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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported):  
June 8, 1994

TEXACO INC.  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	1-27 (Commission File Number)	74-1383447 (I.R.S. Employer Identification Number)
2000 Westchester Avenue, White Plains, New York (Address of principal executive offices)		10650 (Zip Code)

(914) 253-4000

(Registrant's telephone number, including area code)

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Item 5. Other Events  
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On June 8, 1994, the Registrant announced that its wholly owned finance subsidiary, Texaco Capital LLC, a limited life company organized under the laws of the Turks and Caicos Islands, British West Indies, was issuing \$112.5 million of \$25 per share Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B ("Series B MIPS"), in a public offering. The Series B MIPS will pay a variable dividend rate which will be reset quarterly and are callable at par after five years. The dividend rate will be equal to 88 percent of the highest of three U.S. Treasury maturities, three-month, ten-year and thirty-year. The dividend rate for the period from June 15, 1994 to September 30, 1994 will be 6.4 percent per annum. The payment of dividends and payments on liquidation or redemption with respect to the Series B MIPS are guaranteed by Texaco Inc. Dividends on the Series B MIPS will be paid monthly commencing June 30, 1994. The Series B MIPS are issued under a shelf registration statement filed with the U.S. Securities and Exchange Commission in October, 1993. Proceeds from the issuance will be loaned to Texaco Inc. to be used for working capital, for retirement of debt and for other general corporate purposes. The Series B MIPS will be listed on the New York Stock Exchange (symbol TXCPB).

The description of the Series B MIPS set forth above is qualified in its entirety by reference to the Certification of Designation of Rights and Preferences of Texaco Capital LLC's Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B, a copy of which is attached hereto as Exhibit 4.1 and made a part hereof.

Item 7. Financial Statement, Pro Forma Financial Information and Exhibits  
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(c) Exhibits

- 3.1 Memorandum of Association of Texaco Capital LLC as amended to June 10, 1994.
- 3.2 Articles of Association of Texaco Capital LLC as amended to June 10, 1994.
- 4.1 A copy of the Certification of Designation of Rights and Preferences of Texaco Capital LLC's Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B.
- 4.2 A copy of the Payment and Guarantee Agreement of Texaco Inc. dated

June 8, 1994.

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.

23.1 Consent of Arthur Andersen & Co.

23.2 Consent of Misick & Stanbrook, Turks and Caicos Islands counsel to Texaco Inc. and Texaco Capital LLC.

23.3 Consent of Arthur G. Taylor, Associate General Counsel of Texaco Inc.

23.4 Consent of Sullivan & Cromwell, special United States tax counsel.

99.1 A copy of the Preferred Stock Loan Agreement between Texaco Inc. and Texaco Capital LLC dated June 8, 1994.

99.2 A copy of the Common Stock Loan Agreement between Texaco Inc. and Texaco Capital LLC dated June 8, 1994.

99.3 A copy of the Agreement As To Liabilities between Texaco Inc. and Texaco Capital LLC dated June 8, 1994.

99.4 A copy of Press Release issued by Texaco Inc. dated June 8, 1994, entitled "Texaco Announces Public Issuance of \$112.5 Million in Preferred Shares."

SIGNATURES

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

TEXACO INC.

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(Registrant)

By: R. E. KOCH

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(Assistant Secretary)

Date: June 10, 1994

MEMORANDUM OF ASSOCIATION  
OF  
TEXACO CAPITAL LLC

1. The name of the Company is TEXACO CAPITAL LLC.

2. The registered office of the Company will be situated at Maclaw House  
P.O. Box 103 Duke Street Grand Turk Turks and Caicos Islands British West  
Indies.

3. The life of the Company shall be for a period of 150 years from the  
date of its incorporation.

4. The Company shall at all times have at least two members.

5. The objects for which the Company is established are:

5.1. To issue redeemable preference shares to members of the public  
and to use the proceeds thereof for lending to Texaco Inc. (the parent of  
the Company) and to any subsidiary or affiliated company of Texaco Inc.

5.2. The business of the Company shall be restricted to the  
furtherance of objects specified in clause 5.1 of this clause.

6. THE LIABILITY of the Members is limited.

7. THE CAPITAL of the Company is \$5,005 divided into 5,005 shares of  
\$1.00 each.

Provided always that the Company shall have power to increase or reduce  
such capital, and to issue any part of its capital, original or increased with  
or without any preference, priority or special privilege, or subject to any  
postponement of rights, or to any conditions or restrictions; and so that,  
unless the conditions of issue shall otherwise expressly declare, every issue  
of shares, whether declared to be preference or otherwise, shall be subject to  
the power hereinbefore contained.

THE COMPANIES ORDINANCE 1981  
ARTICLES OF ASSOCIATION  
OF  
TEXACO CAPITAL LLC  
INTERPRETATION.

(1) In these Regulations the following words and expressions shall, where not inconsistent with the context, have the following meanings respectively:

"Auditor" includes any individual or partnership;

"Common Shares" means ordinary shares of US\$1.00 each in the capital of the company;

"Common Shareholder" means the holder of a Common Share;

"Former Member" means a person who was a member but who has ceased to be a member by virtue of Regulation 15;

"Manager" means Texaco Inc., a corporation organized under the State of Delaware, having its principal place of business at 2000 Westchester Avenue, White Plains, New York 10650, USA, any acquiror of the Manager, or such other person, body corporate or partnership for the time being charged with the management of the affairs of the Company by the Manager pursuant to Regulation 28;

"Member" means the person, body corporate or partnership registered in the Register of Members as the holder of shares in the Company, and when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders;

"Notice" means written notice unless otherwise specifically stated;

"Preferred Shares" means shares issued pursuant to Regulation 10;

"Preferred Shareholder" means the holder of a Preferred Share;

"Register of Members" means the Register of Members kept in accordance with Regulation 14;

"the Ordinance" means the Companies Ordinance 1981 and any statutory modification thereof for the time being in force;

"the Company" means the Company for which these Articles are approved and confirmed;

"Secretary" means the person appointed to perform the duties of Secretary of the Company and includes any Assistant or Acting Secretary;

"Transfer" means with respect of any Common Shares, the transfer, sale, assignment, mortgage, creation or permission to subsist of any pledge, lien charge or encumbrance over, grant of any option, interest or other rights in, or other disposition of any such shares, any part thereof or any interest therein, whether by agreement, operation of law or otherwise.

(2) In these Regulations, unless there be something in the subject or context inconsistent with such construction, words importing the plural number shall be deemed to include the singular number.

(3) Expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words in a visible form.

(4) Unless the context otherwise requires, words or expressions contained in these Regulations shall bear the same meaning as in the Ordinance or any statutory modification thereof in force for the time being.

SHARES.

(5) Subject to the provisions of these Regulations the unissued shares of the Company (whether forming part of the original or any increased authorised capital) shall be at the disposal of the Manager who may offer, allot, grant options over or otherwise dispose of them to such persons at such times and for such consideration and upon such terms and conditions as the Manager may determine consistent with these Regulations.

(6) No share shall be issued except as fully paid up.

(7) The name and address of every person being the holder of registered nominative shares, their class or series and the date when they became or ceased to become a Member shall be entered in the Register of Members.

(8) Every person whose name is entered as a Member in the Register of Members being the holder of registered nominative shares, may request, and the Company shall issue thereto, a certificate specifying the share or shares held and the par value thereof, provided that in respect of a registered nominative share, or shares, held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

(9) Any Member receiving a share certificate shall indemnify and hold the Company and the Manager harmless from any loss or liability which it or they may incur by reason of wrongful or fraudulent use or representation made by any person by virtue of the possession of such certificate. If a certificate is worn-out or lost it may be renewed on production of the worn-out certificate, or on satisfactory proof of its loss together with such indemnity as the Manager may require.

#### SHARE CAPITAL AND VARIATION OF RIGHTS.

(10) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Manager may from time to time determine.

(10A) The Company may from time to time, by Special Resolution, increase the share capital by such sum to be divided into shares of such amount as the Special Resolution shall prescribe.

(11) Subject to the provisions of Section 198 of the Ordinance, shares may be issued on terms that they are liable to be redeemed on such terms as the Manager before the issue of the shares may determine. The Manager may but is not obliged to require the passing of a special resolution to make such alterations to these Regulations as may be necessary to specify the terms on which and the manner in which such shares shall be redeemed and the rights and restrictions attaching thereto.

