

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED OCTOBER 21, 1993

[LOGO]

4,500,000 SHARES  
TEXACO CAPITAL LLC  
CUMULATIVE ADJUSTABLE RATE MONTHLY INCOME  
PREFERRED SHARES ("MIPS"), SERIES B (LIQUIDATION PREFERENCE \$25 PER SHARE)  
GUARANTEED TO THE EXTENT SET FORTH HEREIN BY  
TEXACO INC.  
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The Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B (the "Series B Preferred Shares"), par value \$25 per Share, offered hereby are being issued by Texaco Capital LLC, a limited life company organized under the laws of the Turks and Caicos Islands (the "Company"). The Company is a wholly owned subsidiary of Texaco Inc., a Delaware corporation. The Company was formed for the sole purpose of issuing preferred shares, including the Series B Preferred Shares, and common shares and lending the proceeds thereof to Texaco Inc. or its subsidiaries. It is anticipated that the Company's earnings available for the payment of dividends on the Series B Preferred Shares will result solely from payments under the Loans (the "Series B Loans") of the proceeds from the sale of the Series B Preferred Shares and the issuance of the related common equity.

The payment of dividends, if and to the extent declared out of moneys held by the Company and lawfully available therefor, and payments on liquidation or redemption with respect to the Series B Preferred Shares are guaranteed by Texaco Inc. to the extent described in the accompanying Prospectus (the "Texaco Guarantee"). The Series B Preferred Shares will entitle holders to receive cumulative preferential cash dividends, accruing from the date of original issuance and payable, in United States dollars, monthly in arrears on the last day of each calendar month of each year, commencing June 30, 1994. The dividend rate will be adjusted quarterly. The rate for the initial period from the date of original issuance to September 30, 1994 will be 6.40% per annum, which is equivalent to \$1.60 per share per annum. Thereafter, dividends on the Series B Preferred Shares will be payable at the "Applicable Rate" from time to time in effect. The Applicable Rate for any quarter will be equal to 88% of the highest of the "Treasury Bill Rate", the "Ten Year Constant Maturity Rate" and the "Thirty Year Constant Maturity Rate" determined in advance of such quarter. The Applicable Rate for any quarter will not be less than 4.50% per annum nor greater than 10.50% per annum. See "Description of Series B Preferred Shares--Dividends".

The Texaco Guarantee does not cover payment of undeclared dividends. In such event, the remedy of a holder of the Series B Preferred Shares is to enforce the obligations of Texaco Inc. under the Series B Loan Agreements and other undertakings described herein. No portion of the dividends received by a holder of the Series B Preferred Shares will be eligible for the dividends received deduction for U.S. federal income tax purposes. See "Taxation" in the accompanying prospectus.

The Series B Preferred Shares are redeemable, at the option of the Company (with Texaco Inc.'s consent) in whole or in part from time to time, at \$25 per share on or after June 30, 1999, plus in each case accrued and unpaid dividends to the date fixed for redemption, and will be redeemed, under certain circumstances, from the proceeds of any prepayment and repayment of the loan of the proceeds hereof to Texaco Inc. In addition, if at any time the Company or Texaco Inc. is or would be required to pay certain additional amounts or to withhold or deduct certain amounts, the Series B Preferred Shares are redeemable at the option of the Company (with Texaco Inc.'s consent), from time to time, at \$25 per share plus accrued and unpaid dividends to the date fixed for redemption. See "Certain Terms of the Series B Preferred Shares--Redemption".

The Texaco Guarantee will rank junior to all liabilities of Texaco Inc. At December 31, 1993, Texaco Inc. had total liabilities of approximately \$15.8 billion.

In the event of liquidation of the Company, holders of Series B Preferred Shares will be entitled to receive for each Series B Preferred Share a liquidation preference of \$25 plus accrued and unpaid dividends to the date of payment, subject to certain limitations. See "Certain Terms of the Series B Preferred Shares--Liquidation Distribution".

See "Texaco Capital LLC", "Description of Preferred Shares--Mandatory Redemption" and "Description of the Guarantee" in the accompanying Prospectus and "Description of the Series B Loans" herein for a description of various contractual backup obligations of Texaco Inc.  
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SEE "CERTAIN INVESTMENT CONSIDERATIONS" FOR CERTAIN INFORMATION RELEVANT TO AN INVESTMENT IN THE SERIES B PREFERRED SHARES, INCLUDING THE CIRCUMSTANCES UNDER WHICH PAYMENT OF DIVIDENDS ON THE SERIES B PREFERRED SHARES MAY BE DEFERRED.  
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The Series B Preferred Shares have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

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 THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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	INITIAL PUBLIC OFFERING PRICE	UNDERWRITING COMMISSIONS(1)
	-----	
Per Share.....	\$25.00	(2)
Total(4).....	\$ 112,500,000	(2)
	PROCEEDS TO COMPANY(2)(3) -----	
Per Share.....	\$25.00	
Total(4).....	\$ 112,500,000	

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- (1) The Company and Texaco Inc. have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".
  - (2) In view of the fact that the proceeds of the sale of the Series B Preferred Shares will be lent to Texaco Inc., Texaco Inc. has agreed to pay to the Underwriters as compensation for their services under the Underwriting Agreement \$.7875 per Series B Preferred Share (or \$3,543,750 in the aggregate); provided that such compensation will be \$.50 per Series B Preferred Share sold to certain institutions. Therefore, to the extent that Series B Preferred Shares are sold to such institutions, the actual amount of underwriting compensation will be less than the amount specified in the preceding sentence. See "Underwriting".
  - (3) Before deducting expenses payable by Texaco Inc. estimated at \$150,000.
  - (4) The Company has granted to the Underwriters a 30-day option to purchase, on the same terms set forth above, up to 675,000 additional Series B Preferred Shares at the Initial Public Offering Price (with an additional Underwriting Commission) solely to cover over-allotments, if any. If the option is exercised in full, the total Initial Public Offering Price, Proceeds to Company and Underwriting Commissions (paid by Texaco Inc.) will be \$129,375,000, \$129,375,000 and \$4,075,312.50, respectively. See "Underwriting".

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The Series B Preferred Shares are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Series B Preferred Shares will be made only in book-entry form through the facilities of The Depository Trust Company on or about June 15, 1994.

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\* An application has been filed by Goldman, Sachs & Co. with the United States Patent and Trademark Office for the registration of the MIPS servicemark.

GOLDMAN, SACHS & CO.  
 DEAN WITTER REYNOLDS INC.  
 A.G. EDWARDS & SONS, INC.  
 KIDDER, PEABODY & CO. INCORPORATED  
 LEHMAN BROTHERS  
 MORGAN STANLEY & CO. INCORPORATED  
 PAINWEBBER INCORPORATED  
 PRUDENTIAL SECURITIES INCORPORATED  
 SMITH BARNEY INC.  
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The date of this Prospectus Supplement is June 8, 1994.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES B PREFERRED SHARES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Prospective purchasers of the Series B Preferred Shares should carefully review the information contained in the Prospectus and elsewhere in this Prospectus Supplement and should particularly consider the following matters:

#### SUBORDINATION

Texaco Inc.'s obligations under the Guarantee are subordinate and junior in right of payment to all other liabilities of Texaco Inc., and its obligations under the Series B Loan Agreements are subordinate and junior in right of payment to all Senior Indebtedness of Texaco Inc. (as defined under "Description of the Series B Loans--Subordination"), but not to the obligations to other creditors such as trade creditors. At December 31, 1993, Texaco Inc. had total liabilities of approximately \$15.8 billion, all of which rank senior to the Guarantee. Texaco Inc. may in the future incur additional Senior Indebtedness and issue securities or enter into guarantees that will rank senior to or pari passu with the Guarantee and the Series B Loan Agreements, all without restriction under the terms of the Series B Preferred Shares.

#### EXTENSION OF INTEREST PAYMENT

Under the terms of the Series B Loans, Texaco Inc. has the right to extend the interest period to 60 months, during which period the Company would have no cash to pay any dividends on the Series B Preferred Shares, although the Company would continue to accrue interest which the holders of the Series B Preferred Shares would be required to include in their gross income for U.S. federal income tax purposes. The holders would not receive the cash relating to such income if they disposed of the Series B Preferred Shares prior to the expiration of any extended interest payment period, except to the extent the price received on the disposition reflected such cash. During the continuation of any such extension, Texaco Inc. would not be permitted to pay any dividends on its outstanding equity securities, and therefore such extension is, in the view of the Company, remote. See "Description of the Series B Loans" and "Taxation" herein and "Taxation--Potential Extension of Payment Period" in the accompanying Prospectus.

#### ENFORCEABILITY OF CIVIL JUDGMENTS

The Company is a limited life subsidiary of Texaco Inc. organized under the laws of the Turks and Caicos Islands with no physical assets located in the United States. As a result it may not be possible for purchasers of the Series B Preferred Shares to effect service of process within the United States upon the Company or to enforce civil judgments against the Company in United States courts based upon federal securities laws of the United States. In addition, there is doubt as to the enforceability of actions based upon the federal securities laws of the United States in the Turks and Caicos Islands courts.

## TEXACO CAPITAL LLC

Texaco Capital LLC, a wholly owned subsidiary of Texaco Inc., is a limited life company organized under the laws of the Turks and Caicos Islands. The Company exists solely for the purpose of issuing preferred and common shares and lending the net proceeds thereof to Texaco Inc. or its subsidiaries. Under the Articles of Association of the Company, holders of the Series B Preferred Shares are entitled to true and full information regarding the state of the business and financial condition of the Company.

## TEXACO INC.

Texaco, together with affiliates owned 50% or less, represents 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.

In 1993 Texaco, including equity in an affiliate, had average daily net production worldwide of 728,000 barrels of crude oil and natural gas liquids and 2 billion cubic feet of natural gas.

Texaco's U.S. oil and gas producing properties include large areas of the Gulf of Mexico, off Texas and Louisiana, onshore and offshore areas of California, and large onshore acreage holdings in Texas, Oklahoma, Louisiana and New Mexico. Texaco also has significant interests in oil and gas properties outside the United States, particularly in the United Kingdom, Angola, Colombia, Indonesia and the Partitioned Neutral Zone between Saudi Arabia and Kuwait. As of year-end 1993, Texaco Inc. through its subsidiaries and an affiliate had estimated net proved reserves of crude oil and natural gas liquids of 2.7 billion barrels and estimated net proved natural gas reserves of 6.1 trillion cubic feet.

As of year-end 1993, Texaco and affiliates owned or had interests in seven refineries in the United States and 18 plants abroad. During 1993, Texaco's share of the average crude oil input for these refineries totalled 1.5 million barrels per day.

At year-end 1993, Texaco and affiliates were marketing Texaco-branded motor fuels through more than 14,000 retail outlets in the United States and more than 9,000 retail outlets in Europe, Central and South America, the Caribbean and West Africa.

For the year 1993, Texaco Inc. through its subsidiaries and affiliates had average refined product sales of 2.3 million barrels per day.

At year-end 1993, Texaco owned some 11,000 miles of crude and product pipelines and had varying interests in some 21,000 additional miles of crude and product pipelines. Its ocean-going tanker fleet consisted of 29 vessels owned or operated under term charter, totalling 4.2 million deadweight tons.

Additionally, in the fast growing markets of the Pacific Rim, the 50%-owned Caltex Petroleum Corporation and its subsidiaries and affiliates continue to upgrade high-volume outlets and install value-added services, such as quick-lubes. The success of Caltex in serving a 63-nation area, primarily east of Suez, builds on its number one position for motor fuel and lubricant sales--with shares of 18% and 20%, respectively, in the markets in which it participates.

## RECENT EVENTS

On April 21, 1994, Texaco Inc. received \$850 million as part of the sale of Texaco Chemical Company, consisting of \$650 million in cash and \$200 million in an 11-year subordinated note. Not included as part of this transaction is Texaco's worldwide lubricant additives business, which Texaco is working in cooperation with Huntsman Financial Corporation to sell to a third party. In the

absence of such a third party sale, Huntsman Financial Corporation will acquire Texaco's lubricant additives business by September 30, 1994. Texaco also granted to Huntsman Corporation, for an additional \$10 million in cash, a two-year option to purchase either 50 percent or 100 percent of a Texaco facility currently under construction in Port Neches, Texas, which will produce 400 million pounds per year of propylene oxide and 14,000 barrels per day of methyl tertiary butyl ether (MTBE). It is anticipated that the proceeds from such sale will be used in support of Texaco's investment programs in its core business as well as other general corporate purposes.

