related assets is principally reflected as properties, plant and equipment. The remaining lease commitments are operating leases, and payments on such leases are recorded as rental expense.

As of December 31, 1994, Texaco Inc. and its subsidiary companies (excluding discontinued operations) had estimated minimum commitments for payment of rentals (net of noncancelable sublease rentals) under leases which, at inception, had a noncancelable term of more than one year, as follows:

(Millions of dollars)	Operating leases	Capital leases
1995	\$ 193	\$ 46
1996	128	38
1997	564	21
1998	72	19
1999	52	20
After 1999	415	88
	-----	-----
Total lease commitments	\$1,424	232
	=====	
Less amounts representing		
Executory costs		37
Interest		100
Add noncancelable sublease rentals netted in capital lease commitments above		54

Present value of total capital lease obligations		\$149
		=====

Rental expense (excluding discontinued operations) relative to operating leases, including contingent rentals based on factors such as gallons sold, is provided in the table below. Such payments do not include rentals on leases covering oil and gas mineral rights.

(Millions of dollars)	1994	1993	1992
Rental expense			
Minimum lease rentals	\$205	\$238	\$252
Contingent rentals	15	20	24
	-----	-----	-----
Total	220	258	276
Less rental income on properties subleased to others	40	36	36
	-----	-----	-----
Net rental expense	\$180	\$222	\$240
	=====	=====	=====

In 1992, Texaco as lessee entered into a five year agreement for the leasing of a chemical manufacturing plant to be constructed in Port Neches, Texas. As of December 31, 1994, construction was largely completed. The lease provides for a substantial residual value guarantee by the lessee at the termination of the lease. Both the lease payment amount and the residual value guarantee amount for this operating lease are included in the preceding table of minimum rental commitments.

NOTE 10. PREFERRED STOCK AND RIGHTS

SERIES B ESOP CONVERTIBLE PREFERRED STOCK

An amendment to Texaco Inc.'s Employees Thrift Plan created an Employee Stock Ownership Plan (ESOP) feature. In 1988, the ESOP purchased 833,333-1/3 shares of Series B ESOP Convertible Preferred Stock (Series B) from the company for \$600 per share, or an aggregate purchase price of \$500 million. Texaco Inc. guar-

anted a \$500 million variable-rate loan made to the ESOP which was used to acquire the shares of Series B. Subsequently, in 1991, Texaco Inc. refinanced approximately \$103 million of the outstanding balance through a Grantor Trust structure at a fixed interest rate. The current fixed interest rate is 6.13%.

Dividends on each share of Series B are cumulative and are payable semiannually at the rate of \$57 per annum. Dividends on Series B totaled \$45 million for 1994 and \$47 million for both 1993 and 1992.

Participants may partially convert their Series B into common stock beginning at age 55, and may elect full conversion upon retirement or separation from service with the company. The conversion ratio and number of votes per share of Series B are subject to adjustment under certain conditions. At present, the Series B entitles a participant to 12.9 votes per share, voting together with the holders of common stock, and is currently convertible into 12.868 shares of common stock. As an alternative to conversion, a participant can elect to receive \$600 per share of Series B, payable in cash or common stock. If the participant elects to receive common stock, the company provides shares of common stock to the plan trustee, who then transmits the shares to the participant. Should the participant elect to receive cash, it is the intent of the company to provide the plan trustee with shares of common stock, so that the trustee can sell such shares in the open market and have sufficient cash to transmit to the participant. The shares of Series B may be redeemed by Texaco Inc. at \$622.80 per share through December 19, 1995, and at prices declining to \$600 per share on or after December 20, 1998. Also, Texaco Inc. may be required to redeem the shares of Series B under certain circumstances.

SERIES C VARIABLE RATE CUMULATIVE PREFERRED STOCK

In 1989, the company distributed to its stockholders as a special dividend one share of Series C Variable Rate Cumulative Preferred Stock (Series C), with a stated value of \$50 per share, for each 50 shares of common stock owned. The shares of Series C had an aggregate liquidation preference of \$267 million.

On September 30, 1994, the company redeemed in cash and retired all outstanding shares of its Series C.

During 1994, 1993 and 1992, dividends on the Series C totaled \$13 million (\$2.43 per share), \$18 million (\$3.26 per share) and \$20 million (\$3.69 per share), respectively.

SERIES D JUNIOR PARTICIPATING PREFERRED STOCK AND RIGHTS

In 1989, the company declared a dividend distribution of one Right for each outstanding share of common stock. Under certain circumstances, each Right may be exercised to purchase from the company a unit consisting of 1/100th of a share (Unit) of Series D Junior Participating Preferred Stock (Series D), par value \$1.00

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per share, at a purchase price of \$150 per Unit (the Purchase Price), subject to adjustment.

The Rights may be exercised only after a person has acquired, or obtained the right to acquire, beneficial ownership of 20% or more of the company's common stock other than pursuant to a Qualifying Offer, or has commenced a tender offer that would result in that person owning 20% or more of the common stock.

A Qualifying Offer is an all-cash, fully financed tender offer for all outstanding shares of common stock which remains open for 45 days, which results in the acquiror owning a majority of the company's voting stock, and in which the acquiror agrees to purchase for cash all remaining shares of common stock.

The Rights expire on April 3, 1999, or sooner, upon the acquisition of the company pursuant to a Qualifying Offer, and may be redeemed by the company at a price of \$.01 per Right at any time prior to 10 days after the Rights become exercisable.

In the event that a person becomes the beneficial owner of 20% or more of the common stock other than pursuant to a Qualifying Offer, each Right will thereafter entitle the holder to receive, upon exercise of the Right, in lieu of the Series D, a number of shares of common stock, property, cash or other securities having a formula value equal to two times the exercise price of the Right.

In the event that the company is acquired in a transaction in which the company is not the surviving corporation, or in the event 50% or more of the company's assets or earning power is sold or transferred, each holder of a Right thereafter has the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the Right.

Until a Right is exercised, the holder thereof, as such, has no rights as a stockholder of the company, including the rights to vote or to receive dividends.

As of December 31, 1994, there were 3,000,000 shares designated as Series D with a liquidation value of \$100 per share. In general, the terms of the Series D have been designed so that each Unit of Series D should be substantially the economic equivalent of one share of common stock. The Series D will, if issued, be junior to any other series of Preferred Stock which may be authorized and issued, unless the terms of such other series provide

otherwise. Each share of the Series D which may be issued will entitle the holder to receive a quarterly dividend equal to the greater of (i) \$5.00 per share or (ii) 100 times the quarterly dividend declared per share of common stock, subject to adjustment. In the event of liquidation of the company, the holders of the Series D will be entitled to receive a preferred liquidation payment of \$100 per share plus accrued and unpaid dividends to the date of payment, but in no event less than an amount equal to 100 times the payment made per share of common stock, if greater. The Series D will be redeemable as a whole, or in part, at any time, or from time to time, at the option of the company at a redemption price per share equal to 100 times the then market price of a share of common stock, plus accrued and unpaid dividends through the redemption date. Each share of the Series D will have 100 votes, voting together with the common stock. In the event of any merger, consolidation or other transaction in which the shares of common stock are exchanged, each share of the Series D will entitle the holder thereof to receive 100 times the amount received per share of common stock.

If dividends on the Series D are in arrears in an aggregate amount equal to six quarterly dividends, the number of directors of the company will be increased by two, and the holders of the Series D outstanding at the time of such dividend arrearage, voting separately as a class with any other series of preferred stock likewise qualified to vote, will be entitled at the next annual meeting to elect two directors. The Series D will also have a separate class vote on certain matters which would adversely affect the rights and preferences of the Series D.

The Purchase Price payable and the number of Units of Series D or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time in certain events to prevent dilution.

SERIES E VARIABLE RATE CUMULATIVE PREFERRED STOCK

In 1989, the company issued 3,814 shares of Series E Variable Rate Cumulative Preferred Stock (Series E), with a stated value of \$100,000 per share, in connection with a merger transaction. The shares of Series E had an aggregate liquidation preference of \$381 million.

On November 8, 1994, the company exchanged 6.1 million shares of its common stock held in treasury, which were acquired during the year, for all of the issued and outstanding shares of the Series E, which were then retired.

During 1994, dividends on the Series E totaled \$19 million (\$4,850 per share). For 1993 and 1992, dividends on Series E totaled \$25 million (\$6,513 per share) and \$28 million (\$7,375 per share), respectively.

SERIES F ESOP CONVERTIBLE PREFERRED STOCK

An amendment to Texaco Inc.'s Employees Savings Plan created an Employee Stock Ownership Plan (ESOP) feature. In 1990, the ESOP purchased 67,796.61 shares of Series F ESOP Convertible Preferred Stock (Series F) from the company for \$737.50 per share, or an aggregate purchase price of \$50 million. Texaco Inc. guaranteed a \$50 million variable-rate loan made to the ESOP which was used to acquire the shares of Series F.

Dividends on each share of Series F are cumulative and are payable semiannually at the rate of \$64.53 per annum. Annual dividends on Series F totaled \$4 million for 1994, 1993 and 1992.

Participants may partially convert their Series F into common stock beginning at age 55, and may elect full conversion upon retirement or separation from service with the company. The conversion ratio and number of votes per share of Series F are subject to adjustment under certain conditions. At present, the Series F entitles a participant to 10 votes per share, voting together with the holders of common stock, and is convertible into 10 shares of common stock. As an alternative to conversion, a participant can elect to receive \$737.50 per share of Series F, in cash or common stock. If the participant elects to receive common stock, the company provides shares of common stock to the plan trustee, who then transmits the shares to the participant. Should the participant elect to receive cash, it is the intent of the company to provide the plan trustee with shares of common stock, so that the trustee can sell such shares in the open market and have sufficient cash to transmit to the participant. The shares of Series F may be redeemed by Texaco Inc. at \$769.77 per share through February 12, 1996, and at prices declining to \$737.50 per share on or after February 13, 2000. Also, Texaco Inc. may be required to redeem the shares of Series F under certain circumstances.

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MARKET AUCTION PREFERRED SHARES

In December, 1992, the company issued 1,200 shares of cumulative variable rate preferred stock, called Market Auction Preferred Shares (MAPS) in a private placement, for an aggregate purchase price of \$300 million. The MAPS are grouped into four series (300 shares each of Series G, H, I and J) of \$75 million each.

The dividend rates for each series during 1994 and 1993 were determined by Dutch auctions conducted at seven-week intervals. During 1994, the annual dividend rate for the MAPS ranged between 2.48% and 4.57% and dividends totaled \$10 million (\$7,784, \$8,057, \$9,156 and \$9,356 per share for Series G, H, I and J, respectively).

For 1993, the annual dividend rate for the MAPS ranged between 2.40% and 3.25% and dividends totaled \$8 million (\$6,281, \$6,396, \$6,549 and \$6,762 per share for Series G, H, I and J, respectively). For 1992, the initial dividend rate for each series was 3.25% per annum and the dividend periods ranged from seven to ten weeks. The length of the dividend periods can be changed at each auction. Alternatively, the dividend rate and the dividend period can be negotiated with potential investors.

The company may redeem the MAPS, in whole or in part at any time at a liquidation preference of \$250,000 per share, plus premium, if any, and accrued and unpaid dividends thereon.

The MAPS are non-voting, except under certain limited circumstances.

NOTE 11. FOREIGN CURRENCY

Currency translations from continuing operations resulted in a pre-tax loss of \$18 million in 1994 as compared to currency gains of \$35 million in 1993 and \$182 million in 1992. After applicable income taxes, the loss for 1994 was \$49 million as compared to gains in 1993 of \$49 million and 1992 of \$230 million. These amounts include Texaco's equity in such gains and losses of affiliates accounted for on the equity method of accounting.

Currency exchange impacts for the years 1992 through 1994 were primarily due to the effects under SFAS 109, "Accounting for Income Taxes," of the Pound Sterling on deferred income taxes, as well as operations in developing countries reflecting the impact of strong inflationary factors.