(12) If at any time the authorised share capital is divided into different classes or series of shares other than those provided for in the Memorandum of Association as initially executed, the rights attached to any existing class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may only be varied or abrogated with the consent in writing of the Members holding interests aggregating to two thirds of the issued shares or series of shares which may be affected by such variation or with the sanction of a separate general meeting of the holders of shares so affected. To every such general meeting the provisions of these Regulations relating to General Meetings shall apply but so that the necessary quorum shall be two persons holding or representing by proxy two thirds of the issued shares or series of shares so affected.

(13) The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith. The holders of the shares of any class shall not have any preemptive right to purchase or subscribe for any shares of the Company unless expressly provided by the terms of the issue of the shares of that class.

#### REGISTRATION OF MEMBERS.

(14) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:

- (a) the name and address of each Member, the number of shares held by him and the amount paid or agreed to be considered to be paid on such shares;
- (b) the date on which each person was entered in the Register of Members; and
- (c) the date on which any person ceased to be a Member.

#### CESSATION OF MEMBERSHIP OF COMMON SHAREHOLDERS.

(15) A Common Shareholder ceases to be a Member of the Company upon the happening of any one or more of the following events:

- (a) the death, bankruptcy, insanity, retirement, resignation, withdrawal, expulsion, termination, cessation or dissolution of such Common Shareholder;
- (b) if such Common Shareholder makes any assignment for the benefit of his creditors or files a petition voluntarily for bankruptcy under the laws of any country or files a petition seeking for himself any arrangement, re-organisation, amalgamation, composition, re-adjustment, liquidation, dissolution or similar relief under any law or regulation;
- (c) if such Common Shareholder files an answer or other pleading admitting or failing to contest the material allegation of a petition filed against him in any proceedings of a nature described in the immediately preceding paragraph of this Regulation;
- (d) if such Common Shareholder seeks, consents to, or acquiesces in the appointment of a trustee, receiver or liquidator of himself or all or a substantial part of his properties;
- (e) any proceedings of a nature mentioned in the foregoing paragraphs of this Regulation occurs without the consent of such Common Shareholder and is not dismissed or vacated within 120 days;
- (f) if such Common Shareholder attempts to make a Transfer of his share in breach of the provisions of these Regulations.

#### TRANSFER AND TRANSMISSION OF SHARES.

(16) The Transfer of any Common Shares in the Company is prohibited absolutely.

(17) Any Transfer of any Common Shares or other interest in the Company shall not, save as is mentioned in Regulation 51 be effective to transfer to any transferee thereof any rights conferred on a Member including but not limited to rights to receive Notice of or attend meetings of the Company to vote on any matter, to receive dividends, or to receive a share of the net assets of the Company upon its dissolution and winding up.

GENERAL MEETINGS.

(18) The Manager may convene a general meeting of the Company for the purpose of considering and if thought fit passing of a Special Resolution to:

- (a) alter the Memorandum and Articles of Association of the Company;
- or
- (b) require the Company to be dissolved and wound up.

(19) Fourteen days Notice in writing of a general meeting shall be given to each of the Members entitled to vote at such meeting and mailed to each Member entitled to vote at his address as registered in the Register of Members by air mail (if appropriate) and such Notice shall state the time, place and as far as practicable the objects of the Meeting.

(20) The accidental omission to give Notice of a meeting to or the non-receipt of Notice of a meeting by any person entitled to receive Notice shall not invalidate the proceedings at that meeting.

(21) A meeting of the Company shall, notwithstanding that it is called by shorter Notice than that specified in these Regulations, be deemed to have been properly called if it is so agreed by all the Members entitled to attend and vote thereat.

PROCEEDINGS AT GENERAL MEETINGS.

(22) (a) The Manager shall preside at any general meeting of the Company.

(b) At any general meeting of the Company one or more Members entitled to vote present in person or representing in person or by proxy in excess of 50% of the outstanding voting shares of the capital stock of the Company shall form a quorum for the transaction of business; if within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the following day at the same time as the Manager may determine.

(c) The Manager may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, and only the business left unfinished at the meeting from which the Members present in person or represented by proxy have adjourned shall be dealt with. It shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at the adjourned meeting; save and except for a meeting adjourned sine die, when Notice of the adjourned meeting shall be given as in the case of an original meeting.

(23) (a) Subject to any rights or restrictions lawfully attached to any class of shares, at any Meeting of the Company each Member shall be entitled to one vote for each share held by him and such vote may be given in person or by proxy.

(b) At any meeting of the Company any question proposed for the consideration of the Members shall be decided on a simple majority of the votes of Members entitled to vote and such majority shall be ascertained in accordance with the provisions of these Regulations.

(c) At any meeting of the Company a declaration by the Manager that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously or by a particular majority or lost and an entry to that effect in a book containing the minutes of the proceedings of the Company shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded in favour of or against such question.

(24) When a vote is taken by ballot each Member entitled to vote shall be furnished with a ballot paper on which he shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken; and each ballot paper shall be signed or initialled or otherwise marked so as to identify the voter. At the conclusion of the ballot the ballot paper

shall be examined by the Manager with assistance of a Member appointed for the purpose, and the result of the ballot shall be declared by the Manager.

(25) An instrument appointing a proxy shall be in writing under the hand of a Member or his attorney duly authorised in writing or, if the Member is a corporation either under seal or under the hand of an officer or attorney of the corporation duly authorised, and shall be in the Form B hereunder or such other form as the Members may from time to time approve:

"FORM B

\_\_\_\_\_ LLC

PROXY

I/WE \_\_\_\_\_  
of \_\_\_\_\_ the holder of  
named Company \_\_\_\_\_ shares in the above  
hereby appoint \_\_\_\_\_ of  
\_\_\_\_\_ or failing him  
\_\_\_\_\_ of  
failing him \_\_\_\_\_ of  
\_\_\_\_\_ as my/our  
proxy to vote on my/our behalf at the  
\_\_\_\_\_ general  
meeting of the Company to be held on the \_\_\_\_\_ day of  
\_\_\_\_\_ 19\_\_\_\_\_, and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_

19\_\_\_\_\_  
Signed by the above named

\_\_\_\_\_ in the presence of

\_\_\_\_\_ Witness

\_\_\_\_\_ "

(26) Any corporation which is a Member of the Company may by resolution of its Directors authorise such persons as it thinks fit to act as its representative at any meeting of the Members of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.

MINUTES.

(27) The Manager shall cause minutes to be duly entered in books provided for the purpose of all resolutions and proceedings of each meeting of the Company, provided that any minute of such meeting, if purporting to be signed by the Manager shall be sufficient evidence of the proceedings without any further proof of the facts therein stated, and further provided that when all the Members entitled to vote in person or by proxy sign the minutes of meeting, the same shall be deemed to have been duly held, notwithstanding that the Members have not actually come together or that there may have been technical defects in the proceedings, and a resolution in writing in one or more parts signed by all the Members entitled to vote shall be as valid and effectual as if it has been passed at a meeting duly called and constituted.

MANAGER.

(28) There shall be no directors of the Company. The business of the Company shall be managed and conducted by the Manager who shall have the following powers and duties:

- (a) to pay commissions conferred or permitted by the Ordinance on the sale and allotment of shares;
- (b) to call meetings;
- (c) to issue and allot shares;
- (d) to pay all expenses occurred in forming and registering the Company;
- (e) to manage and supervise the affairs of the Company;
- (f) to borrow money on behalf of the Company and to mortgage or charge all or any part of its undertaking property and assets both present and future including uncalled capital and to issue debenture, debenture stock and other securities whether outright or as collateral security for any debt liability or obligation of the Company;
- (g) to declare and pay dividends on shares;
- (h) to set aside out of profits any amount which shall in the discretion of the Manager be required as a reserve or reserves;
- (i) to redeem or repurchase on behalf of the Company shares which may be redeemed or repurchased on behalf of the Company;
- (j) to appoint officers, attorneys and agents on behalf of the Company;
- (k) to act as liquidator or appoint a liquidator if the Company is dissolved pursuant to Regulation 52;
- (l) to execute all documents on behalf of and in the name of the company;
- (m) to institute, bring, prosecute and defend proceedings in the name of the Company;

(n) to perform such other duties and to exercise such powers as are not by Regulation 18 required to be performed by the Company in general meetings or by Regulation 55 required to be performed by former Common Shareholders.