RATIO OF EARNINGS TO COMBINED  
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS(A)

	THREE MONTHS ENDED MARCH 31, 1994	YEARS ENDED DECEMBER 31,				
		1993	1992	1991	1990	1989
Ratio of earnings to combined fixed charges and preferred stock dividends of Texaco on a total enterprise basis (unaudited)(b).....	2.67	2.61	2.75	2.76	3.50	3.88(c)

(a) Excludes discontinued chemical operations.

(b) Preferred stock dividend requirements have been adjusted to reflect the pre-tax earnings which would be required to cover the Series C and Series E Variable Rate Cumulative Preferred Stock and Market Auction Preferred Shares dividends and to exclude the interest portion of the Series B and Series F ESOP Convertible Preferred Stock dividends.

(c) Excluding the gains from the sale of Texaco Canada Inc. and the sale of a 20% stock interest in a subsidiary, as well as the 1989 restructuring charges, the ratio of earnings to combined fixed charges and preferred stock dividends on a total enterprise basis approximated 2.03.

SELECTED FINANCIAL DATA OF TEXACO INC.

The financial information set forth below has been selected from the audited and unaudited consolidated financial statements of Texaco. The information should be read in connection with, and is qualified in its entirety by reference to, Texaco's consolidated financial statements and notes thereto included in the 1993 Form 10-K and Texaco's interim financial statements and notes thereto included in the Form 10-Qs. The interim data reflect all adjustments, consisting of only normal recurring adjustments, which, in the opinion of the management of Texaco, are necessary to present fairly such information for the interim periods. The results of operations for the interim 1994 period are not necessarily indicative of the results expected for 1994 or any other interim period.

SUMMARY FINANCIAL DATA

	(UNAUDITED)						
	THREE MONTHS ENDED MARCH 31,		YEARS ENDED DECEMBER 31,				
	1994	1993	1993	1992	1991	1990	1989
	(MILLIONS OF DOLLARS, EXCEPT PER SHARE AND RATIO DATA)						
<b>STATEMENT OF CONSOLIDATED INCOME DATA(1):</b>							
Total Revenues.....	\$ 7,434	\$ 8,233	\$ 34,071	\$ 36,530	\$ 37,162	\$ 40,508	\$ 34,209
Earnings from Continuing Operations before Interest, Income Taxes, DD&A and Cumulative Effect of Accounting Changes.....	837	870	3,199	3,362	3,476	4,283	4,981
Interest Expense.....	122	110	459	477	558	567	681
Depreciation, Depletion and Amortization.....	408	375	1,568	1,536	1,496	1,597	1,603
Income from Continuing Operations before Income Taxes and Cumulative Effect of Accounting Changes.....	307	385	1,172	1,349	1,422	2,119	2,697
Provision for (Benefit from) Income Taxes.....	105	104	(87)	311	130	714	591
Net Income from Continuing Operations before Cumulative Effect of Accounting Changes.....	202	281	1,259	1,038	1,292	1,405	2,106
Discontinued Operations:							
Net Income (Loss) from Operations.....	--	(3)	(17)	(26)	2	45	307
Net Loss on Disposal.....	--	--	(174)	--	--	--	--
Cumulative Effect of Accounting Changes.....	--	--	--	(300)	--	--	--
Net Income.....	202	278	1,068	712	1,294	1,450	2,413
Preferred Stock Dividend Requirements.....	24	27	101	99	103	104	64
Net Income Available for Common Stock.....	178	251	967	613	1,191	1,346	2,349
Per Common Share: (dollars)							
Net Income (Loss) before Cumulative Effect of Accounting Changes							
Continuing Operations.....	.69	.98	4.47	3.63	4.60	5.01	7.93
Discontinued Operations.....	--	(.01)	(.73)	(.10)	.01	.17	1.19
Cumulative Effect of Accounting Changes.....	--	--	--	(1.16)	--	--	--
Net Income.....	.69	.97	3.74	2.37	4.61	5.18	9.12
<b>CONSOLIDATED BALANCE SHEET DATA</b>							
<b>AS OF(2):</b>							
Current Assets.....	6,460	5,687	6,865	5,611	6,581	7,256	7,730
Net Properties, Plant and Equipment.....	14,172	15,122	14,171	15,226	14,944	14,277	13,812
Total Assets.....	26,343	26,021	26,626	25,992	26,182	25,975	25,636
Current Liabilities.....	4,538	4,026	4,756	4,225	6,290	6,968	6,409
Long-Term Debt and Capital Lease Obligations....	6,259	6,520	6,157	6,441	5,173	4,485	4,714
Total Debt.....	6,996	6,654	6,826	6,581	6,504	6,001	6,025
Total Liabilities and Minority Interest.....	16,006	15,961	16,347	16,019	16,354	16,590	16,456
Total Stockholders' Equity.....	10,337	10,060	10,279	9,973	9,828	9,385	9,180
<b>STATEMENT OF CONSOLIDATED CASH FLOWS:</b>							
Net Cash Provided by Operating Activities.....	463	563	2,362	2,675	2,966	2,518	1,489
Capital and Exploratory Expenditures.....	545	416	2,326	2,533	2,795	2,731	1,952
<b>OTHER DATA:</b>							
Ratio of Total Debt to Earnings from Continuing Operations before Interest, Income Taxes, DD&A and Cumulative Effect of Accounting Changes...	N/A	N/A	2.13	1.96	1.87	1.40	1.21
Ratio of Earnings from Continuing Operations before Interest, Income Taxes, DD&A and Cumulative Effect of Accounting Changes to Interest Expense.....	6.86	7.91	6.97	7.05	6.23	7.55	7.31

(1) The results for chemical operations have been classified as discontinued operations for all periods presented.

(2) Assets and liabilities of the discontinued operations have been classified as "net assets of discontinued operations" within current assets in the March 31, 1994 and December 31, 1993 Consolidated Balance Sheet.

CONSOLIDATED SHORT-TERM DEBT AND CAPITALIZATION

The following table sets forth the consolidated short-term debt and capitalization of Texaco as of March 31, 1994 and as adjusted to give effect to the issuance by the Company of the Series B Preferred Shares offered hereby. See "Use of Proceeds" in the accompanying Prospectus.

	(UNAUDITED)	
	MARCH 31, 1994	AS ADJUSTED
	(MILLIONS OF DOLLARS)	
Short-Term Debt:		
Notes payable, commercial paper and current portion of long-term debt.....	\$ 737	\$ 737
Long-Term Debt and Minority Interest:		
Long-term debt including capital lease obligations.....	\$ 6,259	\$ 6,146
Minority interest in subsidiary companies.....	535	648
Total Long-Term Debt and Minority Interest.....	6,794	6,794
Stockholders' Equity:		
Variable Rate Cumulative Preferred Stock.....	648	648
Market Auction Preferred Shares.....	300	300
ESOP Convertible Preferred Stock.....	528	528
Unearned employee compensation.....	(333)	(333)
Common stock--par value \$6.25:		
Shares authorized--350,000,000		
Shares issued--274,293,417, including treasury stock.....	1,714	1,714
Paid-in capital in excess of par value.....	653	653
Retained earnings.....	7,447	7,447
Currency translation adjustment.....	72	72
Unrealized net gain on investments.....	75	75
Less--Common stock held in treasury--15,075,819 shares, at cost.....	11,104 767	11,104 767
Total stockholders' equity.....	10,337	10,337
Total Capitalization.....	\$ 17,131	\$ 17,131

CERTAIN TERMS OF THE SERIES B PREFERRED SHARES

GENERAL

The following summary of certain terms and provisions of the Series B Preferred Shares supplements the description of certain terms and provisions of the Preferred Shares of any series set forth in the accompanying Prospectus under the heading "Description of Preferred Shares", to which description reference is hereby made. The Series B Preferred Shares constitute a series of Preferred Shares of the Company, which Preferred Shares may be issued from time to time in one or more series with such designations, dividend rights, liquidation value per share, redemption provisions, voting rights and other rights, preferences, privileges, limitations and restrictions as are established by the Memorandum of Association of the Company (the "Memorandum"), the Articles of Association of the Company (the "Articles") and resolutions adopted, or to be adopted, by Texaco Inc., as manager of the Company (the "Manager"), as designated in the Articles. The summary of certain terms and provisions of the Series B Preferred Shares set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Memorandum, the Articles and the resolutions adopted by the Manager establishing the rights, preferences, privileges, limitations and restrictions relating to the Series B Preferred Shares, a copy of which resolutions will have been filed with the Commission at or prior to the time of the sale of the Series B Preferred Shares.

SERIES A PREFERRED SHARES

In October 1993, the Company issued 14,000,000 shares of 6 7/8% Cumulative Monthly Income Preferred Shares, Series A (the "Series A Preferred Shares"). The proceeds from the issuance of the Series A Preferred Shares and the initial issuance of the Company's Common Stock and related capital contributions were lent by the Company to Texaco Inc. (the "Prior Loans"), pursuant to Loan Agreements dated October 27, 1993 (the "Prior Loan Agreements").

DIVIDENDS

Cumulative dividends on the Series B Preferred Shares will accrue from the date of the original issue thereof and are payable monthly in arrears on the last day of each calendar month of each year, commencing June 30, 1994, when, as and if declared by the Company, except as otherwise described under "Description of Preferred Shares--Dividends" in the accompanying Prospectus, to the holders of record on the business day immediately preceding the relevant payment date. Dividends in arrears for more than one month will bear interest thereon at a rate per annum equal to the dividend rate during the period of arrearage. The term "dividends" as used herein includes any such interest unless otherwise stated. Payment of dividends is limited in relation to the amount of funds held by the Company and legally available therefor. See "Description of Preferred Shares-- Dividends" in the accompanying Prospectus.

The dividend rate will be adjusted quarterly. The rate for the initial period from the date of original issuance to September 30, 1994 will be 6.40% per annum, which is equivalent to \$1.60 per share per annum. Thereafter, dividends on the Series B Preferred Shares will be payable at the "Applicable Rate" (as defined below) from time to time in effect.

Dividends on the Series B Preferred Shares will be declared by the Company in any calendar year or portion thereof to the extent that the Company reasonably anticipates that at the time of payment it will have, and will be paid by the Company to the extent that at the time of proposed payment it has, (x) earnings legally available for the payment of such dividends and (y) cash in hand sufficient to permit such payments (excluding any cash received as a payment or prepayment of, or of interest on, the Prior Loans). For purposes of the Series B Preferred Shares, the undertaking by the Company, set forth under "Description of Preferred Shares--Dividends", to pay



dividends if it has "cash in hand sufficient to permit such payments" shall be applicable only to the extent it has cash in hand, other than any cash received as a payment or prepayment of, or of interest on, the Prior Loans, sufficient to make dividend payments on the Series B Preferred Shares. It is anticipated that the Company's earnings, other than earnings received as a payment or prepayment of, or as interest on, the Prior Loans, will result from payments under the Series B Loans (the loans of the proceeds from the sale of the Series B Preferred Shares and the issuance of the additional common equity (as described under "Description of the Series B Loans")).

Except as provided below in this paragraph, the "Applicable Rate" for any quarter (other than the initial period) will be equal to 88% of the Effective Rate (as defined below), but not less than 4.50% per annum nor more than 10.50% per annum. The "Effective Rate" for any quarter will be equal to the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate (each as defined below) for such quarter. The Applicable Rate will be rounded to the nearest five hundredth of a percent. In the event that the Company determines in good faith that for any reason:

(i) any one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate cannot be determined for any quarter, then the Effective Rate for such quarter will be equal to the higher of whichever two of such rates can be so determined;

(ii) only one of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate can be determined for any quarter, then the Effective Rate for such quarter will be equal to whichever such rate can be so determined; or

(iii) none of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate can be determined for any quarter, then the Effective Rate for the preceding quarter will be continued for such quarter.