Currency translation adjustments reflected in the separate stockholders' equity account result from translation items pertaining to certain affiliates of Caltex.

Refer to Note 16 regarding the company's activity in forward exchange contracts for hedging of foreign currency exposures.

NOTE 12. TAXES

(Millions of dollars)	1994			1993			1992		
	United States	Foreign	Total	United States	Foreign	Total	United States	Foreign	Total
Direct taxes									
Provision (benefit) for income taxes									
Current									
U.S. Federal and foreign	\$ (68)	\$ 296	\$ 228	\$ 5	\$ 143	\$ 148	\$ 111	\$ 103	\$ 214
U.S. state and local	36	--	36	14	--	14	36	--	36
Deferred									
Tax law changes	--	--	--	17	(169)	(152)	--	--	--
Other	(33)	(6)	(39)	(141)	44	(97)	(82)	143	61
Total provision (benefit) for income taxes	(65)	290	225	(105)	18	(87)	65	246	311
Taxes other than income taxes									
Oil and gas production	101	8	109	122	17	139	131	2	133
Sales and use	--	55	55	5	59	64	6	10	16
Property	111	18	129	124	16	140	112	21	133
Payroll	78	39	117	87	29	116	81	39	120
Other	38	48	86	75	15	90	59	69	128
Total taxes other than income taxes	328	168	496	413	136	549	389	141	530
Import duties and other governmental levies	53	3,939	3,992	42	3,735	3,777	39	3,743	3,782
Total direct taxes	316	4,397	4,713	350	3,889	4,239	493	4,130	4,623
Taxes collected from consumers for governmental agencies	1,360	2,239	3,599	1,068	2,060	3,128	986	2,125	3,111
Total	\$1,676	\$6,636	\$8,312	\$1,418	\$5,949	\$7,367	\$1,479	\$6,255	\$7,734

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All tax expense data on the preceding page excludes discontinued operations. Effective January 1, 1992, the company adopted SFAS 109, "Accounting for Income Taxes". All 1992 tax expense data excludes the cumulative effect of accounting changes for SFAS 106 and SFAS 109.

The deferred income tax assets and liabilities included in the Consolidated Balance Sheet as of December 31, 1994 and 1993 amounted to \$150 million and \$264 million, respectively, as net current assets and \$879 million and \$1,162 million, respectively, as net noncurrent liabilities. The table that follows shows deferred income tax assets and liabilities by category. Deferred income taxes are not recorded on differences between financial reporting and tax bases of investments in stock of subsidiary companies, unless realization of the effect is probable in the foreseeable future. Certain potential deferred tax asset amounts for which possibility of realization is deemed extremely remote have been eliminated and are therefore excluded from the following table.

(Millions of dollars) As of December 31	(Liability) Asset	
	1994	1993
Depreciation	\$ (786)	\$(1,006)
Depletion	(624)	(764)
Intangible drilling costs	(641)	(624)
Other deferred tax liabilities	(183)	(178)
Total	(2,234)	(2,572)
Employee benefit plans	464	496
Tax loss carryforwards	677	626
Tax-related reserves	152	157
Tax credit carryforwards	280	271
Environmental reserves	219	246
Other deferred tax assets	525	580
Total	2,317	2,376
Total before valuation allowance	83	(196)
Valuation allowance	(812)	(702)
Total--net	\$ (729)	\$ (898)

The following schedule reconciles the differences between the U.S. Federal income tax rate and the effective income tax rate:

	1994	1993	1992
U.S. Federal income tax rate assumed to be applicable	35.0%	35.0%	34.0%
Net earnings and dividends attributable to affiliated corporations accounted for on the equity method	(10.5)	(11.6)	(9.5)
Aggregate earnings and losses from international operations before tax law changes	11.1	3.5	1.5
Tax law changes	--	(13.0)	--
Sales of stock of subsidiaries	(15.7)	(17.9)	(2.2)
Energy credits	(2.4)	(2.5)	(1.6)
Other	1.2	(.9)	.8
Effective income tax rate	18.7%	(7.4%)	23.0%

The increase in the 1994 effective tax rate as compared to 1993 is mainly due to higher taxable income in 1994 from the international producing operations and net deferred tax benefits arising from 1993 tax law and rate changes in the U.K. and the United States. The change between 1993 and 1992 is mainly due to current tax benefits realized and deferred tax benefits realizable through the sales of interests in a subsidiary as well as net deferred tax benefits arising from tax law and rate changes in the U.K. and the United States.

For companies operating in the United States, pre-tax earnings from continuing operations before cumulative effect of accounting changes aggregated \$402 million in 1994, \$397 million in 1993 and \$382 million in 1992. For companies with operations located outside the United States, pre-tax earnings on that basis aggregated \$802 million in 1994, \$775 million in 1993 and \$967 million in 1992.

Income taxes paid, net of refunds, amounted to \$329 million, \$326 million and \$283 million in 1994, 1993 and 1992, respectively.

The undistributed earnings of subsidiary companies and of affiliated corporate joint-venture companies accounted for on the equity method, for which deferred U.S. income taxes have not been provided at December 31, 1994 amounted to \$1,290 million and \$2,148 million, respectively. The corresponding amounts at December 31, 1993 were \$1,293 million and \$2,038 million, respectively. Recording of deferred income taxes on these undistributed earnings is not required relative to foreign companies and pre-1992 earnings of domestic companies when the earnings have been permanently reinvested. These amounts would be subject to possible U.S. taxation only if remitted as dividends. The determination of the hypothetical amount of unrecognized deferred U.S. taxes on undistributed earnings of foreign entities is not practicable. For domestic entities, such unrecorded deferred income taxes were not material.

For the years 1994, 1993 and 1992 there was no utilization of loss carryforwards for U.S. Federal income taxes. For the years 1994, 1993 and 1992, the utilization of loss carryforwards resulted in income tax benefits of \$57 million, \$20 million and \$85 million in foreign income taxes, respectively.

At December 31, 1994, Texaco had worldwide tax basis loss carryforwards of approximately \$2,023 million, including \$883

million which do not have an expiration date. The remainder expire at various dates through 2019.

Foreign tax credit carryforwards available for U.S. Federal income tax purposes amounted to approximately \$146 million at December 31, 1994, expiring at various dates through 1999. Alternative minimum tax and other tax credit carryforwards available for U.S. Federal income tax purposes were \$280 million at December 31, 1994, of which \$259 million have no expiration date. The remaining credits expire at various dates through 2009. The credits that are not utilized by the expiration dates may be taken as deductions for U.S. Federal income tax purposes.

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NOTE 13. EMPLOYEE BENEFIT PLANS

Texaco Inc. and certain of its non-U.S. subsidiaries sponsor various benefit plans for active employees and retirees. The costs of the savings, health care and life insurance plans relative to employees' active service are shared by the company and its employees, with Texaco's costs for these plans charged to expense as incurred. In addition, reserves for employee benefit plans are provided principally for the unfunded costs of various pension plans, retiree health and life insurance benefits, incentive compensation plans and for separation benefits payable to employees.

As of January 1, 1993, Texaco adopted SFAS 112, "Employers' Accounting for Postemployment Benefits". Adoption of SFAS 112 did not impact 1993 net income since the company had been accounting for substantially all of these costs in accordance with the new Standard.

The discussion of employee benefit plans that follows is for total plan activity, including benefits and amounts applicable to employees of the discontinued operations. Amounts relative to the discontinued operations are not material for any of the years discussed.

EMPLOYEE STOCK OWNERSHIP PLANS (ESOP)

Texaco recorded ESOP expense of \$20 million in 1994 and 1993, and \$17 million in 1992. Company contributions to the Employees Thrift Plan of Texaco Inc. and the Employees Savings Plan of Texaco Inc. (the Plans) amounted to \$20 million in 1994 and 1993, and \$17 million in 1992. These Plans are designed to provide participants with a benefit of approximately 6% of base pay.

In 1994, 1993 and 1992, the company paid \$49 million, \$51 million and \$51 million, respectively, in dividends on Series B and Series F stock. The dividends are applied by the trustee to fund interest payments which amounted to \$13 million, \$14 million and \$18 million for 1994, 1993 and 1992, respectively, as well as to reduce principal on the ESOP loans. Dividends on the shares of Series B and Series F used to service debt of the Plans are tax deductible to the company.

Reflected in Texaco's long-term debt are the Plans' ESOP loans which are guaranteed by Texaco Inc. Commensurate with each repayment on the ESOP loans and as a result of the allocation of the Series B and Series F stock by the trustee of the Plans to the individual participating employees, there is a reduction in the remaining ESOP-related unearned employee compensation included as a component of stockholders' equity.

PENSION PLANS

The company sponsors pension plans that cover substantially all employees. Generally, these plans provide defined pension benefits based on final average pay. However, the level of benefits and terms of vesting vary among plans. Amounts charged to pension expense, as well as amounts funded, are generally based on actuarial studies. Pension plan assets are administered by trustees and are principally invested in equity and fixed income securities and deposits with insurance companies.

The total worldwide expense for all employee pension plans of Texaco, including pension supplementations and the smaller non-U.S. plans, was \$109 million in 1994, \$111 million in 1993 and \$105 million in 1992.

The following data are provided for U.S. plans and principal non-U.S. plans.

COMPONENTS OF PENSION EXPENSE

(Millions of dollars)	United States Plans			Non-U.S. Plans		
	1994	1993	1992	1994	1993	1992
Benefits earned during the year	\$ 69	\$ 67	\$ 68	\$ 22	\$ 14	\$ 15
Actual investment return on plan assets, (gain) loss	27	(158)	(115)	33	(155)	(98)
Interest cost on projected benefit obligations	125	125	134	74	61	56
Amortization of net deferred amounts	(145)	39	--	(104)	112	39
Total	\$ 76	\$ 73	\$ 87	\$ 25	\$ 32	\$ 12

The assumed long-term return on plan assets for U.S. plans was 9% for 1994, 1993 and 1992; for non-U.S. plans the weighted average rate was 8.5% for 1994, 8.6% for 1993 and 8.5% for 1992.

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FUNDED STATUS OF PENSION PLANS

(Millions of dollars) As of December 31	United States Plans			
	1994		1993	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Present value of the estimated pension benefits to be paid in the future				
Vested benefits	\$ (888)	\$ (59)	\$(1,302)	\$ (47)
Nonvested benefits	(61)	(3)	(100)	(3)
Accumulated benefit obligations	(949)	(62)	(1,402)	(50)
Effect of projected future salary increases	(354)	(17)	(467)	(16)
Total projected benefit obligations	(1,303)	(79)	(1,869)	(66)
Amount of assets available for benefits				
Funded assets of the plans, at fair value	1,116	--	1,513	--
Net pension liability (asset) recorded on Texaco's Consolidated Balance Sheet	129	62	128	50
Total assets	1,245	62	1,641	50
Assets in excess of (less than) projected benefit obligations(1)	\$ (58)	\$ (17)	\$ (228)	\$ (16)
(1)Consisting of:				
Net transition asset (liability) not yet recognized	\$ 63	\$ (13)	\$ 75	\$ (17)
Unrecognized cost of retroactive benefits granted by a plan amendment	(78)	(14)	(54)	(8)
Effect of changes in assumptions and differences between actual and estimated experience	(43)	10	(249)	9
Total	\$ (58)	\$ (17)	\$ (228)	\$ (16)

(Millions of dollars) As of December 31	Non-U.S. Plans			
	1994		1993	
	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Present value of the estimated pension benefits to be paid in the future				
Vested benefits	\$(418)	\$(218)	\$(344)	\$(199)
Nonvested benefits	(20)	(23)	(19)	(19)
Accumulated benefit obligations	(438)	(241)	(363)	(218)
Effect of projected future salary increases	(31)	(24)	(54)	(29)
Total projected benefit obligations	(469)	(265)	(417)	(247)
Amount of assets available for benefits				
Funded assets of the plans, at fair value	706	--	696	--
Net pension liability (asset) recorded on Texaco's Consolidated Balance Sheet	(253)	241	(237)	218
Total assets	453	241	459	218

Assets in excess of (less than) projected benefit obligations(1)	\$ (16)	\$ (24)	\$ 42	\$ (29)
(1)Consisting of:				
Net transition asset (liability) not yet recognized	\$ 84	\$ (14)	\$ 92	\$ (23)
Unrecognized cost of retroactive benefits granted by a plan amendment	(47)	(34)	(32)	(7)
Effect of changes in assumptions and differences between actual and estimated experience	(53)	24	(18)	1
Total	\$ (16)	\$ (24)	\$ 42	\$ (29)

WEIGHTED AVERAGE RATE ASSUMPTIONS USED IN ESTIMATING PENSION BENEFIT OBLIGATIONS

	United States Plans		Non-U.S. Plans	
	1994	1993	1994	1993
Discount rate	8.5%	7.0%	12.6%	10.6%
Rate of increase in compensation levels	4.8%	4.8%	10.2%	7.0%

OTHER POSTRETIREMENT BENEFITS

Texaco sponsors postretirement plans primarily in the U.S. that provide health care and life insurance for retirees and eligible dependents. The company's U.S. health insurance obligation is its fixed dollar contribution. The plans are unfunded, and the costs are shared by the company and its employees and retirees.