(29) A Manager of the Company may hold other office or place of profit with the Company and may be paid such extra remuneration therefor whether by way of salary commission participation of profits or otherwise.

(30) Any contract or arrangement between the Manager and the Company may contain provisions giving security and indemnity to the Manager for money lent or obligations undertaken for the benefit of the Company and may contain terms customarily found in agreements with beneficial (as opposed to fiduciary) owners of property and the Manager shall not be liable for breach of fiduciary duties by virtue of such provisions if in all the circumstances a prudent man of business would accept such a provision.

(31) A Manager may be party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and shall not by reason of occupying the office of Manager be accountable to the Company for any benefit which he derives from any such office or from any such transaction or arrangement and no such transaction or arrangement shall be avoidable on the grounds of such interest or benefit.

(32) The Manager may delegate any of the Manager's powers and duties to other persons and any such delegation may be made subject to any conditions the Manager may impose and either collaterally with or to the exclusion of the powers of the Manager and any such delegation be revoked or altered.

(33) The Company will be treated as a partnership for U.S. federal income tax purposes, and the Manager will serve as the "Tax Matters Partner" as that term is defined in the U.S. Internal Revenue Code. The Company will adopt a convention for U.S. federal income tax purposes under which all of the income accrued by the Company in any calendar month will be allocated and distributed to shareholders of record, including Preferred Shareholders, on the last day of the month.

(34) The Manager will at all times retain common shares of the Company representing, in its judgment, at least twenty one percent (21%) of the total value of the Company.

(35) The Manager may be paid for all travelling, hotel and other expenses in connection with attendances at any meeting of the Company or otherwise in connection with the discharge of the Manager's duties.

#### OFFICERS.

(36) The Manager will be entitled to appoint any of its officers and directors to perform any of the rights or duties of the Manager set out in these Regulations;

(37) The Manager will appoint such officers of the Company as is required pursuant to the rights of Preferred Shareholders, or other shareholders, under the terms of shares issued by the Company.

#### CUSTODIAN.

(38) The Manager may appoint a custodian or trustee for the safe keeping of all moneys, assets and securities of the Company with such powers and duties in respect thereof as may be specified in such appointment and such custodian or trustee shall be subject to audit by the Auditors of the Company.

#### DIVIDENDS.

(39) The Manager may declare dividends to be paid to the Members, in proportion to their shares, out of the surplus or profits including unrealised profits of the Company.

(40) The Manager may from time to time before declaring a dividend set aside out of the surplus or profits of the Company such sums as they think proper as a reserve fund to be used to meet contingencies or for equalising dividends or for any other special purpose.

(41) To the extent that there are profits available for distribution in any accounting period, preferential dividends, (including preferential dividends which may have fallen in arrears), shall be paid to the Preferred Shareholders in accordance with the terms of the issue of the Preferred Shares.

(42) The surplus or profits of the Company which the Manager shall from time to time declare to be distributable in respect of any accounting period shall be applied first in payment to the Preferred Shareholders of preferential dividends payable on the Preferred Shares.

(43) For the purpose of determining the amount of profit available for distribution, all expenses of the Company shall be allocated to, and reduce the amounts distributable to, Common Shareholders. To the extent that such profits are available for distribution to Members of the Company, the portion of such amounts distributable to Preferred Shareholders shall be determined without regard to any expenses of the Company.

(44) The Manager is authorised and empowered to lend to any officer or Member of the Company any sum or sums of money without restriction as to amount upon such terms and conditions as the Manager in its absolute discretion may determine.

#### ACCOUNTS AND FINANCIAL STATEMENTS.

(45) The Manager shall cause true accounts to be kept of all transactions of the Company in such manner as to show the assets and liabilities of the Company for the time being.

(46) The financial year end of the company shall be determined by the Manager and failing such determination the financial year end shall be 31st December.

(47) Each Member may demand and shall receive from the Manager true and full information regarding the state of the business and financial condition of the Company.

(48) An independent representative of the Members may be appointed by the Manager as Auditor of the Accounts of the Company and such Auditor shall hold office until the Manager shall appoint another Auditor. Such Auditor may be a Member but the Manager of the Company shall not during his continuance in office be eligible as an Auditor of the Company.

(49) The duties and remuneration of the Auditor shall be fixed by the Manager or in such manner as the Manager may determine.

#### FORMER MEMBERS.

(50) A Common Shareholder who ceases to be a Member by virtue of Regulation 15:

(a) if the event causes the Company to be in dissolution shall have the rights of a Former Member upon winding up of the Company;

(b) if the event does not cause the Company to be in dissolution shall have the rights set out in Regulation 51.

(51) The rights of a Common Shareholder such as is mentioned in Regulation 17 or Regulation 50 shall be an entitlement solely, to receive an amount equal to the book value of the relevant Common

Shareholder's, share or other interest in the Company as determined in good faith by the Manager and if such payment is not made within 90 days then the Company shall be deemed to be in dissolution under Regulation 52.

#### DISSOLUTION AND WINDING UP.

(52) The Company shall be considered to have commenced voluntary winding up and dissolution automatically and without the requirement of any other act:

(a) when the period fixed for the duration of the Company expires; or

(b) if the Common Shareholders of the Company pass a special resolution requiring the Company to be wound up and dissolved; or

(c) upon the bankruptcy, death, insanity, retirement, resignation, withdrawal, expulsion, termination, cessation, or dissolution of the Manager under U.S. law.

(53) On dissolution and winding up of the Company, the balance of the assets available for distribution and subject to any special rights or restrictions attaching to any class of shares shall be applied in paying to the Former Members who were Members immediately preceding the commencement of dissolution and winding up of the Company the amounts paid up on the shares held by them and the surplus shall belong to such Former Members according to the respective number of shares held by them.

(54) As between the Common Shareholders and the Preferred Shareholders, the expenses incurred in the establishment and maintenance of the Company and in conducting the Company's business shall not be deducted in determining what assets are available for distribution.

#### CONTINUANCE.

(55) If the Company is in dissolution solely by virtue of Regulation 52(a), then the dissolution and winding up may be discontinued by the unanimous resolution of all the Common Shareholders who were Members immediately preceding the commencement of dissolution and winding up passed within 30 days of the occurrence of the event or the first event if more than one which resulted in the dissolution and on the passing of such resolution the Company shall continue to exist as if the dissolution and winding up had never occurred.

#### LIQUIDATOR.

(56) When the Company is in dissolution solely by virtue of Regulation 52, the Manager, if there is one, shall act as liquidator unless and until the majority of the Common Shareholders who were Members immediately preceding the commencement of dissolution and winding up by majority vote appoint a liquidator to replace the Manager.

#### NOTICES.

(57) Unless otherwise herein or by law expressly provided, a Notice may be served by the Company on any Member either personally or by telex or cable to his registered address or by sending it using air mail (if appropriate) through the post prepaid in an envelope addressed to such Member at his address as registered in the Register of Members.

(58) Any Notice required to be given to the Members shall with respect to any shares held jointly by two or more persons be given to all such persons.

(59) Any Notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission, and in proving such service it shall be sufficient to prove that the Notice was properly addressed and prepaid, if posted, and the time when it was posted or transmitted by telex or to the cable Company as the case may be.

SEAL OF THE COMPANY.

(60) The Seal of the Company shall not be affixed to any instrument except over the signature of the Manager and the Secretary or by some person appointed by the Manager, provided that the Secretary may affix the Seal of the Company over his signature only to any authenticated copies of these Regulations, the Memorandum and Articles of Association, the minutes of any meetings or any other document required to be authenticated by him and to any instrument which the Manager have specifically approved beforehand.

ALTERATION OF REGULATIONS.

(61) No Regulation shall be rescinded, altered or amended, and no new Regulation shall be made until the same has been proposed and passed as a Special Resolution at a general meeting duly convened.