Except as described below in this paragraph, the "Treasury Bill Rate" for each quarter will be the arithmetic average of the two most recent weekly per annum secondary market discount rates (or the one weekly per annum secondary market discount rate, if only one such rate is published during the relevant Calendar Period (as defined below)) for three-month U.S. Treasury bills, as published weekly by the Federal Reserve Board (as defined below) during the Calendar Period immediately preceding the last ten calendar days preceding the quarter for which the dividend rate on the Series B Preferred Shares is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum secondary market discount rate during any such Calendar Period, then the Treasury Bill Rate for such quarter will be the arithmetic average of the two most recent weekly per annum secondary market discount rates (or the one weekly per annum secondary market discount rate, if only one such rate is published during the relevant Calendar Period) for three-month U.S. Treasury bills, as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. In the event that a per annum secondary market discount rate for three-month U.S. Treasury bills is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such quarter will be the arithmetic average of the two most recent weekly per annum secondary market discount rates (or the one weekly per annum secondary market discount rate, if only one such rate is published during the relevant Calendar Period) for all of the U.S. Treasury bills then having remaining maturities of not less than 80 nor more than 100 days, as published during such Calendar Period by the Federal Reserve Board, or if the Federal Reserve Board does not publish such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. In the event that the Company determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such quarter will be the arithmetic average of the per annum secondary market discount rates based upon the closing bids during such Calendar Period for each

of the issues of marketable non-interest-bearing U.S. Treasury securities with a remaining maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company. In the event that the Company determines in good faith that for any reason the Company cannot determine the Treasury Bill Rate for any quarter as provided above in this paragraph, the Treasury Bill Rate for such quarter will be the arithmetic average of the per annum secondary market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a remaining maturity of not less than 80 nor more than 100 days, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Except as described below in this paragraph, the "Ten Year Constant Maturity Rate" for each quarter will be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (as defined below) (or the one weekly per annum Ten Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately preceding the last ten calendar days preceding the quarter for which the dividend rate on the Series B Preferred Shares is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Ten Year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such quarter will be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. In the event that a per annum Ten Year Average Yield is not published by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such quarter will be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield is published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities (as defined below)) then having remaining maturities of not less than eight nor more than twelve years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. In the event that the Company determines in good faith that for any reason the Company cannot determine the Ten Year Constant Maturity Rate for any quarter as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such quarter will be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight or more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Except as described below in this paragraph, the "Thirty Year Constant Maturity Rate" for each quarter will be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (as defined below) (or the one weekly per annum Thirty Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately preceding the last ten calendar days preceding the quarter for which the dividend rate on the Series B Preferred Shares is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum

Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such quarter will be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such yield is published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. In the event that a per annum Thirty Year Average Yield is not published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such quarter will be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield is published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having remaining maturities of not less than twenty-eight nor more than thirty-two years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board does not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Company. In the event that the Company determines in good faith that for any reason the Company cannot determine the Thirty Year Constant Maturity Rate for any quarter as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such quarter will be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight nor more than thirty-two years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations are not generally available) to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate will each be rounded to the nearest one hundredth of a percent.

The Applicable Rate with respect to each quarter (other than the initial period) will be calculated as promptly as practicable by the Company according to the appropriate method described above. The Company will cause each Applicable Rate to be published in a newspaper of general circulation in New York City before the commencement of the quarter to which it applies and will cause notice of such Applicable Rate to be given to The Depository Trust Company ("DTC"), New York, NY, the securities depository for the Preferred Shares. See "Description of Preferred Shares--Book-Entry-Only Issuances; The Depository Trust Company".

As used above, the term "Calendar Period" means a period of fourteen calendar days; the term "Federal Reserve Board" means the Board of Governors of the Federal Reserve System; the term "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount; the term "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and the term "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years).

#### REDEMPTION

The proceeds from any prepayment or repayment of principal on the Series B Loans, or from any prepayment or repayment of any reloan of any such proceeds as described below, shall be applied to redeem the Series B Preferred Shares, provided that any such amounts may be lent or

relent to Texaco Inc., and not used for such redemption, if at the time of each such loan, and as determined in the judgment of Texaco Inc., as Manager, and its financial advisor, (a) Texaco Inc. is not in bankruptcy, (b) Texaco Inc. is not in default on any loan pertaining to Preferred Shares of any series, (c) Texaco Inc. has timely made payments on the repaid or prepaid loan for the immediately prior 18 months, (d) the Company is not in arrearage on payments of dividends on the Series B Preferred Shares, (e) Texaco Inc. is expected to be able to make timely payment of principal and interest on such loan, (f) such loan is being made on terms, and under circumstances, that are consistent with those which a lender would require for a loan to an unrelated party, (g) such loan is being made at a rate sufficient to provide payments equal to or greater than the amount of dividend payments required under the Series B Preferred Shares, (h) the senior unsecured long-term debt of Texaco Inc. is rated among the four highest categories by a nationally recognized rating organization or, in the event of changes in those categories, such subsequent categories as shall then be applicable, (i) such loan is being made for a term that is consistent with market circumstances and Texaco Inc.'s financial condition, and that is in no event more than 30 years, and (j) in any event, the final maturity of such loan shall not be later than the fiftieth anniversary of the issuance of the Series B Preferred Shares.

The Series B Preferred Shares are redeemable, at the option of the Company subject to the prior consent of Texaco Inc., in whole or in part from time to time, on or after June 30, 1999, upon not less than 30 nor more than 60 days' notice, at the redemption price of \$25, plus accrued and unpaid dividends to the date fixed for redemption.

Notwithstanding the foregoing, if at any time after the issuance of the Series B Preferred Shares the Company or Texaco Inc. is or would be required to pay additional amounts or would be required to withhold or deduct certain amounts as described under "Additional Amounts" herein and "Description of the Guarantee--Additional Amounts" in the accompanying Prospectus, respectively, then, subject to the prior consent of Texaco Inc., the Company may, at its option, upon not less than 30 nor more than 60 days' notice to the holders of the Series B Preferred Shares (which notice shall be irrevocable), redeem the Series B Preferred Shares in whole (or, if such requirement relates to only certain of the Series B Preferred Shares, the Series B Preferred Shares subject to such requirement) at the liquidation preference of \$25 per share plus accrued and unpaid dividends to the date fixed for redemption, whether or not declared.

As of the date hereof, it is anticipated that no Additional Amounts would be required to be paid by the Company or Texaco Inc. upon the making of any required payment in respect of the Series B Preferred Shares. If any Additional Amounts would be required to be paid, the Series B Preferred Shares would be subject to call for redemption under the foregoing provisions.

#### LIQUIDATION DISTRIBUTION

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series B Preferred Shares at the time outstanding will be entitled to receive out of the assets of the Company available for distribution to stockholders, before any distribution of assets is made to holders of common shares or any other class of shares of the Company ranking junior to the Series B Preferred Shares as regards participation in assets of the Company, but together with the holders of every other series of preferred or preference stock of the Company outstanding, if any, ranking pari passu with the Series B Preferred Shares as regards participation in the assets of the Company ("Company Liquidation Parity Shares"), an amount equal, in the case of the holders of the Series B Preferred Shares, to the aggregate of the liquidation preference of \$25 per Series B Preferred Share and all accumulated arrears and accruals of unpaid dividends (whether or not declared) to the date of payment (the "Liquidation Distribution"). If, upon any such liquidation, the Liquidation Distributions can be paid only in part because the Company has insufficient assets available to pay in full the aggregate Liquidation

Distributions and the aggregate maximum Liquidation Distributions on the Company Liquidation Parity Shares, then the amounts payable directly by the Company on the Series B Preferred Shares and on such Company Liquidation Parity Shares shall be paid on a pro rata basis, so that

(i)(x) the aggregate amount paid as Liquidation Distributions on the Series B Preferred Shares bears to (y) the aggregate amount paid as Liquidation Distributions on the Company Liquidation Parity Shares the same ratio as

(ii)(x) the aggregate Liquidation Distributions bears to (y) the aggregate maximum Liquidation Distributions on the Company Liquidation Parity Shares.

#### VOTING RIGHTS

If (i) the Company fails to pay dividends in full on the Series B Preferred Shares for 18 consecutive monthly dividend periods or (ii) Texaco Inc. breaches any of its obligations under the Series B Loans (as defined under "Description of the Series B Loans") or Texaco Inc. breaches any of its obligations under the Guarantee (as defined in "Description of the Guarantee" in the accompanying Prospectus), then the holders of outstanding Series B Preferred Shares, together with the holders of any other shares of preferred or preference stock of the Company having the right to vote for the appointment of a trustee in such event, acting as a single class, will be entitled, by ordinary resolution passed by the holders of a majority in liquidation preference (plus all accumulated arrears and accruals of dividends per share) of such shares present in person or by proxy at a separate general meeting of such holders convened for such purpose, to appoint and authorize a trustee to enforce the Company's creditor rights under the Series B Loans against Texaco Inc., enforce the obligations undertaken by Texaco Inc. under the Guarantee and declare and pay dividends. Not later than 30 days after such entitlement arises, the Manager will convene a separate general meeting for the above purpose. If the Manager fails to convene such meeting within such 30-day period, the holders of 10% in liquidation preference (plus all accumulated arrears and accruals of dividends per share) of the outstanding Series B Preferred Shares and such other preferred or preference stock will be entitled to convene such separate general meeting. The provisions of the Articles relating to the convening and conduct of the general meetings of shareholders will apply with respect to any such separate general meeting. Any trustee so appointed shall vacate office, subject to the terms of such other preferred or preference stock, if the Company (or Texaco Inc. pursuant to the Guarantee) shall have paid in full all accumulated arrears and accruals of unpaid dividends on the Series B Preferred Shares (if the event that gave rise to such appointment was clause (i) of this paragraph) or such breach by Texaco shall have been cured (if the event that gave rise to such appointment was clause (ii) of this paragraph).

If any resolution is proposed for adoption by the shareholders of the Company providing for (x) any variation or abrogation of the rights, preferences and privileges of the Series B Preferred Shares by way of amendment of the Company's Articles or otherwise (including, without limitation, the authorization or issuance of any shares of the Company ranking, as to participation in the profits or assets of the Company, senior to the Series B Preferred Shares) or (y) the liquidation, dissolution or winding up of the Company, then the holders of outstanding Preferred Shares of all series (and, in the case of a resolution described in clause (x) above which would equally adversely affect the rights, preferences or privileges of any Company Dividend Parity Shares or any Company Liquidation Parity Shares, such Company Dividend Parity Shares or such Company Liquidation Parity Shares, as the case may be, or, in the case of any resolution described in clause (y) above, all Company Liquidation Parity Shares) will be entitled to vote together as a class on such resolution (but not on any other resolution) (i) at a separate meeting of such holders, (ii) at the general meeting of shareholders of the Company called for the purpose of adopting such resolution or (iii) without a meeting but in writing, and such resolution shall not be effective except with the approval, in the case of clauses (i) and (ii), of the holders of 66 2/3% in liquidation preference (plus

all accumulated arrears and accruals of dividends) of such outstanding shares present in person or by proxy at a meeting at which 66 2/3% in liquidation preference (plus all accumulated arrears and accruals of dividends) of such shares are so present or, in the case of clause (iii), by the holders of 66 2/3% in liquidation preference (plus all accumulated arrears and accruals of dividends) of such shares; provided, however, that no such approval shall be required under clauses (x) and (y) if the liquidation, dissolution and winding up of the Company is proposed or initiated upon the initiation of proceedings, or after proceedings have been initiated, for the liquidation, dissolution, or winding up of Texaco Inc.

The rights attached to the Series B Preferred Shares will be deemed not to be varied by the creation or issue of, and no vote will be required for the creation of, any further series of preference shares or any further shares of the Company ranking as regards participation in the profits or assets of the Company pari passu with or junior to the Series B Preferred Shares.

The Company will cause a notice of any meeting at which holders of the Series B Preferred Shares are entitled to vote to be mailed to each holder of record of the Series B Preferred Shares. Each such notice will include a statement setting forth (i) the date of such meeting, (ii) a description of any resolution to be proposed for adoption at such meeting on which such holders are entitled to vote and (iii) instructions for the delivery of proxies.

No vote of the holders of the Series B Preferred Shares will be required for the Company to redeem and cancel Series B Preferred Shares in accordance with the Articles.

Notwithstanding that holders of Series B Preferred Shares are entitled to vote under any of the circumstances described above, any of the Series B Preferred Shares and such other preference shares entitled to vote with such Series B Preferred Shares as a single class outstanding at such time that are owned by Texaco Inc. or any entity owned 20% or more by Texaco, either directly or indirectly, shall not be entitled to vote and shall, for the purposes of such vote, be treated as if they were not outstanding.

#### ADDITIONAL AMOUNTS

All payments in respect of the Series B Preferred Shares by the Company will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied upon or as a result of such payment by or on behalf of the Turks and Caicos Islands or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Company will pay as a dividend such Additional Amounts as may be necessary in order that the net amounts received by the holders of the Series B Preferred Shares after such withholding or deduction will equal the amount which would have been receivable in respect of such Series B Preferred Shares in the absence of such withholding or deduction, except that no such Additional Amounts will be payable to a holder of Series B Preferred Shares (or a third party on such holder's behalf) with respect to Series B Preferred Shares:

- (a) if such holder is liable for such taxes, duties, assessments or governmental charges in respect of such Series B Preferred Shares by reason of such holder's having some connection with the Turks and Caicos Islands other than being a holder of such Series B Preferred Shares, or
- (b) if such holder has been notified of the obligation to withhold taxes and has been requested but has not provided a declaration of non-residence or other claim for exemption, and such withholding or deduction would not have been required had such declaration or claim been received.