Effective January 1, 1992, the company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" using the immediate recognition method for the cumulative effect. This Standard requires companies to accrue for the cost of such benefits over the service lives of employees. For Texaco, this Standard primarily applies to the cost of life insurance and health insurance in the U.S. The company's previous practice was to expense these costs on a pay-as-you-go basis.

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The determination of the company's obligation is based on the terms of the life and health insurance plans, along with applicable actuarial assumptions. The company continues to fund these benefit costs on a pay-as-you-go basis, with retirees paying the excess over the company's fixed dollar contribution for health insurance. For employees who retire from Texaco between age 55 and 65, most will be eligible to receive health care benefits, similar to those available to active employees, as well as life insurance benefits. The company's cost to provide these postretirement benefits for health insurance is currently equal to the company's cost for an active employee. After attaining age 65, the retirees' health care coverage is coordinated with available Medicare benefits.

The trend rates used for the purpose of estimating those costs reflect the expected increase in general U.S. health care inflation as measured by the health-care cost component of the U.S. Consumer Price Index. For retirees between age 55 and 65, the assumed rate of increase in the fixed dollar contribution for health-care benefits was 7.0% in 1994. The rate of increase in the fixed dollar contribution is expected to rise to 8.5% in 1996 and then decrease to an ultimate rate of 4.5% in the year 2002, at which time the company expects general U.S. health care inflation to increase at a rate approximating general inflation. The fixed dollar contribution for retirees 65 and older is assumed to increase by 4.5% per year. The fixed dollar contributions derived from these assumptions do not necessarily represent an obligation of the company.

Assuming a 1% increase in the annual rate of increase in the fixed dollar contribution for health insurance, the accumulated postretirement benefit obligation and annual expense would increase by approximately \$50 million and \$7 million, respectively.

Certain of the company's non-U.S. subsidiaries have post-retirement benefit plans. However, most retirees outside the U.S. are covered by government sponsored and administered programs, the cost of which is not significant to the company.

The following tables provide information on the status of the principal postretirement plans:

COMPONENTS OF OTHER POSTRETIREMENT BENEFIT EXPENSE

(Millions of dollars)	1994			1993			1992		
	Health Care	Life Insurance	Total	Health Care	Life Insurance	Total	Health Care	Life Insurance	Total
Benefits earned during the year	\$12	\$ 4	\$16	\$13	\$ 4	\$17	\$12	\$ 5	\$17
Interest cost on accumulated postretirement benefit obligations	38	20	58	40	19	59	41	20	61
Total	\$50	\$24	\$74	\$53	\$23	\$76	\$53	\$25	\$78

FUNDED STATUS OF OTHER POSTRETIREMENT PLANS

(Millions of dollars) As of December 31	1994			1993		
	Health Care	Life Insurance	Total	Health Care	Life Insurance	Total
Accumulated unfunded postretirement benefit obligations						
Retirees	\$267	\$204	\$471	\$250	\$208	\$458
Fully eligible active participants	35	17	52	57	26	83
Other active plan participants	108	39	147	172	51	223
Total accumulated unfunded postretirement benefit obligations	410	260	670	479	285	764
Unrecognized net gain	89	45	134	35	7	42
Net other postretirement benefit liability recorded on Texaco's Consolidated Balance Sheet	\$499	\$305	\$804	\$514	\$292	\$806

WEIGHTED AVERAGE RATE ASSUMPTIONS USED IN ESTIMATING OTHER POSTRETIREMENT BENEFIT OBLIGATIONS

	1994	1993
Discount rate	8.5%	7.7%
Rate of increase in compensation levels	4.8%	4.8%

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NOTE 14. STOCK INCENTIVE PLAN

Under the company's stock incentive plan (the Plan) approved by stockholders, among the awards that may be granted to executives and certain key employees are stock options, with or without stock appreciation rights, and restricted stock. The total number of shares available each year for issuance under the Plan through December 31, 2002 is eight-tenths of one percent (0.8%) of the aggregate number of shares of common stock issued and outstanding on December 31 of the previous year, adjusted for certain plan activity. Shares not issued in the current year are available for future grant. The option price per share cannot be less than the fair market value of a share of common stock on the date granted unless adjusted as provided in the Plan. At December 31, 1994, there were 2,534,044 shares available for awards during 1995, of which 1,981,129 shares were available to all participants and 552,915 shares were available to those participants who are not officers or directors. At December 31, 1993 and 1992, there were 1,243,873 shares and 1,578,445 shares, respectively, available for future grant.

Stock options granted under the Plan extend for 10 years from the date of grant and become 50% exercisable on the first anniversary. These options are fully exercisable on the second anniversary, except for the January 1990 awards, which became fully exercisable on the fourth anniversary of the award.

The Plan permits the company to grant restored options to a participant in the Plan who has previously been granted stock options. This feature enables a participant, who exercises an option by exchanging previously acquired common stock or who has shares withheld by the company to satisfy tax withholding obligations, to receive new options, exercisable at the then market value, for the same number of shares as were exchanged or withheld. Under existing regulations, restored options are fully exercisable six months after the date of grant.

Option activity during 1994, 1993 and 1992 is summarized in the following table:

Stock Options	1994	1993	1992	Price Range
				Per Share
Outstanding				

January 1	3,368,949	2,651,746	1,997,467	\$46.78-69.25
Granted	643,985	776,375	704,800	57.94-63.69
Canceled	--	--	(2,200)	61.44
Exercised	(732,286)	(831,869)	(599,180)	46.78-64.75
Restored	683,450	772,697	550,859	57.44-69.25
Outstanding				
December 31	3,964,098	3,368,949	2,651,746	46.78-69.25
Exercisable				
December 31	2,671,225	1,394,718	1,167,301	46.78-69.25
	=====	=====	=====	=====

NOTE 15. OTHER FINANCIAL INFORMATION

ENVIRONMENTAL RESERVES

Texaco Inc. and subsidiary companies have financial reserves relating to environmental remediation programs which the company believes are sufficient for known requirements. At December 31, 1994, reserves for future environmental remediation costs amounted to \$668 million and reserves relative to the future cost of restoring and abandoning existing oil and gas properties were \$826 million. Texaco's significant affiliates also have recorded reserves for environmental remediation and restoration and abandonment costs.

Texaco makes every effort to remain in full compliance with existing governmental regulations. It is likely that changes in governmental regulations and/or Texaco's re-evaluation of its programs will result in additional future costs. However, it is not believed that such future costs will be material to the company's financial position nor to its operating results over any reasonable period of time. It is assumed that any mandated future costs would be recoverable in the marketplace, since all companies within the industry would be facing similar requirements.

INTEREST PAID AND INTEREST EXPENSE

CAPITALIZED

Interest paid, net of amounts capitalized, amounted to \$500 million in 1994, \$439 million in 1993 and \$481 million in 1992.

Interest expense capitalized as part of properties, plant and equipment was \$13 million in 1994, \$49 million in 1993 and \$88 million in 1992.

SALE OF RECEIVABLES

During 1994, the company terminated a third-party accounts receivable agreement under which it had the right to sell approximately \$400 million of accounts receivable on a continuing basis subject to limited recourse. Receivables sold under such facilities totaled approximately \$1.1 billion and \$1.4 billion during 1993 and 1992, respectively. At December 31, 1993, no receivables sold remained uncollected.

PREFERRED STOCK OF SUBSIDIARY COMPANIES

In October 1993, a subsidiary, MVP Production Inc., issued its variable rate cumulative preferred stock in a private placement for an aggregate purchase price of \$75 million. The shares have voting rights in the subsidiary and are redeemable on September 30, 2003. Dividend requirements on these shares totaled \$3 million in 1994.

In November 1993, a subsidiary, Texaco Capital LLC, issued 14 million shares of its Cumulative Guaranteed Monthly Income Preferred Shares (MIPS), Series A (Series A MIPS), in a public offering, for an aggregate purchase price of \$350 million. In June 1994, Texaco Capital LLC issued 4.5 million shares of Cumulative Adjustable Rate MIPS, Series B (Series B MIPS), in a public offering for an aggregate purchase price of \$112 million.

The dividend rate for the Series A MIPS is 6-7/8% per annum and the initial dividend rate for the Series B MIPS was 6.4% per annum through September 30, 1994 and 6.75% per annum for the fourth quarter of 1994. The dividend rate on the Series B MIPS is reset quarterly and is equal to 88% of the highest of three U.S. Treasury maturities (three-month, ten-year and thirty-year), but in no event less than 4.5% per annum nor greater than 10.5% per annum. The payment of dividends and payments on liquidation or redemption with respect to the Series A MIPS and Series B MIPS are guaranteed by Texaco Inc. Dividends on the Series A MIPS and the Series B MIPS are paid monthly, commencing on the last day of the month of issuance. During 1994 and 1993, dividends on the Series A MIPS totaled \$24 million and \$4 million, respectively, and dividends on the Series B MIPS in 1994 totaled \$4 million.

The Series A MIPS and Series B MIPS are redeemable, at the option of Texaco Capital LLC (with Texaco Inc.'s consent) in whole or in part, from time to time, at \$25 per share on or after

whole or in part, at \$25 per share plus accrued and unpaid dividends.

The Series A MIPS and Series B MIPS are non-voting, except under certain limited circumstances.

NOTE 16. FINANCIAL INSTRUMENTS AND COMMITMENTS

In the normal course of its business, the company utilizes various types of financial instruments. These instruments include recorded assets and liabilities, and also items which principally involve off-balance sheet risk. Information about the company's financial instruments, including derivatives, is presented below.

Cash and cash equivalents--Fair value approximates cost as reflected in the Consolidated Balance Sheet at December 31, 1994 and 1993 because of the short-term maturities of these instruments. Cash equivalents are classified as held-to-maturity. The amortized cost of cash equivalents was as follows:

(Millions of dollars) As of December 31	1994	1993
Time deposits and certificates of deposit	\$ 56	\$108
Commercial paper and other	117	140
	-----	-----
	\$173	\$248
	=====	=====

Short-term and long-term investments--Fair value is primarily based on quoted market prices and valuation statements obtained from major financial institutions. Information concerning investments held at December 31, 1994 and 1993 in short-term and long-term debt securities and in publicly-traded equity securities that are classified as available-for-sale is shown in the tables that follow. Excluded from the tables is a \$4 million investment in a time deposit at December 31, 1994, which the company intends to hold to its maturity in the year 2001.