## CERTIFICATION OF DESIGNATION OF RIGHTS AND PREFERENCES

OF

TEXACO CAPITAL LLC

CUMULATIVE ADJUSTABLE RATE MONTHLY INCOME PREFERRED SHARES,  
SERIES B

June 8, 1994

CERTIFICATION OF DESIGNATION OF RIGHTS AND PREFERENCES  
OF TEXACO CAPITAL LLC CUMULATIVE ADJUSTABLE RATE  
MONTHLY INCOME PREFERRED SHARES, SERIES B

The undersigned, Shelly Faber, the Assistant Treasurer and R.E. Koch, the Assistant Secretary, of Texaco Inc. which acts as Manager of Texaco Capital LLC, a limited life company organized under the laws of the Turks and Caicos Islands (the "Company"), DO HEREBY CERTIFY:

1. That by duly adopted resolutions of the holders of Common Stock of the Company dated October 21, 1993, the Company authorized the issuance of up to 24,000,000 shares of Cumulative Adjustable Rate Monthly Income Preferred Shares (the "Preferred Shares"), and pursuant to authority conferred upon the Manager as herein below set forth; and

2. That by duly adopted resolutions of the Manager dated June 8, 1994, the Manager, pursuant to authority granted to it in the Articles of Association of the Company (the "Articles of Association"), authorized the creation, sale and issuance of a series of shares of preferred stock having such designations, stated value, rights, privileges, restrictions, preferences and other terms and provisions as the Manager may authorize or approve as herein below set forth:

RESOLVED, that pursuant to the Articles of Association of the Company, the Manager hereby authorizes the issuance of a series of Preferred Shares, \$25 par value, of the Company and hereby fixes the number, voting powers, designation, preferences, and relative, participating, optional or other special rights and the qualifications, limitations or restrictions of, and other matters relating to, said series as follows:

Cumulative Adjustable Rate Monthly Income  
Preferred Shares, Series B

1. Designation. Up to 5,175,000 shares of the Preferred Shares of the Company are hereby constituted as a series of Preferred Stock, \$25 par value, designated as "Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B" (hereinafter called the "Series B Preferred Shares").

2. Ranking. The Series B Preferred Shares shall, with respect to dividend rights and rights on liquidation,

dissolution or winding up, rank (i) pari passu with any other series of Preferred Shares issued by the Company and (ii) prior to any other equity securities of the Company, including the common stock, par value \$1.00 per share ("Common Stock").

3. Dividends. (a) The holders of the Series B Preferred Shares shall be entitled to receive, when and as declared by the Company out of funds held by the Company and legally available therefor, cumulative cash dividends at the rate of 6.40% of the liquidation preference of \$25 per share per annum for the initial period from the date of original issuance to September 30, 1994, and thereafter at the "Applicable Rate" (as defined below), which will be adjusted quarterly and calculated on the basis of a 360 day year composed of 12 months of 30 days each, and for any period shorter than a full monthly dividend period, dividends will be computed on the basis of the actual number of days elapsed in such period, and payable monthly in arrears on the last day of each calendar month of each year, commencing June 30, 1994. Such dividends will accrue and be cumulative whether or not they have been declared and whether or not there are profits, surplus or other funds of the Company legally available for the payment of dividends. Dividends on the Series B Preferred Shares shall be cumulative from the date of original issue, and the cumulative portion from such date to June 30, 1994 shall be payable on June 30, 1994. In the event that any date on which dividends are payable on the Series B Preferred Shares 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.

(b) 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 Loans made by the Company to Texaco Inc. pursuant to Loan Agreements dated October 27, 1993 (the "Prior Loans").

For purposes of the Series B Preferred Shares, the undertaking by the Company 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. If dividends can be paid only in part on the Series B Preferred Shares 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 Series B Preferred Shares. If at any time dividends on Series B 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.

(c) 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 on 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 Series B Preferred Shares.

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).

(d) If dividends have not been paid in full on the Series B Preferred Shares, 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 Series B Preferred Shares 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 Series B Preferred Shares 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 Series B Preferred Shares 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 Series B Preferred Shares 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 Series B Preferred Shares 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 Series B Preferred Shares 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.

4. Mandatory Redemption. Upon any prepayment or repayment of principal on the loans, made pursuant to the Preferred Stock Loan Agreement dated June 8, 1994 and the Common Stock Loan Agreement dated June 8, 1994, to Texaco Inc. of the proceeds from the issuance of Series B Preferred Shares and from the sale of the Common Stock (the "Loans"), or upon any prepayment or repayment of any reloan of any such proceeds as described below, such proceeds shall be applied to redeem the Series B Preferred Shares at the redemption price of \$25 per share, plus accrued and unpaid dividends; provided that any amounts may be lent or relent

to Texaco Inc., and not used for redemption, if at the time of each such new loan, and as determined in the judgment of the 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 ranking pari passu with the Series B Preferred Shares, (c) Texaco Inc. has timely made monthly payments on the repaid loan 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 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 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. No new loan shall be permissible on or after the fiftieth anniversary of the issuance of the Series B Preferred Shares.

5. Optional Redemption. (a) 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.

(b) Notwithstanding subparagraph 5(a) above, 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 paragraph 9 or under the Payment and Guarantee Agreement by Texaco Inc. for the benefit of holders of the Series B Preferred Shares (the "Guarantee"), 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.

6. Redemption Procedure. (a) Notice of any redemption (a "Notice of Redemption") of the Series B Preferred Shares 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. For purposes of the calculation of the date of redemption and the dates on which notices are given pursuant to this paragraph 6(a), a Notice of Redemption shall be deemed to be given on the day such notice is first mailed by first class mail, postage prepaid, to holders of record of the Series B Preferred Shares. Each Notice of Redemption shall be addressed to the holder of record at the address of the holder appearing in the stock register of the Company. No defect in the Notice of Redemption or in the mailing thereof or publication of its contents shall affect the validity of the redemption proceedings.

(b) In the event that fewer than all the outstanding Series B Preferred Shares are to be redeemed, the Series B Preferred Shares to be redeemed (i) in the case of an optional redemption pursuant to paragraph 5(a), will be selected in accordance with paragraph 10 and (ii) in the case of an optional redemption pursuant to paragraph 5(b), will be such Series B Preferred Shares as were subject to the requirement that Additional Amounts be paid, or that amounts be withheld or deducted, in respect thereof. The Company will not redeem fewer than all the outstanding Series B Preferred Shares unless all accumulated arrears of unpaid dividends have been paid on all Series B Preferred Shares for all monthly dividend periods terminating on or prior to the date of redemption.

(c) If the Company gives a notice of redemption in respect of Series B Preferred Shares, 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 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. 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 Series B Preferred Shares 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 the Series B Preferred Shares 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 Series B Preferred Shares is improperly withheld or refused and not paid either by the Company or by Texaco Inc. 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.

7. 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.

8. 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 Loans or Texaco Inc. breaches any of its obligations under the Guarantee, 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 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 of Association 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, or the Manager proposes to take any action which will effect, (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 of Association 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), (y) the liquidation, dissolution or winding up of the Company or (z) the modification of Regulation 16 of the Articles of Association, which absolutely prohibits transfers of shares of Common Stock, 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) or (z) 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 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 of Association.

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.

9. 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.

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

Purchases of Series B Preferred Shares under the DTC system must be made by or through participants in the DTC system (the "Participants"), which will receive a credit for the Series B Preferred Shares on DTC's records. The ownership interest of each actual purchaser of each Series B Preferred Share ("Beneficial Owner") is in turn recorded on the Participant's 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 Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series B Preferred Shares are to be accomplished by entries made on the books of Participants acting on behalf of such Beneficial Owner. Beneficial Owners will not receive certificates representing their ownership interests in Series B Preferred Shares, except in the event that use of the book-entry system for the Series B Preferred Shares is discontinued.

To facilitate subsequent transfers, all Series B Preferred Shares deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series B 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 Series B Preferred Shares; DTC's records reflect only the identity of the Participants to whose accounts such Series B 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 Participants, among Participants, and by 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 Series B Preferred Shares are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Participant in such series to be redeemed.

Although voting with respect to the Series B Preferred Shares is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will consent or vote with respect to the Series B 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 Participants to whose accounts the Series B Preferred Shares are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Dividend payments on the Series B Preferred Shares will be made to DTC. DTC's practice is to credit 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, Texaco Inc. 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 Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

DTC may discontinue providing its services as securities depository with respect to the Series B 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, Series B Preferred Share certificates would be required to be printed and delivered.