## DESCRIPTION OF THE SERIES B LOANS

Set forth below is condensed information concerning the loans from the Company to Texaco Inc. of the proceeds of the issuance of (i) the Series B Preferred Shares and (ii) the additional shares of the Company's Common Stock and related capital contributions issued in connection with the issuance of the Series B Preferred Shares ("Additional Common Share Payments"). This summary contains all material information concerning such loan agreements (the "Series B Loan Agreements") but does not purport to be complete. References to provisions of the Series B Loan Agreements are qualified in their entirety by reference to the text of the Series B Loan Agreements, copies of which have been filed with the Commission at or prior to the time of the sale of the Series B Preferred Shares.

### GENERAL

Pursuant to the Series B Loan Agreements dated June 8, 1994, the Company has agreed to make loans (the "Series B Loans") to Texaco Inc. in an aggregate principal amount equal to \$142,400,000, such amount being the aggregate Liquidation Preference of the Series B Preferred Shares issued and sold by the Company and the aggregate Additional Common Share Payments.

The entire principal amount of the Series B Loans shall become due and payable (together with any accrued and unpaid interest thereon, including Additional Interest (as hereinafter defined)), if any, on the earliest of May 31, 2024 or the date upon which Texaco Inc. shall be dissolved or liquidated or the date upon which the Company shall be dissolved or liquidated.

### MANDATORY PREPAYMENT

If the Company redeems Series B Preferred Shares in accordance with the terms thereof, the Loan of the Series B Preferred Share proceeds will become due and payable in a principal amount equal to the aggregate Liquidation Preference of the Series B Preferred Shares so redeemed. Any payment pursuant to this provision shall be made prior to 12:00 noon, New York time, on the date of such redemption or at such other time on such earlier date as the Company and Texaco Inc. shall agree.

### OPTIONAL PREPAYMENT

Texaco Inc. shall have the right to prepay the Series B Loans, without premium or penalty,

(i) in whole or in part (together with any accrued but unpaid interest, including Additional Interest, if any, on the portion being prepaid) at any time following June 30, 1999; and

(ii) in whole (together with all accrued and unpaid interest, including Additional Interest, if any, thereon) at any time after the date hereof if Texaco Inc. is or would be required to pay any Additional Interest pursuant to the terms of the Series B Loan Agreements or, if such requirement shall relate only to a portion of the Series B Loans, the portion of the Series B Loans affected by any such requirement. In no event, however, shall Texaco Inc. have the right to prepay the Series B Loans, or a portion thereof, under this clause (ii) based on a technical obligation to pay Additional Interest in the absence of any actual liability for withholding taxes, duties, assessments or government charges, as the case may be.

### INTEREST

The Series B Loans shall bear interest at a variable rate from the date they are made until maturity. The interest rate will be adjusted quarterly. The rate for the initial period from the date the Series B Loans are made to September 30, 1994 will be 6.40% per annum. Thereafter, interest on the Series B Loans will be payable at the "Applicable Rate" from time to time in effect. The

Applicable Rate for any quarter will be equal to 88% of the highest of the "Treasury Bill Rate", the "Ten Year Constant Maturity Rate" and the "Thirty Year Constant Maturity Rate" determined in advance of such quarter. The Applicable Rate for any quarter will not be less than 4.50% per annum nor greater than 10.50% per annum. The "Treasury Bill Rate", the "Ten Year Constant Maturity Rate" and the "Thirty Year Constant Maturity Rate" with respect to any quarter shall be determined by the Company in the same manner as, and consistent with its determinations with respect to, quarters for the purpose of dividends payable on the Series B Preferred Shares. See "Certain Terms of the Series B Preferred Shares--Dividends."

Such interest shall be payable on the last day of each calendar month of each year, commencing June 30, 1994. In the event that any date on which interest is payable on the Series B Loans is not a day on which banks in The City of New York are open for business and on which foreign exchange dealings may be conducted in The City of New York (a "Business Day"), then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date; provided that Texaco Inc. shall have the right at any time during the term of the Series B Loans, so long as Texaco Inc. is not in default in the payment of interest on the Series B Loans, to extend the interest payment period to 60 months, at the end of which period Texaco Inc. shall pay all interest then accrued and unpaid (together with interest thereon at the weighted average rate applicable to the Series B Loans to the extent permitted by applicable law); and provided further that, during any such extended interest payment period, or at any time during which there is an uncured Event of Default under the Series B Loans, Texaco Inc. shall not pay dividends on any of its shares of equity stock. Notwithstanding anything else contained herein or in the Series B Loan Agreements, the time within which all payments of the principal of and interest on the Series B Loans (or any replacement loans) shall be made shall not be later than the fiftieth anniversary of the issuance of the Series B Preferred Shares. Texaco Inc. has covenanted (x) not to exercise the right to extend the interest period with respect to the Prior Loans unless it exercises or has exercised the right to extend the interest period with respect to the Series B Loans in a way which will insure that, during the entire time when an interest period with respect to the Prior Loans has been extended under its terms, the interest period with respect to the Series B Loans shall also be extended as provided in the Series B Loan Agreements, and (y) not to exercise the right to extend the interest period with respect to the Prior Loans if the specified maturity date on the Series B Loans would occur during such interest extension period. Texaco Inc. shall give the Company such prior notice of its selection of such longer interest payment period with respect to the Series B Loans as shall enable the Company to give at least eleven Business Days prior notice under the Series B Loan Agreements to the holders of the Series B Preferred Shares, and Texaco Inc. shall cause the Company to give such notice to the holders of the Series B Preferred Shares.

#### ADDITIONAL INTEREST

In addition, if at any time following the date of the Series B Loan Agreements (a) the Company shall be required to pay any Additional Amounts in respect of the Series B Preferred Shares, pursuant to the terms thereof, (b) Texaco Inc. shall be required to withhold or deduct any amounts, for or on account of any taxes, duties or governmental charges of whatever nature imposed by the United States of America (or any political subdivision thereof or therein), from the interest payments to be made by Texaco Inc. on the Series B Loans or (c) the Company shall be required to pay, with respect to its income derived from the interest payments on the Series B Loans, any amounts, for or on account of any taxes, duties or governmental charges of whatever nature imposed by the Turks and Caicos Islands (or any political subdivision thereof or therein), then, in any such case, Texaco Inc. will pay as interest such additional amounts ("Additional Interest") as may be necessary in order that the net amounts received and retained by the Company after paying



such Additional Amounts, or after such withholding or deduction or the payment of such taxes, duties, assessments or governmental charges, as the case may be, shall result in the Company's having such funds as it would have had in the absence of the obligation to pay such Additional Amounts, or such withholding or deduction or the payment of such taxes, duties, assessments or governmental charges, as the case may be. The obligation to pay Additional Interest under (b) above shall be reduced proportionately to the extent that (x) holders of Series B Preferred Shares have been notified of the obligation to withhold taxes and have been requested but have not provided declarations of non-residence or other claim for exemption and (y) such withholding or deduction would not have been required had such declaration or claim been received.

#### METHOD AND DATE OF PAYMENT

Each payment by Texaco Inc. of principal and interest (including Additional Interest, if any) on the Series B Loans shall be made to the Company in lawful money of the United States, at such place and to such account as may be designated by the Company.

#### SET-OFF

Notwithstanding anything to the contrary in the Series B Loan Agreements, Texaco Inc. shall have the right to set-off any payment it is otherwise required to make thereunder with and to the extent Texaco Inc. has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee.

#### SUBORDINATION

Texaco Inc. and the Company covenant and agree that each of the Series B Loans is subordinate and junior in right of payment to all Senior Indebtedness as provided in the Series B Loan Agreements. The term "Senior Indebtedness" shall mean the principal, premium, if any, and interest on (i) all indebtedness of Texaco Inc. (excluding the Prior Loans, with which the Series B Loans shall rank on a pari passu basis), whether outstanding on the date of the Series B Loan Agreements or thereafter created, incurred or assumed, which is for money borrowed, or evidenced by a note or similar instrument given in connection with the acquisition of any business, properties or assets, including securities, (ii) any indebtedness of others of the kinds described in the preceding clause (i) for the payment of which Texaco Inc. is responsible or liable as guarantor or otherwise and (iii) amendments, renewals, extensions and refundings of any such indebtedness, unless in any instrument or instruments evidencing or securing such indebtedness or pursuant to which the same is outstanding, or in any such amendment, renewal, extension or refunding, it is expressly provided that such indebtedness is not superior in right of payment to the Series B Loans. Obligations to other creditors, including trade creditors, do not constitute Senior Indebtedness. The Series B Loan Agreements expressly provide that the Series B Loans will rank pari passu with, and will not be superior in right of payment to, the Prior Loans. The Senior Indebtedness shall continue to be Senior Indebtedness and entitled to the benefits of the subordination provisions irrespective of any amendment, modification or waiver of any term of the Senior Indebtedness or extension or renewal of the Senior Indebtedness.

In the event that (i) Texaco Inc. shall default in the payment of any principal, or premium, if any, or interest on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or declaration or otherwise or (ii) an event of default occurs with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof and written notice of such event of default is given to Texaco Inc. by the holders of Senior Indebtedness, then unless and until such default in payment and event of default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash, property, securities, by set-off or otherwise) shall be made or agreed to be made on account of the

Series B Loans or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of the Series B Loans.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to Texaco Inc., its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding up of Texaco Inc., voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by Texaco Inc. for the benefit of creditors, or (iv) any other marshalling of the assets of Texaco Inc., all Senior Indebtedness shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made to Texaco Inc. on account of the Series B Loans. Any payment or distribution, whether in cash, securities or other property (other than securities of Texaco Inc. or any other corporation provided for by a plan of reorganization or a readjustment, the payment of which is subordinate, at least to the extent provided in the subordination provisions of the Series B Loan Agreements with respect to the indebtedness evidenced by the Series B Loans, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for the subordination provisions) be payable or deliverable in respect to the Series B Loans shall be paid or delivered directly to the holders of Senior Indebtedness in accordance with the priorities then existing among such holders until all Senior Indebtedness shall have been paid in full. No present or future holder of any Senior Indebtedness shall be prejudiced in the right to enforce subordination of the indebtedness constituting the Series B Loans by any act or failure to act on the part of Texaco Inc.

Senior Indebtedness shall not be deemed to have been paid in full unless the holders thereof shall have received cash, securities or other property equal to the amount of such Senior Indebtedness then outstanding. Upon the payment in full of all Senior Indebtedness, the Company shall be subrogated to all the rights of any holders of Senior Indebtedness to receive any further payments or distributions applicable to the Senior Indebtedness until the Series B Loans shall have been paid in full, and such payments or distributions received by the Company, by reason of such subrogation, of cash, securities or other property which otherwise would be paid or distributed to the holders of Senior Indebtedness, shall, as between Texaco Inc. and its creditors other than the holders of Senior Indebtedness, on the one hand, and the Company, on the other, be deemed to be a payment by Texaco Inc. on account of Senior Indebtedness, and not on account of the Series B Loans.

#### COVENANTS

Texaco Inc. will agree (i) to maintain direct or indirect 100% ownership of the common shares of the Company, (ii) not to voluntarily dissolve, wind-up or liquidate the Company so long as any Series B Preferred Shares are outstanding and (iii) to timely perform all of its duties as Manager of the Company. See "Interest" for a discussion of additional covenants with respect to the extension of interest periods.

#### EVENTS OF DEFAULT

If one or more of the following events (each an "Event of Default") shall occur and be continuing:

(a) default in the payment of interest on the Series B Loans, including any Additional Amounts in respect thereof, when due for 10 days; provided that a valid extension of the interest payment period by Texaco Inc. shall not constitute a default in the payment of interest for this purpose (see "--Interest");

(b) default in the payment of principal on the Series B Loans;

- (c) dissolution or winding-up or liquidation of the Company;
- (d) the bankruptcy, insolvency or liquidation of Texaco Inc.; or
- (e) the breach by Texaco Inc. of any of its covenants under the Series B Loans;

then the Company will have the right to declare the principal of and the interest on the Series B Loans and all other amounts payable under the Series B Loan Agreements to be forthwith due and payable and to enforce its other rights as a defaulted creditor with respect to the Series B Loans. Under the terms of the Series B Preferred Shares, the holders of outstanding Series B Preferred Shares will have the rights referred to under "Certain Terms of the Series B Preferred Shares-- Voting Rights", including the right to appoint a trustee, which trustee shall be authorized to exercise the Company's right to accelerate the principal amount of the Series B Loans and to enforce the Company's other creditor rights under the Series B Loans.