(Millions of dollars) As of December 31	1994		1993	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
U.S. government securities	\$231	\$213	\$213	\$212
Foreign government securities	284	263	250	250
Corporate and other debt securities	137	130	174	176
Equity securities	22	85	22	109
	-----	-----	-----	-----
	\$674	\$691	\$659	\$747
	=====	=====	=====	=====

For the above items at year-end 1994, there were gross unrealized gains of \$66 million, primarily related to equity securities, and gross unrealized losses of \$49 million, principally from investments in U.S. and foreign government debt securities. At year-end 1993, there were gross unrealized gains of \$91 million, primarily related to equity securities, and gross unrealized losses of \$3 million. Proceeds from sales of available-for-sale securities were \$610 million in 1994. These sales resulted in gross realized gains of \$19 million and gross realized losses of \$14 million.

At December 31, 1994, available-for-sale debt securities had the following scheduled maturities:

(Millions of dollars) As of December 31	1994	
	Amortized Cost	Estimated Fair Value
Due in one year or less	\$ 60	\$ 60
Due after one year through five years	255	240
Due after five years	337	306
	-----	-----
	\$652	\$606
	=====	=====

The estimated fair value of other long-term investments not included above, for which it is practicable to estimate fair value,

approximated the December 31, 1994 and 1993 carrying values of \$369 million and \$97 million, respectively.

Short-term debt, long-term debt and related derivatives--Shown below are the carrying amounts and fair values of Texaco's debt and related derivatives as of year-end 1994 and 1993.

(Millions of dollars) As of December 31	1994		1993	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Short-term and long-term debt	\$6,332	\$6,285	\$6,595	\$7,169
Debt-related derivatives-- liabilities	\$ 1	\$ 58	\$ 1	\$ 21

Refer to Note 8 for additional information concerning debt and related derivatives outstanding at December 31, 1994 and 1993.

Forward Exchange Contracts--As an international company, Texaco is exposed to foreign exchange risk. To hedge against adverse changes in foreign currency exchange rates, the company will buy and sell foreign currencies forward. Texaco's currency hedging program involves managing its foreign currency monetary exposures, capital expenditure commitments and foreign currency denominated investment portfolio. The company had forward exchange contracts outstanding to buy \$552 million and sell \$254 million of foreign currencies at year-end 1994. At year-end 1993, there were outstanding contracts to buy \$126 million and sell \$159 million of foreign currencies. Unrealized gains and losses applicable to these contracts were immaterial at December 31, 1994 and 1993 since the forward rates approximated the year-end spot rates. The company's exposure to credit risk on forward exchange contracts is minimal since the counterparties are major financial institutions with strong credit ratings. The company does not anticipate nonperformance by any of the multiple counterparties. Market risk exposure is essentially limited to the risk related to currency rate movements. The business purposes of forward exchange contracts are explained below.

At year-end 1994, there were forward exchange contracts outstanding to buy \$105 million of Australian dollars as protection against the net liability position of Texaco's Australian operations. These contracts generally have terms of 45 days or less, and are marked-to-market monthly, with gains and losses included in income currently as other costs. There were no hedges of the company's foreign monetary exposures in place at year-end 1993.

In managing its capital expenditure program, the company will buy foreign currencies forward to hedge portions of significant future foreign currency denominated capital expenditures

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and lease commitments. The amount of hedge coverage is assessed periodically and may be adjusted upward or downward based on current and anticipated market conditions by subsequent forward purchases or sales of foreign currencies. At December 31, 1994, there were forward contracts outstanding of \$425 million and \$57 million to buy and sell foreign currencies, respectively, in connection with the capital expenditure hedging program. Capital expenditure commitments under this program approximated 471 million British pounds and 1,076 million Danish krone. Of these planned expenditures, approximately 29% of the British pound commitments and 21% of the Danish krone commitments were hedged by forward contracts. These contracts have terms of 60 days or less. At December 31, 1993, outstanding forward contracts to buy and sell foreign currencies in connection with this program totaled \$89 million and \$4 million, respectively. Commitments approximated 97 million British pounds, 1,388 million Danish krone, 12 million Dutch guilders and 21 million Australian dollars. Of these exposures, approximately 47% of the British pound commitments and 74% of the Australian dollar commitments were hedged by forward contracts. The British pound contracts had terms of 60 days or less. The Australian dollar contracts, the last of which matured in June 1994, had original terms of up to 18 months. Realized gains and losses on hedges of foreign currency commitments are initially recorded to deferred charges. Subsequently, the amounts are applied to the capitalized project cost on a percentage-of-completion basis, and are amortized to expense over the applicable life. At year-end 1994 and 1993, there were net unamortized gains of \$29 million and \$41 million, respectively.

The company also enters into forward exchange contracts to purchase and sell foreign currency to hedge a portion of its investment portfolio denominated in foreign currencies. The company's strategy is to hedge the full value of this portion of the investment portfolio and to close out forward contracts upon the sale or maturity of the corresponding investment. At December 31, 1994

and 1993, there were outstanding \$203 million and \$183 million, respectively, of such contracts, primarily to sell various major European currencies. These contracts are valued at market based upon the foreign currency exchange rates in effect at the balance sheet dates. Increases and decreases in the value of these contracts are recorded in investments along with the corresponding instruments being hedged. Related unrealized gains and losses are recorded, net of applicable income taxes, to stockholders' equity until the related investment is sold or matures, at which time they are recorded in income. Realized gains and losses on the settlement of forward contracts used to hedge foreign currency investments held as of the balance sheet dates are deferred and included in stockholders' equity until such time as the corresponding investments are sold or mature.

Commodity Hedging--The company uses established petroleum futures exchanges, as well as over-the-counter markets, to hedge a portion of the market risks associated with its crude oil, natural gas and petroleum product purchases, sales and exchange activities. All such transactions are subject to the company's corporate risk management policies which prohibit speculative positions, set dollar, volumetric and term limits on the contracts that can be executed and require management approvals as set forth in the company's delegations of authority. Hedge positions are marked-to-market on a daily basis for valuation purposes.

Forwards, options and swaps and other derivatives are used as hedge instruments to reduce the company's exposure to price volatility. These instruments may be used to establish margins, costs or revenues, and may be used in conjunction with specifically identified transactions, projected purchases/sales of inventory, or processing operations. In some cases, selection of an over-the-counter hedge instrument can be advantageous in comparison with futures exchange hedge instruments because the over-the-counter instrument can be created to achieve specific hedging objectives and, therefore, afford the company greater flexibility. In implementing its hedging program, the company analyzes the sensitivity of its commodity-based cash flows to market price changes. Based on this market risk profile, as well as trends in prices and overall business objectives, a determination is made as to the appropriate hedging strategy.

Gains and losses on hedge instruments, which offset losses and gains on the underlying cash market transaction, are recorded to deferred income or charges until the hedged transaction is closed or anticipated future purchase or sale of inventory or production occurs. At that time, any gain or loss on the hedging contract is recorded in operating revenues.

Over-the-counter hedge positions, including forwards, options, swaps and other derivative products, expose the company to counterparty credit risk. However, because the contracts are placed with parties whose creditworthiness has been predetermined in accordance with the company's credit policy, non-performance by any counterparty is not anticipated. Such over-the-counter commodity contracts do not expose the company to any concentrations of credit risk because of the multiple counterparties to the transactions and dollar limits incorporated in risk management policies.

At December 31, 1994 and 1993, there were open derivative commodity contracts required to be settled in cash, consisting mostly of swaps. Notional contract amounts, excluding unrealized gains and losses, were \$511 million and \$560 million, respectively, at year-end 1994 and 1993. These amounts principally represent future values of contract volumes over the remaining duration of outstanding swap contracts at the respective dates. These contracts hedge a small fraction of the company's business activities generally for the next twelve months. Unrealized gains and losses on contracts outstanding at year-end 1994 and 1993 were not material.

Financial Guarantees

The company has guaranteed the payment of certain debt and other obligations of third parties and affiliates. These guarantees totaled \$176 million and \$154 million at December 31, 1994 and 1993, respectively.

Exposure to credit risk in the event of non-payment by the obligors is represented by the contractual amount of these instruments. No loss is anticipated under these guarantees.

Throughput Agreements

Texaco Inc. and certain of its subsidiary companies have entered into certain long-term agreements wherein they have committed either to ship through affiliated pipeline companies and an offshore oil port, or to refine at an affiliated refining company a sufficient volume of crude oil or petroleum products to enable these affiliated companies to meet a specified portion of

their individual debt obligations, or, in lieu thereof, to advance sufficient funds to enable these affiliated companies to meet these obligations. Additionally, Texaco has entered into long-term purchase commitments with third parties for take or pay gas transportation. The company's maximum exposure to loss was \$726 million and \$765 million at December 31, 1994 and 1993, respectively.

However, based on Texaco's right of counterclaim against third parties in the event of nonperformance, Texaco's net exposure was approximately \$561 million and \$590 million at December 31, 1994 and 1993, respectively.

No losses are anticipated as a result of the above obligations.

Other Commitments

At December 31, 1994 and 1993, minority holders owned \$537 million and \$425 million, respectively, of preferred stock of subsidiaries. Such amounts are reflected in minority interest in subsidiary companies in the Consolidated Balance Sheet. Such preferred stock currently requires annual dividend payments of approximately \$27 million. At present, Texaco is required to redeem \$75 million of this preferred stock in 2003, \$112 million in 2024 and \$350 million in 2043. The company has the ability to extend the required redemption dates for the \$112 million and \$350 million of preferred stock beyond 2024 and 2043, respectively. For additional information regarding preferred stock of subsidiary companies, refer to Note 15.

NOTE 17. CONTINGENT LIABILITIES

INTERNAL REVENUE SERVICE CLAIMS

During 1989, Texaco commenced an action in the United States Tax Court (Tax Court), to challenge certain claimed increases in the company's 1979-1982 Federal income tax liability. The company's action contested, among other items, an Internal Revenue Service (IRS) claim that during the 1979-1981 years, Texaco should be taxed as if it had resold Saudi crude oil at prices higher than those mandated by the Saudi Arab Government (Aramco Advantage issue).

On December 22, 1993, the Tax Court issued an opinion upholding the company's position on the Aramco Advantage issue. The Tax Court held that the IRS was barred from taxing the company on income never received, and which could only have been received by violating Saudi law. Finding that the Saudi Arab Government's mandate represented the sovereign law of that country, the Tax Court determined that the company was required to comply with the Saudi Arab Government's mandate and did in fact observe it. The IRS has indicated it intends to appeal the decision following the entry of the Tax Court's decision as to the correct amount of Texaco's 1979-1982 Federal income tax liability. All other issues relating to the 1979-1982 years have been resolved by trial or settlement.

In March 1988, prior to the commencement of the Tax Court action, the company, as a condition of its emergence from Chapter 11 proceedings, agreed to make certain cash deposits with the IRS in contemplation of potential tax claims (Deposit Fund). From time to time, the company has applied Deposit Fund amounts to final liabilities agreed upon by the company and the IRS for income tax and windfall profit tax years of Texaco and Getty not involved in the Tax Court litigation. A portion of the Deposit Fund also will be applied to issues settled in the 1979-1982 litigation years. After satisfaction of all liabilities associated with settled issues, it is anticipated that in excess of \$700 million will remain in the Deposit Fund and continue to accrue interest. If the company ultimately prevails on the appeal of the Aramco Advantage issue, the amount remaining in the Deposit Fund will be refunded to the company, with interest.

In the company's opinion, while it is impossible to ascertain the ultimate legal and financial liability with respect to the above-mentioned and other contingent liabilities and commitments, including lawsuits, claims, guarantees, taxes and regulations, the aggregate amount of such liability in excess of financial reserves, together with deposits and prepayments made against disputed tax claims, is not anticipated to be materially important in relation to the consolidated financial position or results of operations of Texaco Inc. and its subsidiaries.