11. Guarantee of Liabilities. It shall be a condition precedent to the issuance of the Series B Preferred Shares that Texaco Inc. execute a guarantee of payment of all liabilities of the Company to the extent not paid by the Company (other than any obligations to holders

of Preferred Shares) for the benefit of, and enforceable by, third parties to whom the Company owes such obligations.

12. Financial Information. Holders of Series B Preferred Shares are entitled to true and full information regarding the state of the business and financial condition of the Company, and upon request will receive copies of the Company's unaudited annual financial statements for the latest fiscal year within a reasonable time after the preparation thereof.

IN WITNESS WHEREOF, TEXACO CAPITAL LLC has caused this Certificate to be signed by one of the officers of its Manager, and to be attested to by the Secretary of the Manager, as of the 8th day of June, 1994.

TEXACO CAPITAL LLC

By Shelby Faber

\_\_\_\_\_  
Assistant Treasurer of  
Texaco Inc., as Manager  
of Texaco Capital LLC

Attest: R.E. Koch

\_\_\_\_\_  
Assistant Secretary  
of Texaco Inc.

## PAYMENT AND GUARANTEE AGREEMENT

THIS PAYMENT AND GUARANTEE AGREEMENT (the "Guarantee"), dated as of June 8, 1994, is executed and delivered by Texaco Inc., a corporation organized under the laws of the State of Delaware (the "Guarantor") for the benefit of the Holders (as defined below) from time to time of the Preferred Shares (as defined below) of Texaco Capital LLC, a Turks and Caicos Islands limited life company (the "Issuer").

WHEREAS, the Issuer is issuing on the date hereof up to 5,175,000 shares of its Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B (the "Preferred Shares"), and the Guarantor desires to issue this Guarantee for the benefit of the Holders, as provided herein; and

WHEREAS, the Guarantor desires hereby irrevocably and unconditionally to agree to the extent set forth herein to pay to the Holders the Guarantee Payments (as defined below) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase by each Holder of the Preferred Shares and the Guarantee, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee for the benefit of the Holders.

## ARTICLE I

As used in this Guarantee, the following terms shall, unless the context otherwise requires, have the following meanings. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Articles of Association of the Issuer adopted as of October 7, 1993 and as amended (the "Articles of Association").

"Guarantee Payments" shall mean the following payments, without duplication, to the extent not paid by the Issuer: (i) any accumulated arrears and accruals of unpaid dividends which have been theretofore declared on the Preferred Shares from moneys legally available for the payment thereof, (ii) the redemption price (including all accumulated arrears and accruals of unpaid dividends) payable with respect to any Preferred Shares called for redemption by the Issuer as an optional redemption or otherwise out of funds available

to the Issuer, (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 Issuer and (iv) any Additional Amounts (as described in Section 2.01(b) herein) payable by the Issuer.

"Holder" shall mean any holder from time to time of any Preferred Shares of the Issuer; provided, however, that in determining whether the Holders of the requisite percentage of Preferred Shares have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any entity owned 20% or more by the Guarantor, either directly or indirectly.

"Paying Agent" shall mean Texaco Inc., as registrar, transfer agent and paying agent.

## ARTICLE II

SECTION 2.01. (a) The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments, as and when due (except to the extent paid by the Issuer), regardless of any defense, right of set-off or counterclaim which the Issuer may have or assert. This Guarantee is continuing, irrevocable, unconditional and absolute. 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 or by causing the Issuer to pay such amounts to the Holders.

(b) All Guarantee Payments shall 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 shall pay such additional amounts as may be necessary in order that the net amounts received by the Holders 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, except that no such additional amounts will be payable to any Holder (or a third party on such Holder's behalf):

(i) 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, or

(ii) 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.

SECTION 2.02. The Guarantor hereby waives notice of acceptance of this Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 2.03. The obligations, covenants, agreements and duties of the Guarantor under this Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Preferred Shares to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the dividends, redemption price, liquidation distributions or any other sums payable under the terms of the Preferred Shares or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Shares;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Shares, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or

readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, any of the Preferred Shares; or

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 2.04. This is a guarantee of payment and not of collection. A Holder may enforce this Guarantee directly against the Guarantor, and the Guarantor waives any right or remedy to require that any action be brought against the Issuer or any other person or entity before proceeding against the Guarantor. Subject to Section 2.05, all waivers herein contained shall be without prejudice to the Holders' right at the Holders' option to proceed against the Issuer, whether by separate action or by joinder. The Guarantor agrees that this Guarantee shall not be discharged except by payment of the Guarantee Payments in full and by complete performance of all obligations of the Guarantor contained in this Guarantee.

SECTION 2.05. The Guarantor shall be subrogated to all (if any) rights of the Holders against the Issuer in respect of any amounts paid to the Holders by the Guarantor under this Guarantee and shall have the right to waive payment of any amount of dividends in respect of which payment has been made to the Holders by the Guarantor pursuant to Section 2.01; provided however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of a payment under this Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to pay over such amount to the Holders.

SECTION 2.06. The Guarantor acknowledges that its obligations hereunder are several and independent of the obligations of the Issuer with respect to its Preferred Shares and that the Guarantor shall be liable as principal and sole debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee notwithstanding the

occurrence of any event referred to in subsections (a) through (f), inclusive, of Section 2.03 hereof.

SECTION 2.07. The Guarantor represents and warrants that its obligations hereunder rank, and covenants that such obligations will at all times rank, (a) junior to all liabilities of the Guarantor, (b) pari passu with the most senior preferred or preference stock issued by the Guarantor, if any, and with any guarantee entered into by the Guarantor in respect of any preferred or preference stock of any affiliate of the Guarantor and (c) senior to the ordinary shares of the Guarantor.

### ARTICLE III

SECTION 3.01. If the Guarantor issues, following the date of the issuance of the Preferred Shares, any preferred or preference stock ranking senior to its obligations under this Guarantee or enters into any guarantee in respect of any preferred or preference stock of any affiliate of the Guarantor, which guarantee would rank junior to all liabilities of the Guarantor but senior to this Guarantee as regards rights in respect of dividends, liquidation preference and distributions, and rights upon redemption, then this Guarantee will be deemed to give the Holders such rights and entitlements as are contained in or attached to such other preferred or preference stock or guarantee such that this Guarantee ranks pari passu as to such rights and entitlements with any such preferred or preference stock or other guarantee.

SECTION 3.02. If, at any time when the Guarantor fails to comply with its obligations under this Guarantee or under the Articles of Association of the Issuer, any proposal by the Board of Directors of the Guarantor or by any shareholder of the Guarantor or by any other person legally entitled to do so is made to declare dividends on any shares of the Guarantor ranking junior to the Guarantor's obligations under this Guarantee as to participation in profits, the Guarantor shall, or shall cause the Issuer 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 out of moneys legally available therefor and irrevocably instruct the Paying Agent to pay such amounts as dividends on the Preferred Shares on the day following the date on which such proposal is voted on by the Guarantor's shareholders. The Paying Agent will 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 Chief Financial Officer of

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 Issuer, 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 Issuer, as the case may be.

SECTION 3.03. If, at any time when the Guarantor fails to comply with its obligations under this Guarantee or under the Articles of Association of the Issuer, 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 this Guarantee as to participation in assets of the Guarantor upon liquidation, all accumulated arrears of dividends payable on the Preferred Shares out of moneys legally available therefor shall immediately become due and payable under this 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.

SECTION 3.04. The Guarantor shall not, and the Guarantor shall not permit or cause any subsidiary of the Guarantor using funds provided by the Guarantor to, redeem, purchase or otherwise acquire, or pay a liquidation preference with respect to, any preferred or preference stock of the Guarantor ranking pari passu with this Guarantee, any preferred or preferred stock of affiliates of the Guarantor (including the Issuer) entitled to the benefits of a guarantee ranking pari passu with this Guarantee or any preferred or preference stock of affiliates of the Guarantor (including the Issuer) entitled to the benefits of a guarantee ranking pari passu with this Guarantee or any preferred or preference stock of affiliates of the Guarantor (including the Issuer) entitled to the benefits of a guarantee ranking junior to this 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 this Guarantee.