#### MISCELLANEOUS

Texaco Inc. shall have the right at all times to assign any of its rights or obligations under the Series B Loan Agreements to a direct or indirect wholly owned subsidiary of Texaco Inc.; provided that, in the event of any such assignment, Texaco Inc. shall remain jointly and severally liable for all such obligations. The Company may not assign any of its rights under the Series B Loan Agreements without the prior written consent of Texaco Inc. Subject to the foregoing, the Series B Loan Agreements shall be binding upon and inure to the benefit of Texaco Inc. and the Company and their respective successors and assigns. Any assignment by Texaco Inc. or the Company in contravention of these provisions will be null and void.

Except as to matters relating to the authorization, execution and delivery of the Series B Loan Agreements by the Company, which will be governed by the laws of the Turks and Caicos Islands, the Series B Loan Agreements will be governed by and construed in accordance with the laws of the State of New York.

The Series B Loan Agreements may be amended by mutual consent of the parties in the manner the parties shall agree; provided that, so long as any of the Series B Preferred Shares remain outstanding, no such amendment shall be made, and no termination of the Series B Loan Agreements shall occur, without the prior consent of at least 66 2/3% of the holders of the Series B Preferred Shares, in writing or at a duly constituted meeting of such holders, unless and until the Series B Loans and all accrued and unpaid interest thereon (including Additional Interest, if any) shall have been paid in full.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement"), the Company has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of the Underwriters, for whom Goldman, Sachs & Co., Dean Witter Reynolds Inc., A.G. Edwards & Sons, Inc., Kidder, Peabody & Co. Incorporated, Lehman Brothers Inc., Morgan Stanley & Co. Incorporated, PaineWebber Incorporated, Prudential Securities Incorporated and Smith Barney Inc. are acting as representatives, has severally agreed to purchase, the number of Series B Preferred Shares set forth opposite its name below:

UNDERWRITERS	SERIES B PREFERRED SHARES
Goldman, Sachs & Co.....	350,000
Dean Witter Reynolds Inc. ....	350,000
A.G. Edwards & Sons, Inc. ....	350,000
Kidder, Peabody & Co. Incorporated.....	350,000
Lehman Brothers Inc. ....	350,000
Morgan Stanley & Co. Incorporated.....	350,000
PaineWebber Incorporated.....	350,000
Prudential Securities Incorporated.....	350,000
Smith Barney Inc. ....	350,000
Bear, Stearns & Co. Inc. ....	128,000
CS First Boston Corporation.....	128,000
Alex. Brown & Sons Incorporated.....	128,000
Dillon, Read & Co. Inc. ....	128,000
Donaldson, Lufkin & Jenrette Securities Corporation.....	128,000
Oppenheimer & Co., Inc. ....	128,000
Salomon Brothers Inc.....	128,000
Advest, Inc. ....	18,160
J.C. Bradford & Co. ....	18,160
Commerzbank Capital Markets Corporation.....	18,160
Cowen & Company.....	18,160
Credit Lyonnais Securities (USA) Inc. ....	18,160
Dain Bosworth Incorporated.....	18,160
Davenport & Co. of Virginia, Inc. ....	18,160
Fahnestock & Co. Inc. ....	18,160
First of Michigan Corporation.....	18,160
Furman Selz Incorporated.....	18,160
J.B. Hanauer & Co. ....	18,160
J.J.B. Hilliard, W.L. Lyons, Inc. ....	18,160
Interstate/Johnson Lane Corporation.....	18,160
Legg Mason Wood Walker Incorporated.....	18,160
McGinn, Smith & Co., Inc. ....	18,160
Mendham Capital Group, Inc. ....	18,160
Montgomery Securities.....	18,160
Morgan, Keegan & Company, Inc. ....	18,160
Piper Jaffray Inc. ....	18,160
Pryor, McClendon, Counts & Co., Inc. ....	18,160
Rauscher Pierce Refsnes, Inc. ....	18,160
Raymond James & Associates, Inc. ....	18,160
The Robinson-Humphrey Company, Inc. ....	18,160
Rodman & Renshaw, Inc. ....	18,160
Wheat, First Securities, Inc. ....	18,160
Total.....	4,500,000
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Under the terms and conditions of the Underwriting Agreement, the Underwriters are committed to take and pay for all the Series B Preferred Shares, if any are taken.

The Underwriters propose to offer the Series B Preferred Shares in part directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement and in part to certain securities dealers at such price less a concession of \$.50 per Series B Preferred Share. The Underwriters may allow and such dealers may reallow a concession not in excess of \$.25 per Series B Preferred Share to certain brokers and dealers. After the Series B Preferred Shares are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

In view of the fact that the proceeds of the sale of the Series B Preferred Shares will be lent to Texaco Inc., Texaco Inc. has agreed to pay to Goldman, Sachs & Co. in New York Clearing House (next day) funds \$.7875 per Series B Preferred Share (\$.50 per Series B Preferred Share sold to certain institutions) for the accounts of the several Underwriters as compensation for the services of the Underwriters under the Underwriting Agreement.

The Company has granted the Underwriters an option for 30 days after the date of this Prospectus Supplement exercisable in whole or in part to purchase up to 675,000 additional Series B Preferred Shares to cover over-allotments, if any, at the initial public offering price (with an additional underwriting commission), as set forth on the cover page of this Prospectus Supplement. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of Series B Preferred Shares to be purchased by each of them, as shown in the foregoing table, bears to the number of Series B Preferred Shares initially offered hereby.

Prior to this offering, there has been no market for the Series B Preferred Shares. In order to meet one of the requirements for listing the Series B Preferred Shares on the New York Stock Exchange, the Underwriters will undertake to sell lots of 100 or more Series B Preferred Shares to a minimum of 400 beneficial holders.

The Company and Texaco Inc. have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the United States Securities Act of 1933, as amended.

Certain of the Underwriters are customers of, or engage in transactions with, and from time to time have performed services for, Texaco and its affiliated companies in the ordinary course of business. Alfred C. DeCrane, Jr., the Chairman of the Board of Directors and Chief Executive Officer of Texaco Inc., is a member of the board of directors of Dean Witter, Discover & Co., which is the parent company of Dean Witter Reynolds Inc.

Payment by each initial purchaser of the Series B Preferred Shares will be made on the date of delivery of such Series B Preferred Shares by official bank or certified check payable in New York Clearing House (next day) funds.

#### TAXATION

The following is a summary of the principal United States federal income tax consequences of the ownership of Series B Preferred Shares as set forth in the accompanying Prospectus under the caption "Taxation", which discussion should be read in conjunction with the following summary. This summary and such prior information is based upon the opinion of Sullivan & Cromwell, special United States tax counsel.

#### INCOME FROM PREFERRED SHARES

In the opinion of Sullivan & Cromwell, the Company will be treated as a partnership for federal income tax purposes. Each holder of Series B Preferred Shares (a "Shareholder") will be required to include in gross income the Shareholder's distributive share of the Company's net income. Such income will not exceed dividends received on a Series B Preferred Share, except in limited circumstances as described under "Potential Extension of Payment Period" in the accompanying Prospectus. No portion of the amounts received on a Series B Preferred Share will be eligible for the dividends received deduction. The payment of such income to United States persons and the payment of interest on the Series B Loans is not subject to withholding under present United States federal income tax law.

#### DISPOSITION OF PREFERRED SHARES

Gain or loss will be recognized on a sale of Series B Preferred Shares equal to the difference between the amount realized and the Shareholder's tax basis for the Series B Preferred Shares sold. Gain or loss recognized by a Shareholder on the sale or exchange of Series B Preferred Shares held for more than one year will generally be taxable as long-term capital gain or loss.

#### UNITED STATES ALIEN HOLDERS

Under present United States federal income tax law, and assuming satisfaction by Texaco Inc. of its withholding tax obligations, if any:

(i) payments by the Company or any of its paying agents to any holder of a Series B Preferred Share who or which is a United States Alien Holder (as defined in the Prospectus) will not be subject to United States federal withholding tax, provided that the conditions specified in the Prospectus are satisfied; and

(ii) a United States Alien Holder of a Series B Preferred Share will not be subject to United States federal withholding tax on any gain realized on the sale or exchange of a Series B Preferred Share.

#### COMPANY INFORMATION RETURNS

Texaco Inc., as Manager of the Company, anticipates that it will be able to furnish a holder of the Series B Preferred Shares with a Schedule K-1 setting forth such Shareholder's allocable share of income for any taxable year of the Company prior to March 1 in the following year.

Should any United States withholding tax be imposed on payments on the Series B Preferred Shares, such shares may be subject to a call for redemption as provided under "Redemption" above.

#### VALIDITY OF SECURITIES

The validity of the Series B Preferred Shares will be passed upon by Misick & Stanbrook, Turks and Caicos Islands counsel to the Company. The validity of the Guarantee relating to the Series B Preferred Shares will be passed upon on behalf of the Company and Texaco Inc. by Misick & Stanbrook, Turks and Caicos Islands counsel to the Company and Texaco Inc., and Arthur G. Taylor, Esq., Associate General Counsel of Texaco Inc. or such other attorney of Texaco Inc. as the Company and Texaco Inc. may designate, and on behalf of the Underwriters by Davis Polk & Wardwell, United States counsel to the Underwriters. As to all matters of Turks and Caicos Islands law, Arthur G. Taylor, Esq., Davis Polk & Wardwell and Sullivan & Cromwell, special United States tax counsel, will rely upon the opinions of Misick & Stanbrook. As to all matters of United States and New York law, Misick & Stanbrook will rely upon the opinions of Arthur G. Taylor, Esq.

#### EXPERTS

The audited consolidated financial statements and schedules included or incorporated by reference in the Annual Report of Texaco Inc. for the fiscal year ended December 31, 1993 filed on Form 10-K, incorporated herein by reference, have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports. Reference is made to said reports, which include an explanatory paragraph with respect to the change in methods of accounting for income taxes and postretirement benefits other than pensions in 1992, as discussed in Note 2 to the consolidated financial statements.

TEXACO CAPITAL LLC  
CUMULATIVE GUARANTEED MONTHLY INCOME PREFERRED SHARES ("MIPS\*")  
GUARANTEED TO THE EXTENT SET FORTH  
HEREIN BY  
TEXACO INC.

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Texaco Capital LLC (the "Company"), a limited life company organized under the laws of the Turks and Caicos Islands, may offer from time to time, in one or more series, its authorized but unissued shares of Cumulative Guaranteed Monthly Income Preferred Shares, par value \$25 per share (the "MIPS\*" or "Preferred Shares"). The Company is a wholly owned subsidiary of Texaco Inc. (the "Guarantor"), a Delaware corporation. The payment of dividends, if and to the extent declared out of moneys held by the Company and lawfully available therefor, and payments on liquidation or redemption with respect to the Preferred Shares are guaranteed (the "Guarantee") by the Guarantor to the extent set forth herein. The Guarantee will rank junior to all liabilities of the Guarantor and pari passu with the most senior preferred or preference stock issued by the Guarantor. See "Texaco Capital LLC", "Description of Preferred Shares--Mandatory Redemption" and "Description of the Guarantee" for a description of various contractual backup obligations of Texaco Inc. The total number of Preferred Shares of all series to be issued under the registration statement of which this Prospectus forms a part will not exceed 24,000,000.

The terms of the Preferred Shares of a particular series will be determined at the time of sale. The specific designation, liquidation value per share, initial public offering price, dividend rate (or method of determination thereof), dates on which dividends will be payable, voting rights, any redemption provisions and the other rights, preferences, privileges, limitations and restrictions relating to the Preferred Shares of the particular series in respect of which this Prospectus is being delivered will be set forth in the Prospectus Supplement pertaining to such series (the "Prospectus Supplement").

The Preferred Shares may be sold for public offering to or through underwriters, including Goldman, Sachs & Co., or dealers or may be sold through agents designated from time to time or directly by the Company. See "Plan of Distribution". The names of any such underwriters, dealers or agents involved in the sale of the Preferred Shares of the particular series in respect of which this Prospectus is being delivered, the number of Preferred Shares to be purchased by any such underwriters and any applicable commissions or discounts will be set forth in the Prospectus Supplement. The net proceeds to the Company will also be set forth in the Prospectus Supplement.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS.  
ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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No person has been authorized to give any information or to make any representations, other than as contained herein or incorporated by reference in this Prospectus, in connection with the offer contained in this Prospectus, and, if given or made, such information or representations must not be relied upon. Neither the delivery of this Prospectus nor any sale hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Company or the Guarantor since the date hereof.