NOTE 18. FINANCIAL DATA BY GEOGRAPHIC AREA

Texaco Inc. and its subsidiary companies, together with affiliates, represent a vertically integrated enterprise principally engaged in the worldwide exploration for and production, transportation, refining and marketing of crude oil, natural gas and petroleum products, as well as nonpetroleum operations such as insurance and alternate energy activities. Intergeographic sales and services shown are based on prices which are generally representative of market prices or arm's-length negotiated prices.

Operating profit represents total sales and services as shown on the Statement of Consolidated Income less operating costs and expenses, net of income taxes. Corporate/nonoperating includes interest income and expense, dividends, general corporate expenses and other nonoperating items, net of income taxes. Equity in income or losses of partnership joint venture companies is reflected net of taxes, since this income is directly taxable to Texaco.

Identifiable assets are those from continuing operations which can be directly identified or associated with operations which have been geographically segregated. Net assets of discontinued operations (see Note 4) for the years 1994 and 1993 and identifiable assets of discontinued operations for the year 1992 are reflected in corporate/nonoperating to conform to the presentation of net income (loss) from discontinued operations. Investments in affiliates pertain to those affiliates which are accounted for on the equity method. Investments in affiliates relating to discontinued operations are reflected in corporate/nonoperating. Corporate assets include cash and cash investments, as well as receivables, properties, plant and equipment and other assets which are corporate in nature.

(Millions of dollars)	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Corporate/Nonoperating*	Consolidated
YEAR 1994						
Sales and services						
Outside	\$15,936	\$4,710	\$8,479	\$3,415	\$ --	\$32,540
Intergeographic	335	198	764	43	(1,340)	--
Total sales and services	\$16,271	\$4,908	\$9,243	\$3,458	\$(1,340)	\$32,540
Net income (loss)						
Operating profit	\$ 522	\$ 104	\$ 65	\$ 67	\$ --	\$ 758
Equity in income of affiliates	134	6	1	353	--	494
Corporate/nonoperating	--	--	--	--	(273)	(273)
Net income (loss) before discontinued operations	656	110	66	420	(273)	979
Discontinued operations	--	--	--	--	(69)	(69)
Total net income (loss)	\$ 656	\$ 110	\$ 66	\$ 420	\$(342)	\$ 910
Identifiable assets	\$11,851	\$1,587	\$4,641	\$1,180	\$ --	\$19,259
Net assets of discontinued operations	--	--	--	--	195	195
Investments in affiliates	1,144	26	370	2,366	--	3,906
Corporate assets	--	--	--	--	2,145	2,145
Total assets	\$12,995	\$1,613	\$5,011	\$3,546	\$ 2,340	\$25,505
YEAR 1993						
Sales and services						
Outside	\$17,417	\$4,245	\$8,416	\$3,167	\$ --	\$33,245
Intergeographic	289	241	725	43	(1,298)	--
Total sales and services	\$17,706	\$4,486	\$9,141	\$3,210	\$(1,298)	\$33,245
Net income (loss)						
Operating profit	\$ 562	\$ 107	\$ 245	\$ 24	\$ --	\$ 938
Equity in income of affiliates	146	8	8	368	--	530
Corporate/nonoperating	--	--	--	--	(209)	(209)
Net income (loss) before discontinued operations	708	115	253	392	(209)	1,259
Discontinued operations	--	--	--	--	(191)	(191)
Total net income (loss)	\$ 708	\$ 115	\$ 253	\$ 392	\$(400)	\$ 1,068
Identifiable assets	\$12,603	\$1,435	\$4,556	\$1,107	\$ --	\$19,701
Net assets of discontinued operations	--	--	--	--	1,180	1,180
Investments in affiliates	1,171	29	388	2,153	--	3,741
Corporate assets	--	--	--	--	2,004	2,004
Total assets	\$13,774	\$1,464	\$4,944	\$3,260	\$ 3,184	\$26,626
YEAR 1992						
Sales and services						
Outside	\$18,651	\$4,023	\$9,295	\$3,718	\$ --	\$35,687
Intergeographic	223	233	695	152	(1,303)	--
Total sales and services	\$18,874	\$4,256	\$9,990	\$3,870	\$(1,303)	\$35,687
Net income (loss)						
Operating profit (loss)	\$ 714	\$ (39)	\$ 300	\$ 66	\$ --	\$ 1,041
Equity in income of affiliates	95	8	22	341	--	466
Corporate/nonoperating	--	--	--	--	(469)	(469)
Net income (loss) before discontinued operations and cumulative effect of accounting changes	809	(31)	322	407	(469)	1,038
Discontinued operations	--	--	--	--	(26)	(26)
Cumulative effect of accounting changes	--	--	--	--	(300)	(300)
Total net income (loss)	\$ 809	\$ (31)	\$ 322	\$ 407	\$(795)	\$ 712
Identifiable assets	\$12,596	\$1,452	\$4,093	\$1,147	\$ --	\$19,288
Identifiable assets of discontinued operations	--	--	--	--	1,409	1,409
Investments in affiliates	1,128	29	387	1,921	3	3,468
Corporate assets	--	--	--	--	1,827	1,827
Total assets	\$13,724	\$1,481	\$4,480	\$3,068	\$ 3,239	\$25,992

*Includes intergeographic sales and services eliminations.

REPORT OF MANAGEMENT

Texaco Inc. and Subsidiary Companies

The consolidated financial statements are the responsibility of the management of Texaco Inc. They were prepared in accordance with generally accepted accounting principles and are, in part, based on certain estimates and judgments, as required. Other information contained in this Annual Report is presented on a basis consistent with the financial statements.

To meet these responsibilities, it is Texaco's long-established corporate policy to maintain a control conscious environment and an effective internal control system throughout its worldwide operations. Included in this system are Corporate Conduct Guidelines which require that all employees maintain the highest level of ethical standards. The internal control system provides reasonable assurance that assets are safeguarded against unauthorized acquisition, use or disposition, and that financial records are accurately and objectively maintained, thus serving as a reliable basis for the preparation of financial statements. This system is augmented by written policies and procedures and an organizational structure that provides for an appropriate division of responsibility. Management personnel are required to formally certify each year that an effective internal control system is maintained. The internal controls are complemented by Texaco's internal auditors who conduct regular and extensive internal audits throughout the company. In addition, the independent public accounting firm of Arthur Andersen LLP is engaged to provide an objective, independent audit of the company's financial statements. Their accompanying report is based on an audit conducted in accordance with generally accepted auditing standards, which included obtaining a sufficient understanding of the company's internal controls to plan their audit and determine the nature, timing and extent of audit tests to be performed. In conducting their audits, both the internal and independent auditors have access to the minutes of all meetings of the company's Board of Directors. The appointment of the independent auditors is presented to the stockholders for approval at each Annual Meeting of the Stockholders.

The Board of Directors of Texaco Inc. maintains an Audit Committee which has been in place since 1939. This Committee, currently comprised of five nonemployee Directors, met two times in 1994. Depending on the nature of the matters under review, the independent auditors, as well as certain officers and employees of the company, may attend all or part of a meeting. The Committee reviews and evaluates the company's accounting policies and reporting practices, internal auditing, internal controls, security procedures and other matters deemed appropriate. The Audit Committee also reviews the performance of Arthur Andersen LLP in their audit of Texaco's financial statements and evaluates their independence and professional competence, as well as the scope of their audit. Both the internal and independent auditors have unrestricted access to the Audit Committee to discuss the results of their audits and the quality of the company's financial reporting and internal control system.

(Alfred C. DeCrane, Jr.)
Alfred C. DeCrane, Jr.
Chairman of the Board and
Chief Executive Officer

(William C. Bousquette)
William C. Bousquette
Senior Vice President and
Chief Financial Officer

(Robert C. Oelkers)
Robert C. Oelkers
Comptroller

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ARTHUR ANDERSEN LLP

To the Stockholders, Texaco Inc.:

We have audited the accompanying consolidated balance sheet of Texaco Inc. (a Delaware corporation) and subsidiary companies as of December 31, 1994 and 1993, and the related statements of consolidated income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1994. 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 in accordance with generally accepted auditing standards. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texaco Inc. and subsidiary companies as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the Consolidated Financial Statements, effective January 1, 1992, the company changed its methods of accounting for income taxes and postretirement benefits other than pensions.

(Arthur Andersen LLP)

February 23, 1995
New York, N.Y.

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SUPPLEMENTAL OIL AND GAS INFORMATION

Texaco Inc. and Subsidiary Companies

The following information for Texaco Inc. and consolidated subsidiaries, as well as Texaco's equity in P.T. Caltex Pacific Indonesia (CPI), a 50%-owned affiliate operating in Other Eastern Hemisphere areas, is presented in accordance with Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities" (SFAS 69).

In July 1994 as part of its plan for growth, Texaco announced it would sell or trade approximately 50% of its more than 600 producing fields in the United States. Future activities will be focused on those remaining core U.S. oil and gas assets which account for more than 90 percent of the producing profits, cash flow, production and reserve base in the United States. The information presented below includes applicable amounts relating to assets classified as "Assets under agreements for sale" in the December 31, 1994 Consolidated Balance Sheet.

ESTIMATED PROVED RESERVES

Volumes reported for proved liquid and gas reserves are based upon reasonable estimates. These estimates are consistent with current knowledge of the characteristics and production history of the reserves. Although they are based upon sound geological and engineering principles, by their very nature, such estimates are subject to upward and downward revision as additional information about producing fields and technology becomes available. Reported volumes include only such reserves as can reasonably be classified as proved. Net reserves represent the volumes estimated to be available after deduction of the royalty interests of others from gross reserves. In addition to reported reserves, Texaco has a large inventory of potential reserves that will add to the company's proved reserve base as future investments are made in exploration and development programs.

CPI's estimated liquids reserves include volumes projected to be recovered as reimbursement for a portion of costs incurred. Accordingly, these volumes will fluctuate annually with the price of crude oil. CPI's natural gas production is all consumed in its operations.

Annually, Texaco Inc. provides information concerning oil and gas reserves to the U.S. Department of Energy and to certain governmental bodies. Such information is compatible with the information presented in this Annual Report.

During 1994, reserve increases, including equity and excluding purchases and sales, replaced 111% of worldwide combined oil and gas production. Of such reserve replacements, 78% were additions comprised of new fields, new sands, new plants, extensions, and improved recovery, and 22% were comprised of revisions to previous estimates. During the three-year period 1992-1994, Texaco's reserve increases were 106% of worldwide production. During this period, additions accounted for 68% of reserve increases and revisions accounted for 32%. During the five-year period 1990-1994, Texaco's reserve increases were 107% of worldwide production. During this period, additions accounted for 66% of reserve increases and revisions accounted for 34%. Increases in proved reserves during 1994 were primarily due to the following:

In the United States, liquid reserves were added through drilling that extended the productive limits of existing fields in California, Illinois, Louisiana, New Mexico, and Texas. Other liquid reserve increases from drilling resulted from the discovery of new productive formations in Texas and onshore and offshore Loui-

siana and from new fields discovered offshore Louisiana. Additional liquid reserve increases also resulted from extending the life of various gas plant contracts in Texas and New Mexico, from improved recovery at a steamflood project in California, as well as from upward revisions that resulted from improved performance of gas plants in Louisiana, Oklahoma, and Texas. Additions to natural gas reserves resulted from drilling offshore Louisiana and Alabama and onshore Texas and Wyoming. Upward revisions to gas volumes resulted from the utilization of lower abandonment pressure at an offshore Louisiana field and improved performance at offshore gas fields in Louisiana and Texas. The liquids and natural gas sales of minerals-in-place were principally comprised of numerous smaller economically marginal properties that did not fit into Texaco's business goals.