SECTION 3.05. The Guarantor shall not, and the Guarantor shall not permit or cause any subsidiary of the Guarantor using funds provided by the Guarantor to, pay dividends, or make Guarantee Payments with respect to dividends, on any preferred or preference stock of any affiliates of the Guarantor entitled to the benefits of a guarantee ranking junior to this 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 this Guarantee.

SECTION 3.06. The Guarantor agrees to maintain, directly or indirectly, ownership of 100% of the common shares of the Issuer and not to voluntarily dissolve, wind-up or liquidate the Issuer for so long as any Preferred Shares shall remain outstanding.

SECTION 3.07. The Guarantor shall take all actions necessary to ensure the compliance of its subsidiaries with this Article III, which may include causing such subsidiaries to incorporate appropriate restrictions in their Articles of Association or similar constitutional documents.

#### ARTICLE IV

This Guarantee shall 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 to the Holders upon liquidation of the Issuer, provided, however, that this Guarantee shall continue to be effective or shall be reinstated, as the case may be, if at any time payment of any sums payable under the Preferred Shares or this Guarantee must be restored by a Holder for any reason whatsoever. The Guarantor agrees to indemnify each Holder and hold it harmless against any loss it may suffer in such circumstances.

#### ARTICLE V

SECTION 5.01. All guarantees and agreements contained in this Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders. The Guarantor shall not assign its obligations hereunder without the prior approval of the Holders of not less than 66-2/3% in liquidation preference of all Preferred Shares voting as a single class, which consent shall be obtained in accordance with procedures identical to the procedures contained in the Articles of Association and the applicable law of the Turks and Caicos Islands.

SECTION 5.02. Except for those changes required by Section 3.01 hereof or which do not adversely affect the rights of Holders (in any of which cases no agreement will be required), this Guarantee shall be changed only by

agreement in writing signed by the Guarantor with the prior approval of the Holders of not less than 66-2/3% in liquidation preference of all Preferred Shares voting as a single class, which approval shall be obtained in writing or by a vote at a separate general meeting at which such Holders shall be present in person or by proxy, in accordance with procedures identical to the procedures contained in the Articles of Association and the applicable law of the Turks and Caicos Islands.

SECTION 5.03. Any notice, request or other communication required or permitted to be given hereunder to the Guarantor shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail) or telex, addressed to the Guarantor, as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to wit:

Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Facsimile no.: (914) 253-7753  
Attention: Treasurer

The address of the Guarantor may be changed at any time and from time to time and shall be the most recent such address furnished in writing by the Guarantor to the Paying Agent. Any notice, request or other communication required or permitted to be given hereunder to the Holders shall be given by the Guarantor in the same manner as notices sent by the Issuer to the Holders.

SECTION 5.04. The masculine and neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 5.05. This Guarantee is solely for the benefit of the Holders and is not separately transferable from the Preferred Shares.

SECTION 5.06 This Guarantee shall be governed by and construed and interpreted in accordance with the laws of the State of New York.

THIS GUARANTEE is executed as of the day and year first  
above written.

TEXACO INC.

By: Peter M. Wissel  
-----  
Assistant Treasurer

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES  
AND PREFERRED STOCK DIVIDENDS OF TEXACO ON A TOTAL  
ENTERPRISE BASIS (UNAUDITED) (a)  
(Millions of dollars, except ratio data)

	Three Months Ended March 31, 1994	Years Ended December 31,				
		1993	1992	1991	1990	1989(b)
Income from continuing operations, before provision or benefit for income taxes and cumulative effect of accounting changes effective 1-1-92	\$ 363	\$1,392	\$1,707	\$1,744	\$2,448	\$2,888
Dividends from less than 50% owned companies more or (less) than equity in net income	(2)	(8)	(9)	5	(7)	(12)
Minority interest in net income	11	17	18	16	12	2
Previously capitalized interest charged to income during the period	8	33	30	23	16	14
Total earnings	380	1,434	1,746	1,788	2,469	2,892
Fixed charges:						
Items charged to income:						
Interest charges	144	546	551	644	676	798
Interest factor attributable to operating lease rentals	21	91	94	76	58	40
Preferred stock dividends of subsidiaries guaranteed by Texaco Inc.	7	4	-	-	-	-
Total items charged to income	172	641	645	720	734	838
Interest capitalized	5	57	109	80	50	54
Interest on ESOP debt guaranteed by Texaco Inc.	3	14	18	26	38	42
Total fixed charges	180	712	772	826	822	934
Preferred stock dividends (c)	27	82	96	82	93	27
Total combined fixed charges and preferred stock dividends	207	794	868	908	915	961
Earnings available for payment of combined fixed charges and preferred stock dividends (Total earnings + Total items charged to income)	\$ 552	\$2,075	\$2,391	\$2,508	\$3,203	\$3,730
Ratio of earnings to combined fixed charges and preferred stock dividends of Texaco on a total enterprise basis	2.67	2.61	2.75	2.76	3.50	3.88

(a) Excludes discontinued chemical operations.

(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 2.03.

(c) 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 the Series G, H, I and J Market Auction Preferred Shares dividends and to exclude the interest portion of the Series B and Series F ESOP Convertible Preferred Stock dividends.

ARTHUR  
ANDERSEN

ARTHUR ANDERSEN & CO. SC

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (Nos. 33-50553 and 33-50553-01) of our reports dated February 24, 1994 included or incorporated by reference in Texaco Inc.'s Form 10-K for the year ended December 31, 1993 and to all references to our Firm included in the Registration Statement on Form S-3 (Nos. 33-50553 and 33-50553-01).

ARTHUR ANDERSEN & CO.

New York, N.Y.  
June 8, 1994

FDeb:dc  
8/2

MISICK & STANBROOK  
P.O. Box 127  
Town Center Mall  
Providencioles  
Turks & Caicos Islands  
British West Indies

June 8, 1994

Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Texaco Capital LLC  
c/o Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Gentlemen:

We hereby consent to the use of our name, including under the captions "TAXATION" and "VALIDITY OF SECURITIES", in the Prospectus Supplement dated June 8, 1994 to the Prospectus dated October 21, 1993 filed with the Securities and Exchange Commission (the "SEC") pursuant to Rule 424(b)(2) of the Securities Act of 1933, as amended, relating to the offering of preferred shares of Texaco Capital LLC guaranteed by Texaco Inc. to the extent set forth in such Prospectus Supplement and such Prospectus, and to the filing of this consent with the SEC.

MISICK & STANBROOK

FDeB:dc  
8/2

Arthur G. Taylor  
Associate General Counsel  
Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

June 8, 1994

Texaco Inc.  
20000 Westchester Avenue  
White Plains, NY 10650

Texaco Capital LLC  
c/o Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Gentlemen:

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Arthur G. Taylor

FDeB:dc  
8/2

SULLIVAN & CROMWELL  
125 Broad Street, New York 10004-2498  
(212) 558-4000

June 8, 1994

Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Texaco Capital LLC  
c/o Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Gentlemen:

We hereby consent to the use of our name, including under the captions "TAXATION" and "VALIDITY OF SECURITIES", in the Prospectus Supplement dated June 8, 1994 to the Prospectus dated October 21, 1993 filed with the Securities and Exchange Commission (the "SEC") pursuant to Rule 424(b)(2) of the Securities Act of 1933, as amended, relating to the offering of preferred shares of Texaco Capital LLC guaranteed by Texaco Inc. to the extent set forth in such Prospectus Supplement and such Prospectus, and to the filing of this consent with the SEC.

Sullivan & Cromwell

FDeB:dc  
8/2

## PREFERRED STOCK LOAN AGREEMENT

LOAN AGREEMENT, dated as of June 8, 1994, between Texaco Inc. ("Texaco"), a corporation organized under the laws of the State of Delaware, United States of America, and Texaco Capital LLC, a limited life company organized under the laws of the Turks and Caicos Islands ("Capital").