This Prospectus and the Prospectus Supplement do not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

This Prospectus may not be used to consummate sales of Preferred Shares unless accompanied by a Prospectus Supplement.

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\* An application is being filed by Goldman, Sachs & Co. with the United States Patent and Trademark Office for the registration of the MIPS servicemark.

GOLDMAN, SACHS & CO.  
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The date of this Prospectus is October 21, 1993



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AVAILABLE INFORMATION

Texaco Inc. is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Texaco Inc.'s annual proxy statements so filed contain, among other things, certain information concerning directors and officers, including their compensation, the number of shares of common stock of Texaco Inc. owned by the directors and owners of 5% or more of any class of such securities, and any material interests of such persons in certain transactions. Such reports, proxy statements and other information filed by Texaco Inc. with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington D.C. 20549, as well as at the Regional Offices of the Commission at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, certain reports, proxy materials and other information concerning Texaco Inc. can be inspected at the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York and the Midwest Stock Exchange, 120 South LaSalle Street, Chicago, Illinois, on which Exchanges the common stock of Texaco Inc. is listed.

Texaco Inc. will provide without charge to each person to whom a copy of this Prospectus or any Prospectus Supplement is delivered, on the request of any such person, a copy of any or all of the documents incorporated in this Prospectus or any Prospectus Supplement by reference (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Written or telephone requests for such copies should be directed to the executive offices of Texaco Inc. c/o the Secretary, 2000 Westchester Avenue, White Plains, New York 10650 (Telephone: (914) 253-4000).

No separate financial statements of the Company have been included herein. The Company and Texaco Inc. do not consider that such financial statements would be material to holders of the Preferred Shares because the Company is a newly organized special purpose entity, has no operating history and no independent operations and is not engaged in any activity other than the issuance of the Preferred Shares and its common shares, and the lending of the net proceeds thereof to Texaco Inc. or its subsidiaries. See "Texaco Capital LLC". The Company is a limited life company organized under the laws of the Turks and Caicos Islands and will be managed by Texaco

Inc., which beneficially owns all of the Company's common stock, which is nontransferable. The Company has no physical assets located within the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or to enforce against it in the United States courts judgments obtained in such courts predicated upon civil liability provisions of the federal securities laws of the United States. The Company has been advised by its Turks and Caicos Islands legal counsel, Misick & Stanbrook, that there may be doubt as to the enforceability, in the Turks and Caicos Islands in original actions or in actions for enforcement of judgments of United States courts, of liabilities predicated solely upon the federal securities laws of the United States.

#### DOCUMENTS INCORPORATED BY REFERENCE

The documents listed below, filed by Texaco Inc. with the Securities and Exchange Commission (File No. 1-27) pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934, contain the most recently published corporate and financial data regarding Texaco Inc., and are incorporated by reference in this Prospectus:

(a) Annual Report of Texaco Inc. for the fiscal year ended December 31, 1992, filed on Form 10-K (dated and filed March 17, 1993) (the "1992 Form 10-K");

(b) Texaco Inc.'s Proxy Statement dated April 5, 1993, issued in connection with Texaco Inc.'s 1993 Annual Meeting;

(c) Quarterly Reports of Texaco Inc. for the quarterly periods ended March 31, 1993 and June 30, 1993, filed on Form 10-Q (dated and filed May 14, 1993 and August 12, 1993, respectively) (the "Form 10-Qs");

(d) Form 8-K--Texaco Inc.--date of earliest event reported, January 21, 1993 (dated January 22, 1993 and filed January 25, 1993);

(e) Form 8-K--Texaco Inc.--date of earliest event reported, February 17, 1993 (dated and filed February 19, 1993);

(f) Form 8-K--Texaco Inc.--date of earliest event reported, March 4, 1993 (dated and filed March 8, 1993);

(g) Form 8-K--Texaco Inc.--date of earliest event reported, April 22, 1993 (dated and filed April 23, 1993);

(h) Form 8-K--Texaco Inc.--date of earliest event reported, July 22, 1993 (dated and filed July 22, 1993);

(i) Form 8-K--Texaco Inc.--date of earliest event reported, August 12, 1993 (dated and filed August 13, 1993);

(j) Form 8-K--Texaco Inc.--date of earliest event reported, September 3, 1993 (dated and filed September 7, 1993);

(k) Form 8-K--Texaco Inc.--date of earliest event reported, September 9, 1993 (dated and filed September 10, 1993); and

(l) Form 8-K--Texaco Inc.--date of earliest event reported, September 13, 1993 (dated and filed September 14, 1993).

All documents subsequently filed by Texaco Inc. pursuant to Sections 13(a), 13(c), 13(d), 14 and 15(d) of the Exchange Act (except those relating to employee benefit plans), prior to the termination of the offering described herein, shall be deemed to be incorporated by reference in

this Prospectus or in any Prospectus Supplement and to be a part hereof and thereof from the date of filing of such documents.

Any statement contained in a document incorporated by reference herein or in any Prospectus Supplement shall be deemed to be modified or superseded for purposes of this Prospectus and any Prospectus Supplement to the extent that a statement contained herein or therein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein or therein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus or any Prospectus Supplement.

TEXACO

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. Its principal executive offices are located at 2000 Westchester Avenue, White Plains, New York 10650, telephone: (914) 253-4000. As used herein, Texaco (unless the context otherwise indicates) refers to Texaco Inc. and all of its consolidated subsidiary companies.

Texaco together with affiliates owned 50% or less represents 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, including petrochemicals.

On September 13, 1993, Texaco Inc. announced that it had entered into a memorandum of understanding to sell on January 1, 1994, subject to the signing of definitive agreements and to obtaining necessary government and other approvals, Texaco Chemical Company, a wholly owned subsidiary, and substantially all of its worldwide chemical operations to Huntsman Financial Corporation, an affiliate of the Jon M. Huntsman Group of Companies, for a purchase price of \$1.05 billion.

RATIO OF EARNINGS TO COMBINED  
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	SIX MONTHS ENDED JUNE 30, 1993	YEARS ENDED DECEMBER 31,				
		1992	1991	1990	1989	1988
Ratio of earnings to combined fixed charges and preferred stock dividends of Texaco on a total enterprise basis (unaudited)(a).....	3.08	2.57	2.77	3.57	4.28(b)	3.14

- (a) Preferred stock dividend requirements have been adjusted to reflect the pre-tax earnings which would be required to cover the Series C and Series E Variable Rate Cumulative Preferred Stock and Market Auction Preferred Shares dividends and to exclude the interest portion of the Series B and Series F ESOP Convertible Preferred Stock dividends.
- (b) Excluding the gains from the sale of Texaco Canada Inc. and the sale of a 20% stock interest in a subsidiary, as well as the 1989 restructuring charges, the ratio of earnings to combined fixed charges and preferred stock dividends on a total enterprise basis approximated 2.48.

## TEXACO CAPITAL LLC

Texaco Capital LLC, a wholly owned subsidiary of Texaco Inc., is a limited life company organized under the laws of the Turks and Caicos Islands. The Company's registered offices are located at MacLaw House, P.O. Box 103, Duke Street, Grand Turk, Turks and Caicos Islands, British West Indies, telephone: (809) 946-2476. The principal executive offices of its Manager (as defined below) are located at 2000 Westchester Avenue, White Plains, New York 10650, telephone: (914) 253-4000. Texaco Inc. will own directly or indirectly all of the common shares of the Company, which shares are nontransferable. The Company exists solely for the purpose of issuing preferred and common shares and lending the net proceeds thereof to Texaco Inc. or its subsidiaries.

Texaco Inc. and the Company will enter into an agreement pursuant to which Texaco Inc. has agreed to guarantee the payment of any liabilities incurred by the Company (other than obligations to holders of Preferred Shares). The agreement expressly provides that such agreement is for the benefit of, and is enforceable by, third parties to whom the Company owes such obligations.

### USE OF PROCEEDS

It is expected that the net proceeds from the sale of the Preferred Shares will be lent to Texaco Inc. or its subsidiaries to be used for working capital, for retirement of debt and for other general corporate purposes.

### DESCRIPTION OF PREFERRED SHARES

The following is a summary of certain terms and provisions of the Preferred Shares of any series. Certain terms and provisions of the Preferred Shares of a particular series will be summarized in the Prospectus Supplement relating to the Preferred Shares of such series. If so indicated in the Prospectus Supplement, the terms and provisions of the Preferred Shares of a particular series may differ from the terms set forth below. The summaries set forth below and in the applicable Prospectus Supplement address the material terms of the Preferred Shares of any particular series but do not purport to be complete and are subject to, and qualified in their entirety by reference to, the Memorandum of Association of the Company (the "Memorandum"), the Articles of Association of the Company (the "Articles") and the resolutions adopted, or to be adopted, by Texaco Inc., as manager (the "Manager"), as designated in the Articles establishing the rights, preferences, privileges, limitations and restrictions relating to the Preferred Shares of any series or of a particular series. Copies of the Memorandum and the Articles have been filed or incorporated by reference as exhibits to the Registration Statement of which this Prospectus is a part.

### GENERAL

The Company is authorized to issue up to 24,000,000 preference shares, in one or more series or classes, with such dividend rights, liquidation preference per share, redemption provisions, voting rights and other rights, preferences, privileges, limitations and restrictions as shall be set forth in the Articles and the resolutions providing for the issuance thereof adopted by the Manager. All of the Preferred Shares, to be issued in one or more series or classes, will rank pari passu with each other with respect to participation in profits and assets. The Articles as currently in effect do not permit the issuance of any preference shares ranking, as to participation in the profits or the assets of the Company, senior to the Preferred Shares.

The Preferred Shares of any series will be issued in registered form only without dividend coupons. Registration of, and registration of transfers of, the Preferred Shares of any series will be by book entry only. The Preferred Shares of any series will have the dividend rights, rights upon liquidation, redemption provisions and voting rights set forth below, unless otherwise provided in the Prospectus Supplement relating to the Preferred Shares of a particular series. Reference is made to the Prospectus Supplement relating to the Preferred Shares of a particular series for specific terms including (i) the designation of the Preferred Shares of such series, (ii) the price at which the Preferred Shares of such series will be issued, (iii) the dividend rate (or method of calculation thereof) and the dates on which dividends will be payable, (iv) the voting rights of the Preferred Shares of such series, (v) any redemption provisions, (vi) any other rights, preferences, privileges, limitations and restrictions relating to the Preferred Shares of such series and (vii) the terms upon which the proceeds from the sale of the Preferred Shares of such series will be lent to Texaco.

#### DIVIDENDS

Cumulative dividends on any series of Preferred Shares will accrue from the date of original issue thereof and will be payable in arrears at the dates specified in the Prospectus Supplement relating to each such series. Payment of dividends is limited in relation to the amount of funds held by the Company and legally available therefor. See "Description of the Loan" in the Prospectus Supplement and "Description of the Guarantee--General" below.

The dividend payable on Preferred Shares of a particular series will be fixed at the rate specified in the Prospectus Supplement relating to such series. The amount of dividends payable for any period will be computed on the basis of twelve 30-day months and a 360-day year and, for any period shorter than a full monthly dividend period, will be computed on the basis of the actual number of days elapsed in such period.

Dividends declared on the Preferred Shares of any series will be payable to the record holders thereof as they appear on the register for the Preferred Shares of such series on the relevant record dates, which will be, unless otherwise specified in the Prospectus Supplement relating to each such series, the relevant payment dates. Subject to any applicable fiscal or other laws and regulations, each such payment will be made as described under "Book-Entry-Only Issuance; The Depository Trust Company" below. In the event that any date on which dividends are payable on the Preferred Shares of any series is not a day on which banks in The City of New York are open for business and on which foreign exchange dealings may be conducted in The City of New York (a "Business Day"), then payment of the dividend payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Dividends on the Preferred Shares of any series will be cumulative. Dividends on the Preferred Shares of such series will be declared by the Company in any calendar year or portion thereof to the extent that the Company reasonably anticipates that at the time of payment it will have, and will be paid by the Company to the extent that at the time of proposed payment it has, (x) earnings legally available for the payment of such dividends and (y) cash in hand sufficient to permit such payments.

If dividends can be paid only in part on the Preferred Shares of a particular series in any calendar year or portion thereof as a result of the lack of sufficient funds legally available for the payment of dividends, then such partial dividends shall be paid on the respective dividend payment dates on a pro rata basis to holders of such Preferred Shares.

If at any time dividends on Preferred Shares are in arrears for any monthly dividend period, any dividend payments in respect thereof must be applied in respect of all dividend periods in arrears, pro rata in accordance with the respective amounts in arrears for each such period in equal amounts for each such period.