Outside the United States, in the Other Western Hemisphere area, liquids reserve additions mainly reflect extensions at an onshore field in Canada from additional drilling, as well as upward revisions that reflect improved performance at a Colombia onshore field and also from a successful workover program at an offshore field in Trinidad. Natural gas additions were from drilling at several Canadian fields, as well as upward revisions from the successful workover program at the offshore Trinidad field. In the Europe area, significant increases in liquid reserves were from new fields, new sands, and extensions, as well as upward revisions resulting from improved performance and additional drilling at several fields--all offshore in the United Kingdom sector of the North Sea. Additional volumes of liquids were added from improved recovery at a field in the Danish sector of the North Sea. Additions of European gas reserves were from two new offshore fields and from new sands discovered at a third offshore field--all in the United Kingdom portion of the North Sea. In the Other Eastern Hemisphere area, liquids reserves were added from extensions as a result of additional drilling at two fields in the Partitioned Neutral Zone between Saudi Arabia and Kuwait, and at a field in Indonesia. A waterflood project in Indonesia added liquids reserves from improved recovery. Affiliate liquids reserves were increased due to the continued improved performance and additional development of both steamflood and waterflood projects in Indonesia. Affiliate gas reserves were increased from new sands discovered in several fields located in Indonesia.

During 1995, Texaco expects that net production of natural gas will approximate 2,185 million cubic feet per day. This estimate is based upon past performance and on the assumption that such

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gas quantities can be produced under operating and economic conditions existing at December 31, 1994. Possible future changes in prices or world economic conditions were not factored into this estimate. These expected production volumes, together with normal related supply arrangements, are sufficient to meet anticipated delivery requirements under contractual arrangements. Approximately 33% of Texaco's proved natural gas reserves in the United States as of December 31, 1994, 1993 and 1992 were covered by long-term sales contracts. These agreements are primarily priced at market.

ESTIMATED NET PROVED DEVELOPED AND UNDEVELOPED RESERVES OF CRUDE OIL

(Millions of barrels)	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
As of December 31, 1991	1,359	100	239	396	2,094	397	2,491
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	14	2	4	11	31	40	71
Improved recovery	32	--	19	--	51	35	86
Revisions of previous estimates	37	(2)	19	17	71	4	75
Purchases of minerals-in-place	--	1	--	--	1	--	1
Sales of minerals-in-place	(10)	--	--	--	(10)	--	(10)
Production	(127)	(16)	(25)	(30)	(198)	(44)	(242)
As of December 31, 1992*	1,305	85	256	394	2,040	432	2,472
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	36	1	50	8	95	1	96
Improved recovery	37	--	9	--	46	52	98
Revisions of previous estimates	37	(2)	3	14	52	18	70
Purchases of minerals-in-place	1	--	--	--	1	--	1
Sales of minerals-in-place	(15)	(3)	(5)	--	(23)	--	(23)
Production	(123)	(7)	(28)	(36)	(194)	(47)	(241)
As of December 31, 1993*	1,278	74	285	380	2,017	456	2,473
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	29	2	66	71	168	--	168
Improved recovery	21	--	7	7	35	24	59
Revisions of previous estimates	5	5	4	10	24	16	40
Sales of minerals-in-place	(9)	(2)	(5)	--	(16)	--	(16)
Production	(119)	(7)	(41)	(41)	(208)	(57)	(265)

As of December 31, 1994*	1,205	72	316	427	2,020	439	2,459
*Includes net proved developed reserves							
As of December 31, 1992	1,047	73	115	350	1,585	319	1,904
As of December 31, 1993	991	67	123	347	1,528	354	1,882
As of December 31, 1994	947	68	152	365	1,532	356	1,888

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ESTIMATED NET PROVED DEVELOPED AND UNDEVELOPED RESERVES OF NATURAL GAS LIQUIDS

(Millions of barrels)	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
As of December 31, 1991	188	1	26	--	215	5	220
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	4	--	--	--	4	1	5
Improved recovery	1	--	--	--	1	--	1
Revisions of previous estimates	34	1	1	--	36	--	36
Sales of minerals-in-place	(1)	--	--	--	(1)	--	(1)
Production	(31)	--	(2)	--	(33)	--	(33)
As of December 31, 1992*	195	2	25	--	222	6	228
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	5	--	--	--	5	--	5
Revisions of previous estimates	15	(1)	3	--	17	(1)	16
Sales of minerals-in-place	(3)	--	--	--	(3)	--	(3)
Production	(32)	--	(2)	--	(34)	--	(34)
As of December 31, 1993*	180	1	26	--	207	5	212
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	32	--	3	--	35	--	35
Revisions of previous estimates	12	--	1	--	13	1	14
Sales of minerals-in-place	(4)	--	--	--	(4)	--	(4)
Production	(29)	--	(3)	--	(32)	--	(32)
As of December 31, 1994*	191	1	27	--	219	6	225
*Includes net proved developed reserves							
As of December 31, 1992	189	1	8	--	198	5	203
As of December 31, 1993	174	1	7	--	182	5	187
As of December 31, 1994	182	1	11	--	194	5	199

GRAND TOTAL RESERVES OF CRUDE OIL AND NATURAL GAS LIQUIDS

As of December 31, 1992	1,500	87	281	394	2,262	438	2,700
As of December 31, 1993	1,458	75	311	380	2,224	461	2,685
As of December 31, 1994	1,396	73	343	427	2,239	445	2,684

ESTIMATED NET PROVED DEVELOPED AND UNDEVELOPED RESERVES OF NATURAL GAS

(Billions of cubic feet)	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
As of December 31, 1991	4,697	683	664	84	6,128	149	6,277
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	230	14	2	4	250	20	270
Improved recovery	29	--	5	--	34	7	41
Revisions of previous estimates	332	5	3	(3)	337	(1)	336
Purchases of minerals-in-place	1	23	--	--	24	--	24
Sales of minerals-in-place	(91)	(15)	--	--	(106)	--	(106)
Production	(672)	(55)	(26)	(2)	(755)	(17)	(772)
As of December 31, 1992**	4,526	655	648	83	5,912	158	6,070
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	344	128	110	1	583	--	583
Improved recovery	26	6	4	--	36	--	36
Revisions of previous estimates	257	--	149	(37)	369	--	369
Purchases of minerals-in-place	2	4	--	1	7	--	7
Sales of minerals-in-place	(174)	(14)	--	(1)	(189)	--	(189)

Production	(652)	(57)	(36)	(3)	(748)	(18)	(766)
As of December 31, 1993**	4,329	722	875	44	5,970	140	6,110
Increase (decrease) attributable to:							
Extensions, discoveries and other additions	522	17	71	--	610	26	636
Improved recovery	2	--	2	1	5	--	5
Revisions of previous estimates	260	22	15	4	301	(5)	296
Purchases of minerals-in-place	--	9	--	1	10	--	10
Sales of minerals-in-place	(61)	(1)	(20)	--	(82)	--	(82)
Production	(645)	(57)	(66)	(3)	(771)	(11)	(782)
As of December 31, 1994**	4,407	712	877	47	6,043	150	6,193
**Includes net proved developed reserves							
As of December 31, 1992	4,064	589	216	74	4,943	150	5,093
As of December 31, 1993	3,971	575	362	41	4,949	128	5,077
As of December 31, 1994	3,899	558	465	44	4,966	133	5,099

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CAPITALIZED COSTS

Capitalized costs represent cumulative expenditures for proved and unproved properties and support equipment and facilities used in oil and gas exploration and producing operations together with related accumulated depreciation, depletion and amortization (including aggregate provisions for restoration and abandonment costs, net of such costs expended to date).

(Millions of dollars)	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
As of December 31, 1994							
Proved properties	\$ 18,103	\$ 544	\$ 3,483	\$ 1,202	\$ 23,332	\$ 805	\$ 24,137
Unproved properties	361	23	182	96	662	353	1,015
Support equipment and facilities	371	40	117	98	626	455	1,081
Gross capitalized costs	18,835	607	3,782	1,396	24,620	1,613	26,233
Accumulated depreciation, depletion and amortization	(12,723)	(384)	(2,254)	(812)	(16,173)	(699)	(16,872)
Net capitalized costs	\$ 6,112	\$ 223	\$ 1,528	\$ 584	\$ 8,447	\$ 914	\$ 9,361
As of December 31, 1993							
Proved properties	\$ 18,442	\$ 549	\$ 3,232	\$ 1,094	\$ 23,317	\$ 694	\$ 24,011
Unproved properties	434	23	258	80	795	356	1,151
Support equipment and facilities	373	48	114	90	625	439	1,064
Gross capitalized costs	19,249	620	3,604	1,264	24,737	1,489	26,226
Accumulated depreciation, depletion and amortization	(12,837)	(394)	(2,018)	(643)	(15,892)	(629)	(16,521)
Net capitalized costs	\$ 6,412	\$ 226	\$ 1,586	\$ 621	\$ 8,845	\$ 860	\$ 9,705

COSTS INCURRED

Costs incurred represent amounts capitalized or charged against income as expended. Property acquisition costs include costs to purchase or lease proved and unproved properties. Exploration costs include the costs of geological and geophysical work, carrying and retaining undeveloped properties and drilling and equipping exploratory wells. Development costs include expenditures to drill and equip development wells; to provide improved recovery systems; to construct facilities for extraction, treating, gathering and storing liquids and natural gas; and to maintain producing facilities for existing developed reserves. Exploration and development costs include applicable depreciation of support equipment and facilities used in those activities, rather than the expenditures to acquire such assets.

(Millions of dollars)	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
For the year ended December 31, 1994							
Proved property acquisition	\$ 5	\$ 2	\$ --	\$ --	\$ 7	\$ --	\$ 7
Unproved property acquisition	13	2	--	33	48	--	48

Exploration	165	19	58	110	352	9	361
Development	729	43	253	108	1,133	129	1,262
Total	\$912	\$66	\$311	\$251	\$1,540	\$138	\$1,678
For the year ended December 31, 1993							
Proved property acquisition	\$ 15	\$ 2	\$ --	\$ 3	\$ 20	\$ --	\$ 20
Unproved property acquisition	15	1	--	8	24	--	24
Exploration	157	9	141	111	418	10	428
Development	690	29	299	119	1,137	137	1,274
Total	\$877	\$41	\$440	\$241	\$1,599	\$147	\$1,746
For the year ended December 31, 1992							
Proved property acquisition	\$ 9	\$ 3	\$ --	\$ --	\$ 12	\$ --	\$ 12
Unproved property acquisition	11	--	--	7	18	--	18
Exploration	162	55	85	114	416	9	425
Development	639	39	485	87	1,250	171	1,421
Total	\$821	\$97	\$570	\$208	\$1,696	\$180	\$1,876

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RESULTS OF OPERATIONS--OIL AND GAS EXPLORATION AND PRODUCING ACTIVITIES

The results below solely relate to Texaco's exploration for and net production of liquids and natural gas reserves. They exclude special items and operating earnings related to the sale of purchased oil and gas, equity earnings of certain affiliates, liquids and gas trading activity, general overhead, and miscellaneous operating income. Related estimated income tax expense was computed by applying the statutory income tax rates, including state and local income taxes, to the pre-tax results of operations and reflects applicable credits and allowances.