WHEREAS, Capital has issued and sold 14,000,000 6-7/8% Cumulative Guaranteed Monthly Income Preferred Shares, Series A with a liquidation preference of \$25 per share;

WHEREAS, Capital intends to issue and sell up to 5,175,000 Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B (the "Preferred Shares") with a liquidation preference (the "Liquidation Preference") of \$25 per share;

WHEREAS, Texaco is guaranteeing the payment on liquidation or redemption of the Preferred Shares as well as the payment of dividends, if and to the extent declared out of moneys held by Capital and legally available therefor, all to the extent set forth in the related Payment and Guarantee Agreement, dated June 8, 1994 (the "Guarantee");

WHEREAS, Texaco has asked Capital to make a loan to Texaco in an aggregate principal amount equal to the aggregate Liquidation Preference of the Preferred Shares issued and sold by Capital;

WHEREAS, Capital is willing to make such loan to Texaco, on the terms and conditions hereinafter stated;

NOW THEREFORE, Texaco and Capital hereby agree as follows:

## ARTICLE I

## THE LOAN

Section 1.01. The Loan. Subject to the terms and conditions hereof, on June 15, 1994 Capital agrees to make to Texaco a loan in an aggregate principal amount equal to \$112,500,000. Such loan, in the amount as may be from time to time outstanding, shall be referred to herein as the "Loan".

Section 1.02. Term of the Loan; Mandatory Prepayment. (a) If Capital redeems Preferred Shares in accordance with the terms thereof, the Loan shall become due and payable in a principal amount equal to the aggregate Liquidation Preference of the Preferred Shares so redeemed. Any payment pursuant to this Section 1.02(a) 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 Capital and Texaco shall agree.

(b) The entire principal amount of the Loan shall become due and payable (together with any accrued and unpaid interest thereon, including Additional Interest (as defined in Section 2.06), if any) on the earliest of May 31, 2024 or the date upon which Texaco shall be dissolved or liquidated or the date upon which Capital shall be dissolved or liquidated.

Section 1.03. Optional Prepayment. Texaco shall have the right to prepay the Loan, 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 June 15, 1994 if Texaco is or would be required to pay any Additional Interest pursuant to the terms of Section 2.06 or, if such requirement shall relate only to a portion of the Loan, the portion of the Loan affected by such requirement. In no event, however, shall Texaco have the right to prepay the Loan, 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

governmental charges, as the case may be.

ARTICLE II

INTEREST

Section 2.01. Interest on the Loan. The Loan shall bear interest at a variable rate from June 15, 1994 until maturity. The rate for the initial period from the date the Loan is made to September 30, 1994 will be 6.40% per annum. Thereafter, interest on the Loan will be payable

at the "Applicable Rate" (as defined below) from time to time in effect, which will be adjusted quarterly and calculated on the basis of a 360 day year composed of 12 months of 30 days each, and for any period shorter than a full monthly interest period, interest will be computed on the basis of the actual number of days elapsed in such period. Such interest shall be payable on the last day of each calendar month of each year, commencing on June 30, 1994. In the event that any date on which interest is payable on the Loan 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.

Section 2.02. The Applicable Rate. Except as provided below in this Section, 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 Applicable Rate with respect to each quarter (other than the initial period) will be calculated as promptly as practicable by Capital according to the appropriate method described below. Capital will cause notice of each Applicable Rate to be given to Texaco before the commencement of the quarter to which it applies. 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 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 will be rounded to the nearest five hundredth of a percent. In the event that Capital 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.

Section 2.03. The Treasury Bill Rate. Except as described below in this Section, 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 Applicable Rate on the Loan 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 Capital. 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 Capital. In the event that Capital 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. In the event that Capital determines in good faith that for any reason Capital cannot determine the Treasury Bill Rate for any quarter as provided above in this Section, 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. As used in Sections 2.03-2.05 hereof, the term "Calendar Period" means a period of fourteen calendar days, and the term "Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

Section 2.04. The Ten Year Constant Maturity Rate. Except as described below in this Section, 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 Applicable Rate on the Loan 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 Capital. 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 Capital. In the event that Capital determines in good faith that for any reason Capital cannot determine the Ten Year Constant Maturity Rate for any quarter as provided above in this Section, 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. As used in Sections 2.04-2.05 hereof, 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. As used in this Section, 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).

Section 2.05. The Thirty Year Constant Maturity Rate. Except as described below in this Section, 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 Applicable Rate on the Loan 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 Capital. 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 Capital. In the event that Capital determines in good faith that for any reason Capital cannot determine the Thirty Year Constant Maturity Rate for any quarter as provided above in this Section, 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. As used in this Section, 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).

Section 2.06. Additional Interest. In addition, if at any time following June 15, 1994 (a) Capital shall be obligated to pay any Additional Amounts in respect of the Preferred Shares pursuant to the terms thereof, (b) Texaco

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 on the Loan or (c) Capital shall be required to pay, with respect to its income derived from the interest payments on the Loan, 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), or any other taxing authority, then, in any such case, Texaco will pay as interest such additional amounts ("Additional Interest") as may be necessary in order that the net amounts received and retained by Capital 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 Capital'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 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.

Section 2.07. Extension of Interest Period.

Notwithstanding the provisions of Section 2.01, Texaco shall have the right at any time during the term of the Loan, so long as Texaco is not in default in the payment of interest on the Loan, to extend the interest payment period to 60 months; provided that at the end of such period Texaco shall pay all interest then accrued and unpaid together with interest thereon at the weighted average rate applicable to the Loan to the extent permitted by applicable law; provided, further, that, during any such extended interest period or at any time during which there is an uncured Event of Default under the Loan, Texaco shall not pay dividends on any of its shares of equity stock. Notwithstanding anything else contained herein, the time within which all payments of the principal of and interest on the Loan (or any replacement loans) shall be made shall not be later than the fiftieth anniversary of the issuance of the Preferred Shares. Texaco covenants (x) not to exercise the right to extend the interest period with respect to the Loan made pursuant to the Preferred Stock Loan Agreement dated October 27, 1993 or pursuant to the Common Stock Loan

Agreement dated October 27, 1993 (the "Prior Loans") unless it exercises or has exercised the right to extend the interest period with respect to the Loan 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 their terms, the interest period with respect to the Loan shall also be extended as provided herein, 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 Loan would occur during such interest extension period. Texaco shall give Capital such prior notice of its selection of such longer interest payment period with respect to the Loan as shall enable Capital to give at least eleven Business Days prior notice to the holders of the Preferred Shares, and Texaco shall cause Capital to give notice to the holders of the Preferred Shares.

### ARTICLE III

#### PAYMENTS

Section 3.01. Method and Date of Payment. Each payment by Texaco of principal and interest (including Additional Interest, if any) on the Loan shall be made to Capital in lawful money of the United States at such place and to such account as may be designated in writing by Capital.

Section 3.02. Set-off. Notwithstanding anything to the contrary herein, Texaco shall have the right to set-off any payment it is otherwise required to make hereunder with and to the extent Texaco has theretofore made, or is concurrently on the date of such payment making, a payment under the Guarantee.

### ARTICLE IV

#### SUBORDINATION

Section 4.01. Subordination. Texaco and Capital covenant and agree that the Loan is subordinate and junior in right of payment to all Senior Indebtedness as provided herein. The term "Senior Indebtedness" shall mean the principal, premium, if any, and interest on (i) all indebtedness of Texaco (excluding the Prior Loans, with which the Loan shall rank on a pari passu basis), whether outstanding on June 8, 1994 or hereafter 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 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 Loan. Obligations to other creditors, including trade creditors, do not constitute Senior Indebtedness. The Loan 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 these 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 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 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 Loan or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of the Loan.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to Texaco, its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding up of Texaco, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by Texaco for the benefit of creditors, or (iv) any other marshalling of the assets of Texaco, 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 on account of the Loan. Any payment or distribution, whether in cash, securities or other

property (other than securities of Texaco 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 these subordination provisions with respect to the indebtedness evidenced by the Loan, 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 these subordination provisions) be payable or deliverable in respect to the Loan 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 Loan by any act or failure to act on the part of Texaco.

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, Capital 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 Loan shall have been paid in full, and such payments or distributions received by Capital, 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 and its creditors other than the holders of Senior Indebtedness, on the one hand, and Capital, on the other, be deemed to be a payment by Texaco on account of Senior Indebtedness, and not on account of the Loan.

#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES

Section 5.01. Representations and Warranties.  
Texaco represents and warrants to Capital that:

(a) Good Standing. Texaco is a corporation duly established and validly existing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as now being conducted.

(b) Power and Authority. Texaco has full power and authority to enter into this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action.