Except as described herein and in the Prospectus Supplement relating to the Preferred Shares of a particular series, holders of the Preferred Shares of any series will have no other right to participate in the profits of the Company.

#### CERTAIN RESTRICTIONS ON THE COMPANY

If dividends have not been paid in full on the Preferred Shares of any series, the Company shall not:

(i) pay, or declare and set aside for payment, any dividends on any other preferred or preference stock of the Company ranking pari passu with the Preferred Shares of such series as regards participation in profits of the Company ("Company Dividend Parity Shares"), unless the amount of any dividends declared on any Company Dividend Parity Shares is paid on the Company Dividend Parity Shares and the Preferred Shares of such series on a pro rata basis on the date such dividends are paid on such Company Dividend Parity Shares, so that

(x) (A) the aggregate amount of dividends paid on the Preferred Shares of such series bears to (B) the aggregate amount of dividends paid on such Company Dividend Parity Shares the same ratio as

(y) (A) the aggregate of all accumulated arrears of unpaid dividends in respect of the Preferred Shares of such series bears to (B) the aggregate of all accumulated arrears of unpaid dividends in respect of such Company Dividend Parity Shares;

(ii) pay, or declare and set aside for payment, any dividends on any shares of the Company ranking junior to the Preferred Shares of such series as to dividends ("Company Dividend Junior Shares"); or

(iii) redeem, purchase or otherwise acquire any Company Dividend Parity Shares or Company Dividend Junior Shares;

until, in each case, such time as all accumulated arrears of unpaid dividends on the Preferred Shares of such series shall have been paid in full for all dividend periods terminating on or prior to, in the case of clauses (i) and (ii), such payment, and in the case of clause (iii), the date of such redemption, purchase or acquisition. As of the date of this Prospectus, there are no Company Dividend Parity Shares outstanding.

#### MANDATORY REDEMPTION

The proceeds from any prepayment or repayment of principal on a loan to Texaco of the proceeds from the issuance of any series of Preferred Shares must be applied to redeem the Preferred Shares of such series; provided that amounts of repayment at maturity may be lent to Texaco if at the time of such loan, and as determined in the judgment of Texaco Inc., as Manager, and its financial advisor, (a) Texaco is not in bankruptcy, (b) Texaco is not in default on any loan pertaining to Preferred Shares of any series, (c) Texaco has made monthly payments on the repaid loan for the immediately prior 18 months, (d) the Company is not in arrearage on payments of dividends on the Preferred Shares of such series, (e) Texaco is expected to be able to make timely payment of principal and interest on the loan, (f) such loan is being made on terms, and under circumstances, that are consistent with those which a lender would require for a loan to an unrelated party, (g) such loan is being made at a rate sufficient to provide payments equal to or greater than the amount of dividend payments required under the Preferred Shares of such series

and (h) such loan is being made for a term that is consistent with market circumstances and Texaco's financial condition.

#### OPTIONAL REDEMPTION

The Preferred Shares of any series will be redeemable, if at all, as specified in the Prospectus Supplement relating to such series.

Notice of any redemption of the Preferred Shares of any series will be given by the Company by mail to each record holder to be redeemed not fewer than 30 nor more than 60 days prior to the date fixed for redemption thereof.

In the event that fewer than all the outstanding Preferred Shares of a particular series are to be redeemed, the Preferred Shares of such series to be redeemed will be selected as described under "Book-Entry-Only Issuance; The Depository Trust Company" below. The Company will not redeem fewer than all the outstanding Preferred Shares of a particular series unless all accumulated arrears of unpaid dividends have been paid on all Preferred Shares of such series for all monthly dividend periods terminating on or prior to the date of redemption.

If the Company gives a notice of redemption in respect of Preferred Shares of a particular series, then, by 12:00 noon, New York time, on the redemption date, the Company will irrevocably deposit with The Depository Trust Company funds sufficient to pay the applicable redemption price, including an amount equal to an accumulated arrears and accruals of unpaid dividends (whether or not declared) to the date fixed for redemption, and will give The Depository Trust Company irrevocable instructions and authority to pay the redemption price to the holders thereof. See "Book-Entry-Only Issuance; The Depository Trust Company". If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of holders of such Preferred Shares of a series so called for redemption will cease, except the right of the holders of such shares to receive the redemption price, plus accumulated arrears and accruals of unpaid dividends, if any, but without interest, and such shares will cease to be outstanding. In the event that any date on which any payment in respect of the redemption of Preferred Shares of any series is not a Business Day, then payment of the redemption price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the redemption price in respect of Preferred Shares of any series is improperly withheld or refused and not paid either by the Company or by the Guarantor pursuant to the Guarantee, dividends on such shares will continue to accrue, at the then applicable rate, from the redemption date to the date of payment of such redemption price.

Subject to the foregoing and applicable law (including, without limitation, U.S. federal securities laws) Texaco Inc. or its subsidiaries may at any time and from time to time purchase outstanding Preferred Shares of any series by tender, in the open market or by private agreement.

#### BOOK-ENTRY-ONLY ISSUANCE; THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Preferred Shares. The Preferred Shares will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Preferred Share certificate will be issued for each series of Preferred Shares, each in the aggregate liquidation preference of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial

Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Preferred Shares under the DTC system must be made by or through Direct Participants, which will receive a credit for the Preferred Shares on DTC's records. The ownership interest of each actual purchaser of each Preferred Share ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Preferred Shares are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Preferred Shares, except in the event that use of the book-entry system for the Preferred Shares is discontinued.

To facilitate subsequent transfers, all Preferred Shares deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Preferred Shares with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Preferred Shares; DTC's records reflect only the identity of the Direct Participants to whose accounts such Preferred Shares are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Preferred Shares of any series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series to be redeemed.

Although voting with respect to the Preferred Shares is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will consent or vote with respect to Preferred Shares. Under its usual procedures, DTC mails an Omnibus Proxy to the Company as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Preferred Shares are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Dividend payments on the Preferred Shares will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices and will be the responsibility of such Participant



and not of DTC or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of dividends to DTC is the responsibility of the Company, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Preferred Shares at any time by giving reasonable notice to the Company. Under such circumstances, in the event that a successor securities depository is not obtained, Preferred Share certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

#### REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Texaco Inc. will act as registrar, transfer agent and paying agent for the Preferred Shares (the "Paying Agent").

Registration of transfers of Preferred Shares of any series will be effected without charge by or on behalf of the Company, but upon payment (with the giving of such indemnity as the Company or Texaco Inc. may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

The Company will not be required to register or cause to be registered the transfer of Preferred Shares of a particular series after such Preferred Shares have been called for redemption.

#### MISCELLANEOUS

The Company is not subject to any mandatory redemption or sinking fund provisions with respect to the Preferred Shares of any series. Holders of Preferred Shares of any series have no preemptive rights.

#### DESCRIPTION OF THE GUARANTEE

Set forth below is condensed information concerning the guarantee (the "Guarantee") which will be executed and delivered by the Guarantor for the benefit of the holders from time to time of Preferred Shares. This summary contains all material information concerning the Guarantee but does not purport to be complete. References to provisions of the Guarantee are qualified in their entirety by reference to the text of the Guarantee, a copy of which has been filed as an exhibit to the Registration Statement of which this Prospectus is part.

#### GENERAL

The Guarantor will irrevocably and unconditionally agree, to the extent set forth herein, to pay in full, to the holders of the Preferred Shares of any series, the Guarantee Payments (as defined below) (except to the extent paid by the Company), as and when due, regardless of any defense, right of set-off or counterclaim which the Company may have or assert. The following payments to the extent not paid by the Company (the "Guarantee Payments") will be subject to the Guarantee (without duplication): (i) any accumulated arrears and accruals of unpaid dividends which have been theretofore declared on the Preferred Shares of such series out of moneys legally available therefor, (ii) the redemption price (including all accumulated arrears and accruals of unpaid dividends) payable with respect to Preferred Shares of any series called for redemption by the Company as an optional redemption or otherwise out of funds available to the Company, (iii) the

lesser of (a) the aggregate of the liquidation preference and all accumulated arrears and accruals of unpaid dividends (whether or not declared) to the date of payment and (b) the amount of remaining assets of the Company and (iv) any Additional Amounts payable by the Company (as described in the accompanying Prospectus Supplement). The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the holders of Preferred Shares of any series or by causing the Company to pay such amounts to such holders.

#### CERTAIN COVENANTS OF TEXACO

If, at any time that the Guarantor fails to comply with its obligations under the Guarantee, any proposal by the management of the Guarantor is made to declare dividends on any shares of the Guarantor ranking junior to the Guarantor's obligations under the Guarantee as to participation in profits, the Guarantor shall, or shall cause the Company to, set aside for payment in a segregated account at the office of the Paying Agent an amount equal to all accumulated arrears of dividends payable on the Preferred Shares of such series out of moneys held and legally available therefor and irrevocably instruct the Paying Agent to pay such amounts as dividends payable on the Preferred Shares of such series on the day following the date on which such proposal is approved by the Guarantor's shareholders. The Paying Agent shall make such payment on such day unless it shall have received, prior to 10:00 a.m., New York time, on such day, a certificate from the Guarantor certifying that such proposal has not been adopted by the Guarantor's shareholders. In such case, the amounts deposited in such account shall be remitted forthwith to the Guarantor or the Company, as the case may be. In all cases, any interest accrued on the amounts deposited in such account shall be remitted by the Paying Agent to the Guarantor or the Company, as the case may be.

In addition, if, at any time that the Guarantor fails to comply with its obligations under the Guarantee, the Guarantor (or any subsidiary of the Guarantor using funds provided by the Guarantor) redeems or purchases or otherwise acquires any shares of the Guarantor ranking junior to the Guarantor's obligations under the Guarantee as to participation in assets of the Guarantor upon liquidation, all accumulated arrears of dividends payable on the Preferred Shares of such series out of moneys held and legally available therefor shall immediately become due and payable under the Guarantee; provided, however, that no such payment shall be required if any such shares of the Guarantor are redeemed, purchased or otherwise acquired pursuant to any employee stock option plan of the Guarantor.

Neither the Guarantor, nor any subsidiary of the Guarantor using funds provided by the Guarantor, shall redeem, purchase or acquire, or pay a liquidation preference with respect to, any preferred or preference stock of the Guarantor ranking pari passu with the Guarantee, any preferred or preference stock of affiliates of the Guarantor (including the Company) entitled to the benefits of a guarantee of the Guarantor ranking pari passu with the Guarantee or any preferred or preference stock of affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to the Guarantee as to participation in assets of the Guarantor upon liquidation if at such time the Guarantor shall be in default with respect to its obligations under the Guarantee.

Neither the Guarantor, nor any subsidiary of the Guarantor using funds provided by the Guarantor, shall pay dividends, or make guarantee payments with respect to dividends, on any preferred or preference stock of affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to the Guarantee as to participation in profits of the Guarantor if at such time the Guarantor shall be in default with respect to its obligations under the Guarantee.

Pursuant to the Guarantee, the Guarantor will agree (i) to maintain direct or indirect 100% ownership of the common shares of the Company and (ii) not to voluntarily dissolve, wind-up or liquidate the Company so long as any Preferred Shares are outstanding.

If the Guarantor issues, following the date of this Prospectus, any preferred or preference shares ranking senior to its obligations under the Guarantee or enters into any guarantee in respect of any preferred or preference shares of any affiliate of the Guarantor, which guarantee would rank junior to all liabilities of the Guarantor but senior to the Guarantee as regards rights in respect of dividends, liquidation preference and distributions, and rights upon redemption, then the Guarantee will be deemed to give the holders of Preferred Shares such rights and entitlements as are contained in or attached to such other preferred or preference stock or guarantee such that the Guarantee ranks pari passu as to such rights and entitlements with any such preferred or preference stock or other guarantee.

#### ADDITIONAL AMOUNTS

All Guarantee Payments will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied upon or as a result of such payment by or on behalf of the United States, any State thereof or any other jurisdiction through which or from which such payment is made, or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Preferred Shares after such withholding or deduction will equal the amount which would have been receivable in respect of the Preferred Shares in the absence of such withholding or deduction (the "Additional Amounts"), except that no such Additional Amounts will be payable to a holder of the Preferred Shares (or a third party on his behalf) with respect to any of the Preferred Shares:

(a) if such holder is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Shares by reason of such holder's having some connection with the United States, any State thereof or any other jurisdiction through which or from which such payment is made, other than being a holder of the Preferred Shares, or

(b) if the Company or the Guarantor has notified such holder of the obligation to withhold taxes and requested but not received from such holder a declaration of non-residence or other similar claim for exemption, and such withholding or deduction would not have been required had such declaration or similar claim been received.