(Millions of dollars)	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
For the year ended December 31, 1994							
Gross revenues from:							
Sales and transfers to affiliates and to divisions and subsidiaries within Texaco	\$ 2,672	\$ --	\$ 336	\$ 491	\$ 3,499	\$ 514	\$ 4,013
Sales to unaffiliated entities	403	129	448	113	1,093	24	1,117
Production costs	(1,100)	(37)	(325)	(198)	(1,660)	(163)	(1,823)
Exploration expenses	(115)	(17)	(53)	(115)	(300)	(9)	(309)
Depreciation, depletion and amortization	(934)	(29)	(295)	(96)	(1,354)	(74)	(1,428)
Other expenses	(249)	(8)	--	(27)	(284)	(27)	(311)
Results before estimated income taxes	677	38	111	168	994	265	1,259
Estimated income taxes	(217)	(32)	(43)	(130)	(422)	(131)	(553)
Net results	\$ 460	\$ 6	\$ 68	\$ 38	\$ 572	\$ 134	\$ 706
For the year ended December 31, 1993							
Gross revenues from:							
Sales and transfers to affiliates and to divisions and subsidiaries within Texaco	\$ 2,945	\$ --	\$ 184	\$ 457	\$ 3,586	\$ 486	\$ 4,072
Sales to unaffiliated entities	464	130	350	98	1,042	23	1,065
Production costs	(1,203)	(50)	(252)	(205)	(1,710)	(146)	(1,856)
Exploration expenses	(102)	(13)	(76)	(92)	(283)	(9)	(292)
Depreciation, depletion and amortization	(967)	(28)	(164)	(93)	(1,252)	(64)	(1,316)
Other expenses	(213)	(11)	--	(21)	(245)	(4)	(249)
Results before estimated income taxes	924	28	42	144	1,138	286	1,424
Estimated income taxes	(303)	(23)	(6)	(115)	(447)	(152)	(599)
Net results	\$ 621	\$ 5	\$ 36	\$ 29	\$ 691	\$ 134	\$ 825
For the year ended December 31, 1992							
Gross revenues from:							
Sales and transfers to affiliates and to divisions and subsidiaries within Texaco	\$ 3,136	\$ 55	\$ 151	\$ 495	\$ 3,837	\$ 536	\$ 4,373
Sales to unaffiliated entities	440	167	389	12	1,008	19	1,027
Production costs	(1,281)	(87)	(261)	(173)	(1,802)	(138)	(1,940)
Exploration expenses	(107)	(55)	(73)	(102)	(337)	(8)	(345)
Depreciation, depletion and amortization	(975)	(41)	(104)	(72)	(1,192)	(53)	(1,245)
Other expenses	(244)	(26)	--	(22)	(292)	(20)	(312)
Results before estimated income taxes	969	13	102	138	1,222	336	1,558
Estimated income taxes	(321)	(26)	2	(125)	(470)	(182)	(652)
Net results	\$ 648	\$ (13)	\$ 104	\$ 13	\$ 752	\$ 154	\$ 906

AVERAGE SALES PRICES AND PRODUCTION COSTS--PER UNIT

Average sales prices per unit are based upon the gross revenues reported in the Results of Operations--Oil and Gas Exploration and Producing Activities table. Average production costs per composite barrel include related depreciation, depletion and amortization of support equipment and facilities. It also includes cash lifting costs, excluding payments for royalties and income taxes. However, users of this information are cautioned that such income taxes and royalties substantially add to the total cost of producing operations and substantially reduce the profitability and cash flow from such operations.

	Average sales prices						Average production costs (per composite barrel)		
	1994		1993		1992		1994	1993	1992
	Crude oil and natural gas liquids per barrel	Natural gas per thousand cubic feet	Crude oil and natural gas liquids per barrel	Natural gas per thousand cubic feet	Crude oil and natural gas liquids per barrel	Natural gas per thousand cubic feet			
United States	\$12.81	\$1.87	\$13.61	\$2.07	\$15.50	\$1.73	\$4.33	\$4.60	\$4.77
Other Western Hemisphere	10.94	.87	11.11	.89	11.21	.78	2.41	3.06	3.69
Europe	15.24	2.17	16.06	2.33	18.69	2.36	6.01	8.58	8.56
Other Eastern Hemisphere	14.65	2.70	15.18	2.58	17.83	2.89	4.92	5.49	6.17
Affiliate--Other Eastern Hemisphere	11.96	--	13.45	--	14.21	--	3.13	3.21	3.19

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The following table shows estimated future net cash flows from future production of net developed and undeveloped proved reserves of crude oil, natural gas liquids and natural gas; therefore, reserves exclude the royalty interests of others. As prescribed by SFAS 69, such future net cash flows were estimated using year-end prices, costs, and tax rates, and a 10% annual discount factor. Future production costs are based upon current year costs used uniformly throughout the life of the reserves. Future development costs include restoration and abandonment costs, net of residual salvage value. Estimated future income taxes were computed by applying the statutory income tax rates, including state and local taxes, to the future pre-tax net cash flows less appropriate tax deductions, giving effect to tax credits. Effective tax rates were used for certain foreign areas.

Texaco is presenting this information in accordance with the requirements of SFAS 69 and has exercised all due care in developing the data. It is necessary to caution investors and other users of the information to avoid its simplistic use. While the intent of this disclosure is to provide a common benchmark to help financial statement users project future cash flows and compare companies, users should note the following: data in this table excludes the effect of future changes in prices, costs, and tax rates which past experience indicates will occur. Such future changes could significantly impact the disclosed discounted net cash flows. The data also excludes the estimated net cash flows from reserves that are yet to be proved. Extensive judgment is used to estimate the timing of production and future costs over the remaining life of the reserves utilized in developing this disclosure. Values can be distorted by the use of year-end prices that may reflect seasonal factors or unpredictable distortions from wars and other significant world events. For all the preceding reasons, this disclosure is not necessarily indicative of Texaco's perception of the future cash flows to be derived from underground reserves.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

	Texaco Inc. and Consolidated Subsidiaries					Equity	Total
	United States	Other Western Hemisphere	Europe	Other Eastern Hemisphere	Worldwide	Affiliate-Other Eastern Hemisphere	
(Millions of dollars)							
As of December 31, 1994							
Future cash inflows from sale of oil and gas	\$ 26,545	\$1,568	\$ 6,933	\$ 6,006	\$ 41,052	\$ 4,664	\$ 45,716
Future production costs	(9,374)	(609)	(2,434)	(2,567)	(14,984)	(1,393)	(16,377)
Future development costs	(3,011)	(134)	(1,372)	(354)	(4,871)	(193)	(5,064)
Future income tax expense	(3,968)	(361)	(966)	(2,229)	(7,524)	(1,632)	(9,156)

Net future cash flows before discount	10,192	464	2,161	856	13,673	1,446	15,119
10% discount for timing of future cash flows	(4,313)	(155)	(814)	(271)	(5,553)	(554)	(6,107)
Standardized measure: discounted future net cash flows	\$ 5,879	\$ 309	\$ 1,347	\$ 585	\$ 8,120	\$ 892	\$ 9,012
As of December 31, 1993							
Future cash inflows from sale of oil and gas	\$ 24,897	\$1,373	\$ 5,444	\$ 4,044	\$ 35,758	\$ 4,113	\$ 39,871
Future production costs	(10,678)	(774)	(3,023)	(1,879)	(16,354)	(1,573)	(17,927)
Future development costs	(2,831)	(166)	(1,060)	(418)	(4,475)	(636)	(5,111)
Future income tax expense	(3,060)	(156)	(487)	(1,228)	(4,931)	(1,009)	(5,940)
Net future cash flows before discount	8,328	277	874	519	9,998	895	10,893
10% discount for timing of future cash flows	(3,231)	(113)	(305)	(168)	(3,817)	(349)	(4,166)
Standardized measure: discounted future net cash flows	\$ 5,097	\$ 164	\$ 569	\$ 351	\$ 6,181	\$ 546	\$ 6,727
As of December 31, 1992							
Future cash inflows from sale of oil and gas	\$ 31,609	\$1,669	\$ 5,917	\$ 5,485	\$ 44,680	\$ 5,154	\$ 49,834
Future production costs	(11,487)	(827)	(2,541)	(1,615)	(16,470)	(1,780)	(18,250)
Future development costs	(3,128)	(120)	(959)	(400)	(4,607)	(631)	(5,238)
Future income tax expense	(5,173)	(303)	(966)	(2,476)	(8,918)	(1,399)	(10,317)
Net future cash flows before discount	11,821	419	1,451	994	14,685	1,344	16,029
10% discount for timing of future cash flows	(4,741)	(176)	(517)	(357)	(5,791)	(522)	(6,313)
Standardized measure: discounted future net cash flows	\$ 7,080	\$ 243	\$ 934	\$ 637	\$ 8,894	\$ 822	\$ 9,716

CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

(Millions of dollars)	Texaco Inc. and Consolidated Subsidiaries-Worldwide			Total Including Equity in Affiliate-Other Eastern Hemisphere		
	1994	1993	1992	1994	1993	1992
Standardized measure--Beginning of year	\$ 6,181	\$ 8,894	\$ 7,785	\$ 6,727	\$ 9,716	\$ 8,606
Sales of minerals-in-place	(104)	(211)	(115)	(104)	(211)	(115)
Changes in ongoing oil and gas operations:	6,077	8,683	7,670	6,623	9,505	8,491
Sales and transfers of produced oil and gas, net of production costs during the period	(2,932)	(2,918)	(3,043)	(3,307)	(3,281)	(3,460)
Net changes in prices, production and development costs	3,024	(5,512)	1,182	3,707	(6,001)	788
Extensions, discoveries and improved recovery, less related costs	1,355	955	541	1,479	963	763
Development costs incurred during the period	1,133	1,137	1,250	1,262	1,274	1,421
Timing of production and other changes	(618)	(488)	(551)	(648)	(564)	(488)
Revisions of previous quantity estimates	537	725	1,129	626	787	1,111
Purchases of minerals-in-place	7	6	12	7	6	12
Accretion of discount	907	1,398	1,234	1,023	1,566	1,420
Net change in discounted future income taxes	(1,370)	2,195	(530)	(1,760)	2,472	(342)
Standardized measure--End of year	\$ 8,120	\$ 6,181	\$ 8,894	\$ 9,012	\$ 6,727	\$ 9,716

Texaco Inc. 1994 Annual Report to Stockholders page 68.

SELECTED FINANCIAL DATA

Texaco Inc. and Subsidiary Companies

SELECTED QUARTERLY FINANCIAL DATA

(Millions of dollars)	1994				1993			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
REVENUES								
Sales and services	\$7,232	\$7,865	\$8,725	\$8,718	\$8,061	\$8,591	\$8,276	\$8,317
Equity in income of affiliates, income from dividends, interest, asset sales and other	202	135	235	241	172	182	214	258
	7,434	8,000	8,960	8,959	8,233	8,773	8,490	8,575
DEDUCTIONS								
Purchases and other costs	5,183	5,787	6,461	6,500	5,957	6,380	6,167	6,163

Operating expenses	731	790	818	730	708	754	835	789
Selling, general and administrative expenses	391	472	366	450	402	418	524	439
Maintenance and repairs	90	95	97	108	98	96	102	122
Exploratory expenses	66	90	52	99	55	60	161	76
Depreciation, depletion and amortization	408	431	445	451	375	386	401	406
Interest expense, taxes other than income taxes and minority interest	258	248	265	267	253	257	270	245
	7,127	7,913	8,504	8,605	7,848	8,351	8,460	8,240
Income from continuing operations before income taxes	307	87	456	354	385	422	30	335
Provision for (benefit from) income taxes	105	(28)	175	(27)	104	110	(287)	(14)
Net income from continuing operations	202	115	281	381	281	312	317	349
Discontinued operations								
Net loss from operations	--	--	--	--	(3)	(3)	(11)	--
Net income (loss) on disposal	--	(87)	--	18	--	--	(164)	(10)
NET INCOME	\$ 202	\$ 28	\$ 281	\$ 399	\$ 278	\$ 309	\$ 142	\$ 339
Per common share (dollars)								
Net income (loss)								
Continuing operations	\$.69	\$.35	\$.98	\$ 1.42	\$.98	\$ 1.11	\$ 1.13	\$ 1.25
Discontinued operations	--	(.34)	--	.07	(.01)	(.01)	(.68)	(.04)
Net income	\$.69	\$.01	\$.98	\$ 1.49	\$.97	\$ 1.10	\$.45	\$ 1.21

See accompanying notes to consolidated financial statements.