#### AMENDMENTS AND ASSIGNMENT

Except with respect to any changes which do not adversely affect the rights of holders (in which case no vote will be required), the Guarantee may be changed only with the prior approval of the holders of not less than 66-2/3% in liquidation preference of the Preferred Shares given either in writing or by vote at a duly constituted meeting of such holders. All guarantees and agreements contained in the Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the holders of the Preferred Shares. The quorum for any such meeting and the determination of the Preferred Shares entitled to vote shall be as set forth under "Description of Preferred Shares--Voting Rights" in the Prospectus Supplement relating to Preferred Shares of a particular series.

#### TERMINATION OF THE GUARANTEE

The Guarantee will terminate and be of no further force and effect upon full payment of the redemption price (including all accumulated arrears and accruals of unpaid dividends) of all Preferred Shares or upon full payment of the amounts payable upon liquidation of the Company. The Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of Preferred Shares of any series must restore payment of any sums paid under the Preferred Shares of such series or the Guarantee.

## STATUS OF THE GUARANTEE

The Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) junior to all liabilities of the Guarantor, (ii) pari passu with the most senior preferred or preference stock issued by the Guarantor and with any guarantee entered into by the Guarantor in respect of any preferred or preference stock of any affiliate of the Guarantor and (iii) senior to the Guarantor's common shares.

The Guarantee will constitute a guarantee of payment and not of collection. A holder of Preferred Shares may enforce the Guarantee directly against the Guarantor, and the Guarantor will waive any right or remedy to require that any action be brought against the Company or any other person or entity before proceeding against the Guarantor. The Guarantee will not be discharged except by payment of the Guarantee Payments in full to the extent not paid by the Company and by complete performance of all obligations under the Guarantee.

## GOVERNING LAW

The Guarantee will be governed and construed in accordance with the laws of the State of New York.

## LIMITATIONS AFFECTING SECURITIES HOLDERS

There are no exchange control laws or regulations in effect under current Turks and Caicos Islands legislation.

## TAXATION

The following discussion is a summary of certain Turks and Caicos Islands and United States federal income tax consequences of the purchase, ownership and disposition of Preferred Shares and is based upon the advice of Misick & Stanbrook with respect to Turks and Caicos Islands taxes, and Sullivan & Cromwell, special United States tax counsel, with respect to United States federal income taxes. It deals only with Preferred Shares held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, life insurance companies, persons holding Preferred Shares as a hedge or hedged against currency risks or as part of a straddle, or persons whose functional currency is not the U.S. dollar. The summary deals only with holders who purchase Preferred Shares of any series, and is subject to additional discussion of material Turks and Caicos Islands and United States federal tax consequences that may appear in a Prospectus Supplement delivered in connection with a particular series of Preferred Shares. This summary is based on tax laws in effect in the United States and the Turks and Caicos Islands, and administrative and judicial interpretations thereof, as of the date hereof, all of which are subject to change (possibly on a retroactive basis).

PROSPECTIVE PURCHASERS OF PREFERRED SHARES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TURKS AND CAICOS ISLANDS, UNITED STATES OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF PREFERRED SHARES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAX LAWS.

UNITED STATES

INCOME FROM PREFERRED SHARES

In the opinion of Sullivan & Cromwell, the Company will be treated as a partnership for federal income tax purposes. Each holder of Preferred Shares (a "Shareholder") will be required to include in gross income his distributive share of the Company's net income. Such income will not exceed dividends received on a Preferred Share, except in limited circumstances as described below under "Potential Extension of Payment Period". No portion of such income will be eligible for the dividends received deduction.

DISPOSITION OF PREFERRED SHARES

Gain or loss will be recognized on a sale of Preferred Shares equal to the difference between the amount realized and the Shareholder's tax basis for the Preferred Shares sold. Gain or loss recognized by a Shareholder on the sale or exchange of a Preferred Share held for more than one year will generally be taxable as long-term capital gain or loss.

COMPANY INFORMATION RETURNS AND AUDIT PROCEDURES

Texaco Inc., as Manager of the Company, will furnish each Shareholder with a Schedule K-1 setting forth each Shareholder's allocable share of income within 90 days after the close of the Company's taxable year.

Any person who holds Preferred Shares as a nominee for another person is required to furnish to the Company (a) the name, address and taxpayer identification number of the beneficial owners and the nominee; (b) whether the beneficial owner is (i) a person that is not a United States person, (ii) a foreign government, an international organization or any wholly owned agency or instrumentality of either of the foregoing, or (iii) a tax-exempt entity; (c) the amount and description of Preferred Shares held, acquired or transferred for the beneficial owners; and (d) certain information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales. Brokers and financial institutions are required to furnish additional information, including whether they are a United States person and certain information on Preferred Shares they acquire, hold or transfer for their own account. A penalty of \$50 per failure (up to a maximum of \$100,000 per calendar year) is imposed by the Internal Revenue Code for failure to report such information to the Company. The nominee is required to supply the beneficial owner of the Preferred Shares with the information furnished to the Company.

POTENTIAL EXTENSION OF PAYMENT PERIOD

Under the terms of any loan which may be made from the proceeds of issuance of preferred shares, Texaco may be permitted to extend the payment period to 18 months. In the event that Texaco exercises this right, Texaco Inc. may not declare dividends on any share of its preferred or common stock, and therefore, the extension of a payment period is, in the view of the Company, remote. In the event that the payment period is extended, the Company will continue to accrue income, equal to the amount of the interest payment due at the end of the extended payment period over the length of the extended payment period.

Accrued income will be allocated, but not distributed, to holders of record on the last day of each calendar month. As a result, holders of record during an extended interest payment period will include interest in gross income in advance of the receipt of cash. The tax basis of a Preferred Share will be increased by the amount of any interest that is included in income without a receipt of cash, and will be decreased again when such cash is subsequently received from the Company.

## UNITED STATES ALIEN HOLDERS

For purposes of this discussion, a "United States Alien Holder" is any holder who or which is (i) a nonresident alien individual or (ii) a foreign corporation, partnership or estate or trust, in either case not subject to United States federal income tax on a net income basis in respect of a Preferred Share.

Under present United States federal income tax law, and assuming satisfaction by Texaco Inc. of its withholding tax obligations, if any:

(i) payments by the Company or any of its paying agents to any holder of a Preferred Share who or which is a United States Alien Holder will not be subject to United States federal withholding tax; provided that (a) the beneficial owner of the Preferred Share does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Texaco Inc. entitled to vote, (b) the beneficial owner of the Preferred Share is not a controlled foreign corporation that is related to Texaco Inc. through stock ownership, and (c) either (A) the beneficial owner of the Preferred Share certifies to the Company or its agent, under penalties of perjury, that it is not a United States Holder and provides its name and address or (B) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Preferred Share certifies to the Company or its agent under penalties of perjury that such statement has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof; and

(ii) A United States Alien Holder of a Preferred Share will not be subject to United States federal withholding tax on any gain realized on the sale or exchange of a Preferred Share.

## TURKS AND CAICOS ISLANDS

Payment of dividends on the Preferred Shares will not be subject to any withholding under the tax laws of the Turks and Caicos Islands.

There are no taxes in the Turks and Caicos Islands on income, profits, capital gains or turnover, nor are there any inheritance, estate, or gift taxes or duties in the Turks and Caicos Islands. The Company is exempted from the payment of stamp duty on the issuance of any shares, debentures or other obligations of the Company. No stamp duty is payable on the transfer or redemption of shares in the Company. The Company has been issued a certificate by the Governor of the Turks and Caicos Islands stating that the Company is exempt, for a period of twenty years from the date of its organization, October 7, 1993, from the payment of any taxes or duties which may be imposed in the future on profits, income, capital gains, assets or appreciations and any such tax or duty or tax in the nature of estate duty or inheritance tax payable on the shares, debentures or other obligations of the Company.

## PLAN OF DISTRIBUTION

The Company may sell Preferred Shares (i) through underwriters, including Goldman, Sachs & Co., (ii) through dealers, (iii) through agents or (iv) directly to purchasers. The Prospectus Supplement relating to the Preferred Shares of a particular series will set forth the terms of such offering, including the names of any underwriters, dealers or agents involved in the sale of such Preferred Shares, the number of Preferred Shares of such series to be purchased by any underwriters and any applicable commissions or discounts. The net estimated proceeds to the Company from such series of Preferred Shares will also be set forth in the Prospectus Supplement.

If underwriters are used in the sale, the Preferred Shares being sold will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Unless otherwise set forth in the Prospectus Supplement relating to the Preferred Shares of a particular series, the obligations of the underwriters to purchase such Preferred Shares will be subject to certain conditions precedent and the underwriters will be obliged to purchase all of such Preferred Shares if any of such Preferred Shares are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If dealers are used in the sale, unless otherwise indicated in the Prospectus Supplement relating to the Preferred Shares of a particular series, the Company will sell such Preferred Shares to the dealers as principals. The dealers may then resell such Preferred Shares to the public at varying prices to be determined by such dealers at the time of resale.

Preferred Shares of a particular series may also be sold through agents designated by the Company from time to time or directly by the Company. Any agent involved in the offering and sale of any such Preferred Shares will be named, and any commissions payable by the Company to such agent will be set forth, in the Prospectus Supplement relating to the Preferred Shares of such series. Unless otherwise indicated in such Prospectus Supplement, any such Agent will act on a best efforts basis for the period of its appointment.

Underwriters, dealers and agents may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or to contribution with respect to payments which the underwriters, dealers or agents may be required to make in respect thereof. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Company in the ordinary course of business.

#### VALIDITY OF SECURITIES

The validity of the Preferred Shares will be passed upon by Misick & Stanbrook, Turks and Caicos Islands counsel to the Company. The validity of the Guarantee relating to the Preferred Shares will be passed upon on behalf of the Company and Texaco Inc. by Misick & Stanbrook, Turks and Caicos Islands counsel to the Company and Texaco Inc., and Arthur G. Taylor, Esq., Associate General Counsel of Texaco Inc. or such other attorney of Texaco Inc. as the Company and Texaco Inc. may designate, and on behalf of the Underwriters by Davis Polk & Wardwell, United States counsel to the Underwriters. As to all matters of Turks and Caicos Islands law, Arthur G. Taylor, Esq., Davis Polk & Wardwell and Sullivan & Cromwell, special United States tax counsel, will rely upon the opinions of Misick & Stanbrook. As to all matters of United States and New York law, Misick & Stanbrook will rely upon the opinions of Arthur G. Taylor, Esq.

#### EXPERTS

The audited consolidated financial statements and schedules included or incorporated by reference in the Annual Report of Texaco Inc. for the fiscal year ended December 31, 1992 filed on Form 10-K, incorporated herein by reference, have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their reports with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports. Reference is made to said report, which includes an explanatory

paragraph with respect to the change in methods of accounting for income taxes and postretirement benefits other than pensions in 1992, as discussed in Note 2 to the consolidated financial statements.

#### FURTHER INFORMATION

The Company and Texaco Inc. have filed with the Commission a registration statement on Form S-3 (the "Registration Statement") relating to the Preferred Shares and the Guarantee offered hereby under the Securities Act. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Additional information concerning the Company, Texaco Inc., the Preferred Shares and the Guarantee is to be found in the Registration Statement, including the exhibits thereto, which may be inspected at the offices of the Commission. See "Available Information".



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 NO DEALER, SALES PERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS IN CONNECTION WITH THE OFFER HEREUNDER AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY TEXACO INC., THE COMPANY OR THE UNDERWRITERS. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES B PREFERRED SHARES IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER AND THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS OR IN THE AFFAIRS OF TEXACO INC. OR THE COMPANY SINCE THE DATE HEREOF.

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 [Logo]

4,500,000 SHARES

TEXACO CAPITAL LLC

CUMULATIVE ADJUSTABLE RATE  
 MONTHLY INCOME PREFERRED SHARES,  
 SERIES B  
 GUARANTEED TO THE EXTENT SET FORTH  
 HEREIN BY

TEXACO INC.

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 PROSPECTUS SUPPLEMENT

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 GOLDMAN, SACHS & CO.  
 DEAN WITTER REYNOLDS INC.  
 A.G. EDWARDS & SONS, INC.  
 KIDDER, PEABODY & CO. INCORPORATED  
 LEHMAN BROTHERS  
 MORGAN STANLEY & CO. INCORPORATED  
 PAINWEBBER INCORPORATED  
 PRUDENTIAL SECURITIES INCORPORATED  
 SMITH BARNEY INC.

REPRESENTATIVES OF THE UNDERWRITERS