Texaco Inc. 1994 Annual Report to Stockholders page 69.

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA

(Millions of dollars)	1994	1993	1992	1991	1990
FOR THE YEAR:					
Revenues from continuing operations	\$33,353	\$34,071	\$36,530	\$37,162	\$40,508
Net income (loss) before cumulative effect of accounting changes					
Continuing operations	\$ 979	\$ 1,259	\$ 1,038	\$ 1,292	\$ 1,405
Discontinued operations	(69)	(191)	(26)	2	45
Cumulative effect of accounting changes	--	--	(300)	--	--
Net income	\$ 910	\$ 1,068	\$ 712	\$ 1,294	\$ 1,450
Per common share (dollars)					
Net income (loss) before cumulative effect of accounting changes					
Continuing operations	\$ 3.43	\$ 4.47	\$ 3.63	\$ 4.60	\$ 5.01
Discontinued operations	(.26)	(.73)	(.10)	.01	.17
Cumulative effect of accounting changes	--	--	(1.16)	--	--
Net income	\$ 3.17	\$ 3.74	\$ 2.37	\$ 4.61	\$ 5.18
Dividends	\$ 3.20	\$ 3.20	\$ 3.20	\$ 3.20	\$ 3.05
Total cash dividends paid on common stock	\$ 830	\$ 828	\$ 828	\$ 827	\$ 793
AT END OF YEAR:					
Total assets	\$25,505	\$26,626	\$25,992	\$26,182	\$25,975
Debt and capital lease obligations					
Short-term	\$ 917	\$ 669	\$ 140	\$ 1,331	\$ 1,516
Long-term	5,564	6,157	6,441	5,173	4,485
Total debt and capital lease obligations	\$ 6,481	\$ 6,826	\$ 6,581	\$ 6,504	\$ 6,001

See accompanying notes to consolidated financial statements.

Texaco Inc. 1994 Annual Report to Stockholders page 70.

INVESTOR INFORMATION

Texaco Inc. and Subsidiary Companies

STOCKHOLDER INFORMATION

Texaco Inc.'s Form 10-K Report to the Securities and Exchange Commission for 1994 and a Financial and Operational Supplement to Texaco's 1994 Annual Report are available to stockholders and others who request them.

To obtain copies, please write to Mr. Carl B. Davidson, Vice President and Secretary, Texaco Inc., 2000 Westchester Avenue,

White Plains, New York 10650.

In recognition of Texaco's long-standing commitment to corporate citizenship, the Texaco Foundation was founded in December 1979 for the purpose of making charitable contributions in the United States to selected tax-exempt organizations, particularly in the fields of higher education, arts and culture, civic and public interest, social betterment, health and the environment. Upon written request to our White Plains office, the Texaco Foundation will send a copy of its Annual Report.

Those wishing to receive a report on Texaco's equal opportunity activities may also do so by writing to Mr. John D. Ambler, Vice President, Human Resources, at our White Plains office, requesting a copy of Texaco: Equal Opportunity--Taking Affirmative Action at Work and in the Community.

INVESTOR SERVICES PLAN

The company's Investor Services Plan provides individuals with a variety of innovative and quality stockholder services--all designed to make investing in Texaco common stock easy. Enrollment in the Plan is open to anyone and, even if you are not already a stockholder, your initial investment can be made directly through the company. The Plan contains many interesting features such as dividend reinvestment, optional cash investments and custodial service for stock certificates, and is a great way to start an investment program for family members and friends.

For a complete informational package, including a Plan prospectus, call 1-800-283-9785.

ANNUAL MEETING

Texaco Inc.'s Annual Stockholders Meeting will be held at the Rye Town Hilton in Rye Brook, NY, on Tuesday, May 9, 1995.

A formal notice of the meeting, together with a proxy statement and proxy form, is being mailed with this Report to stockholders.

MARKET INFORMATION

The New York Stock Exchange is the principal exchange on which Texaco Inc. common stock is traded. There were 199,998 stockholders of record as of February 23, 1995. The high and low sales prices of Texaco Inc. common stock as quoted on the composite tape of the New York Stock Exchange during 1994 and 1993 were as follows:

	1994		1993	
	High	Low	High	Low
First Quarter	\$68.13	\$61.50	\$64.63	\$57.63
Second Quarter	66.00	60.00	65.75	61.75
Third Quarter	64.25	58.13	68.50	60.63
Fourth Quarter	65.50	59.38	69.50	62.00

COMMON STOCK DIVIDENDS

Texaco Inc. paid quarterly cash dividends of 80 cents per share to its common stockholders in 1994 and 1993, for a total of \$3.20 per share for each year.

STOCK TRANSFER OFFICES

Texaco Inc.
Investor Relations and Shareholder
Services Department
2000 Westchester Avenue
White Plains, New York 10650

Mellon Securities Transfer Services
120 Broadway--33rd Floor
New York, NY 10271

Montreal Trust Company
151 Front Street West--8th Floor
Toronto, Ontario, Canada M5J 2N1

 Subsidiaries of Registrant
 1994

Parents of Registrant
 None

Registrant
 Texaco Inc.

The operations of the Registrant and its subsidiaries are generally grouped by divisions. The divisions are comprised of various subsidiaries and affiliates. The significant subsidiaries included in the consolidated financial statements of the Registrant, grouped by the division primarily responsible for each, are as follows:

-----	Organized under the laws of -----
Texaco U.S.A. -----	
Four Star Oil and Gas Company	Delaware
Texaco Cogeneration Company	Delaware
Texaco Pipeline Inc.	Delaware
Texaco Exploration and Production Inc.	Delaware
Texaco Refining and Marketing Inc.	Delaware
Texaco Refining and Marketing (East) Inc.	Delaware
Texaco Trading and Transportation Inc.	Delaware
 Texaco Europe -----	
Texaco A/S	Denmark
Texaco Britain Limited	England
Texaco Denmark Inc.	Delaware
Texaco Investments (Netherlands), Inc.	Delaware
Texaco Limited	England
Texaco North Sea U.K. Company	Delaware
 Texaco Latin America/West Africa -----	
Texaco Brasil S.A. Produtos de Petroleo	Brazil
Texaco Overseas (Nigeria) Petroleum Company	Nigeria
Texaco Overseas Petroleum Company	Delaware
Texaco Panama Inc.	Panama
Texas Petroleum Company	New Jersey

Other significant subsidiaries of the Registrant not within

 the above divisions

Heddington Insurance Ltd.	Bermuda
Saudi Arabian Texaco Inc.	Delaware
Texaco International Trader Inc.	Delaware
Texaco Overseas Holdings Inc.	Delaware
TEPI Holdings Inc.	Delaware
TRMI Holdings Inc.	Delaware

Names of certain subsidiary companies are omitted because, considered in the aggregate as a single subsidiary company, they do not constitute a significant subsidiary company.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated February 23, 1995 incorporated by reference in Texaco Inc.'s Form 10-K for the year ended December 31, 1994, into the following previously filed Registration Statements:

1. Form S-3 File Number 2-37010
2. Form S-3 File Number 33-31148
3. Form S-8 File Number 2-67125
4. Form S-8 File Number 2-76755
5. Form S-8 File Number 2-90255
6. Form S-8 File Number 33-34043
7. Form S-3 File Number 33-40309
8. Form S-8 File Number 33-45952
9. Form S-8 File Number 33-45953
10. Form S-3 File Number 33-63996
11. Form S-3 File Number 33-50553 and 33-50553-01

Arthur Andersen LLP

New York, N.Y.
March 27, 1995

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any and all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as his own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 1996.

IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 16th day of January, 1995.

ALFRED C. DE CRANE, JR. (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 16th day of January, 1995.

ALLEN J. KROWE (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, an officer of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 25th day of January, 1995.

William C. Bousquette (SEAL)

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, an officer of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 3rd day of February, 1995.

ROBERT C. OELKERS (SEAL)

 Comptroller
 (Principal Accounting Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 17th day of January, 1995.

ROBERT A. BECK (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

Without limiting the generality of the foregoing grant of authority, such attorneys-in-fact and agents, or either of them, are hereby granted full power and authority, on behalf of and in the name, place and stead of the undersigned, to execute and deliver all such Registration Statements, registrations, qualifications, or notifications, the Company's Form 10-K, any and all amendments thereto, statements of changes, and any and all other documents in connection with the foregoing, and take such other and further action as such attorneys-in-fact and agents, or either of them, deem necessary or appropriate. The powers and authorities granted herein to such attorneys-in-fact and agents, and either of them, also include the full right, power and authority to effect necessary or appropriate substitutions or revocations. The undersigned hereby ratifies, confirms, and adopts, as his own act and deed, all action lawfully taken pursuant to the powers and authorities herein granted by such attorneys-in fact and agents, or either of them, or by their respective substitutes. This Power of Attorney expires by its terms and shall be of no further force and effect on March 31, 1996.

IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 23rd day of March, 1995.

JOHN BRADEMAS (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 23rd day of January, 1995.

WILLARD C. BUTCHER (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 16st day of January, 1995.

EDMUND M. CARPENTER (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 1st day of February, 1995.

FRANKLYN G. JENIFER (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 23rd day of March, 1995.

THOMAS S. MURPHY (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 25th day of January, 1995.

CHARLES H. PRICE, II (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 25th day of January, 1995.

ROBIN B. SMITH (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 24th day of January, 1995.

WILLIAM C. STEERE, JR. (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 27th day of January, 1995.

THOMAS A. VANDERSLICE (SEAL)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a director of TEXACO INC., a Delaware corporation (the "Company"), hereby makes, designates, constitutes and appoints CARL B. DAVIDSON and ROBERT E. KOCH, and either of them (with full power to act without the other), as the undersigned's true and lawful attorneys-in-fact and agents, with full power and authority to act in any and all capacities for and in the name, place and stead of the undersigned in connection with the filing of: (i) any and all registration statements and all amendments and post-effective amendments thereto (collectively, "Registration Statements") under the Securities Act of 1933, as amended, with the Securities and Exchange Commission, and any and all registrations, qualifications or notifications under the applicable securities laws of any and all states and other jurisdictions, with respect to the securities of the Company of whatever class, including without limitation thereon the Company's Common Stock, par value \$6.25 per share, and preferred stock, par value \$1.00 per share, however offered, sold, issued, distributed, placed or resold by the Company, by any of its subsidiary companies, or by any other person or entity, that may be required to effect: (a) any such filing, (b) any primary or secondary offering, sale, distribution, exchange, or conversion of the Company's securities, (c) any acquisition, merger, reorganization or consolidation involving the issuance of the Company's securities, (d) any stock option, restricted stock grant, incentive, investment, thrift, profit sharing, or other employee benefit plan relating to the Company's securities, or (e) any dividend reinvestment or stock purchase plan relating to the Company's securities; (ii) the Company's Annual Report to the Securities and Exchange Commission for the year ended December 31, 1994, on Form 10-K, and any and all amendments thereto on Form 8 or otherwise, under the Securities Exchange Act of 1934, as amended ("Exchange Act"), and (iii) Statements of Changes of Beneficial Ownership of Securities on Form 4 or Form 5 (or such other forms as may be designated from time to time for such purposes), pursuant to Section 16(a) of the Exchange Act.

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IN WITNESS WHEREOF, the undersigned has hereunto set his name and seal as of the 2nd day of January, 1995.

WILLIAM WRIGLEY (SEAL)

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
 TEXACO INC.'S 1994 ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS
 ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

0000097349
 TEXACO INC.
 1,000,000

YEAR		
	DEC-31-1994	
	JAN-1-1994	
	DEC-31-1994	404
		60
		3,322
		25
		1,358
	6,019	31,095
	17,612	
	25,505	
5,015		5,564
		1,615
0		533
		7,601
25,505		32,540
	33,353	23,931
		27,000
	4,651	
		0
	498	
	1,204	
		225
	979	
	(69)	
		0
		910
		3.17
		3.17