(c) Binding Agreement. This Agreement constitutes the valid and legally binding obligation of Texaco enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

## ARTICLE VI

### COVENANTS

Section 6.01. Covenants. Texaco agrees (i) to use the proceeds of the Loan for working capital, for retirement of debt and for other general corporate purposes, (ii) to maintain direct or indirect 100% ownership of the common shares of Capital, (iii) not to voluntarily dissolve, wind-up or liquidate Capital so long as any Preferred Shares are outstanding, (iv) to timely perform all of its duties as Manager of Capital, (v) not to exercise the right pursuant to Section 2.07 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 Loan 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 Loan shall also be extended, and (vi) not to exercise the right to extend the interest period with respect to the Prior Loans if the specified maturity date on the Loan would occur during such interest extension period.

## ARTICLE VII

### EVENTS OF DEFAULT

Section 7.01. 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 this Loan, including any Additional Interest in respect thereof, when due for 10 days; provided that a valid extension of the interest payment

period by Texaco pursuant to Section 2.07 shall not constitute a default in the payment of interest for this purpose;

(b) default in the payment of principal on this Loan;

(c) dissolution or winding-up or liquidation of Capital;

(d) the bankruptcy, insolvency or liquidation of Texaco; or

(e) the breach by Texaco of any of its covenants under the Loan;

then, in every such event, and at any time thereafter during the continuance of such event, Capital will have the right to declare the principal of and the interest on the Loan and all other amounts payable hereunder to be forthwith due and payable and to enforce its other rights as a defaulted creditor with respect to the Loan, whereupon the same shall become and be forthwith due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement to the contrary notwithstanding. If an Event of Default specified in subparagraph (c) or (d) above shall have occurred, the principal of and interest on the Loan and all other amounts payable hereunder shall thereupon and concurrently become due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement to the contrary notwithstanding.

#### ARTICLE VIII

#### MISCELLANEOUS

Section 8.01. Notices. All notices hereunder shall be deemed given by a party hereto if in writing and delivered personally or by telegram or facsimile transmission or by registered or certified mail (return receipt requested) to the other party at the following address for such party (or at such other address as shall be specified by like notice):

If to Capital, to:

Texaco Capital LLC  
c/o Texaco Inc.  
2000 Westchester Avenue,  
White Plains, NY 10650

Facsimile no.: (914) 253-7753

Attention: Treasurer

If to Texaco, to:

Texaco Inc.  
2000 Westchester Avenue,  
White Plains, NY 10650

Facsimile no.: (914) 253-7753

Attention: Treasurer

Any notice given by mail or telegram or facsimile transmission shall be effective when received.

Section 8.02. Binding Effect. Texaco shall have the right at all times to assign any of its rights or obligations under this Agreement to a direct or indirect wholly owned subsidiary of Texaco; provided that, in the event of any such assignment, Texaco shall remain jointly and severally liable for all such obligations. Capital may not assign any of its rights hereunder without the prior written consent of Texaco. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of Texaco and Capital and their respective successors and assigns. Any assignment by Texaco or Capital in contravention of this Section 8.02 shall be null and void.

Section 8.03. Governing Law. EXCEPT AS TO MATTERS RELATING TO THE AUTHORIZATION, EXECUTION AND DELIVERY OF THIS AGREEMENT, WHICH SHALL BE GOVERNED BY THE LAWS OF THE TURKS AND CAICOS ISLANDS IN THE CASE OF CAPITAL, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 8.04. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Section 8.05. Amendments. This Agreement may be amended by mutual consent of the parties in the manner the

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

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

TEXACO INC.

By: Peter M. Wissel  
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Title: Assistant Treasurer

TEXACO CAPITAL LLC  
By Texaco Inc., as Manager

By: Shelby Faber  
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Title: Assistant Treasurer

## COMMON STOCK LOAN AGREEMENT

LOAN AGREEMENT, dated as of June 8, 1994, between Texaco Inc. ("Texaco"), a corporation organized under the laws of the State of Delaware, United States of America, and Texaco Capital LLC, a limited life company organized under the laws of the Turks and Caicos Islands ("Capital").

WHEREAS, Capital has issued its common equity to Texaco and one of its subsidiaries, and has received related capital contributions, in an aggregate amount of \$93,038,000, and has issued and sold 14,000,000 6-7/8% Cumulative Guaranteed Monthly Income Preferred Shares, Series A with a liquidation preference of \$25 per share;

WHEREAS, Capital intends to issue its common equity to Texaco, and receive related capital contributions, in an aggregate amount of \$29,900,000 (the "Common Share Payments"), and intends to issue and sell up to 5,175,000 Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B (the "Preferred Shares") with a liquidation preference of \$25 per share;

WHEREAS, Texaco has asked Capital to make a loan to Texaco in an aggregate principal amount equal to the aggregate Common Share Payments;

WHEREAS, Capital is willing to make such loan to Texaco, on the terms and conditions hereinafter stated;

NOW THEREFORE, Texaco and Capital hereby agree as follows:

## ARTICLE I

## THE LOAN

Section 1.01. The Loan. Subject to the terms and conditions hereof, on June 15, 1994 Capital agrees to make to Texaco a loan in an aggregate principal amount equal to \$29,900,000. Such loan, in the amount as may be from time to time outstanding, shall be referred to herein as the "Loan".

Section 1.02. Term of the Loan. The entire principal amount of the Loan shall become due and payable (together with any accrued and unpaid interest thereon,

including Additional Interest, (as defined in Section 2.06 hereof) if any) on the earliest of May 31, 2024 or the date upon which Texaco shall be dissolved or liquidated or the date upon which Capital shall be dissolved or liquidated.

Section 1.03. Optional Prepayment. Texaco shall have the right to prepay the Loan, without premium or penalty,

(i) in whole or in part (together with any accrued but unpaid interest, including Additional Interest (as defined in Section 2.06 hereof), 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 is or would be required to pay any Additional Interest pursuant to the terms of Section 2.06 or, if such requirement shall relate only to a portion of the Loan, the portion of the Loan affected by such requirement. In no event, however, shall Texaco have the right to prepay the Loan, 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 governmental charges, as the case may be.

## ARTICLE II

## INTEREST

Section 2.01. Interest on the Loan. The Loan shall bear interest at a variable rate from June 15, 1994 until maturity. The rate for the initial period from the date the Loan is made to September 30, 1994 will be 6.40% per annum. Thereafter, interest on the Loan will be payable

at the "Applicable Rate" (as defined below) from time to time in effect, which will be adjusted quarterly and calculated on the basis of a 360 day year composed of 12 months of 30 days each, and for any period shorter than a full monthly interest period, interest will be computed on the basis of the actual number of days elapsed in such period. Such interest shall be payable on the last day of each calendar month of each year, commencing on June 30, 1994. In the event that any date on which interest is payable on the Loan 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.

Section 2.02. The Applicable Rate. Except as provided below in this Section, 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 Applicable Rate with respect to each quarter (other than the initial period) will be calculated as promptly as practicable by Capital according to the appropriate method described below. Capital will cause notice of each Applicable Rate to be given to Texaco before the commencement of the quarter to which it applies. 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 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 will be rounded to the nearest five hundredth of a percent. In the event that Capital 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.

Section 2.03. The Treasury Bill Rate. Except as described below in this Section, 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 Applicable Rate on the Loan 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 Capital. 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 Capital. In the event that Capital 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. In the event that Capital

determines in good faith that for any reason Capital cannot determine the Treasury Bill Rate for any quarter as provided above in this Section, 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. As used in Sections 2.03-2.05 hereof, the term "Calendar Period" means a period of fourteen calendar days, and the term "Federal Reserve Board" means the Board of Governors of the Federal Reserve System.

Section 2.04. The Ten Year Constant Maturity Rate. Except as described below in this Section, 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 Applicable Rate on the Loan 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 Capital. 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 Capital. In the event that Capital determines in good faith that for any reason Capital cannot determine the Ten Year Constant Maturity Rate for any quarter as provided above in this Section, 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. As used in Sections 2.04-2.05 hereof, 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. As used in this Section, 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).

Section 2.05. The Thirty Year Constant Maturity Rate. Except as described below in this Section, 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 Applicable Rate on the Loan 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 Capital. 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 Capital. In the event that Capital determines in good faith that for any reason Capital cannot determine the Thirty Year Constant Maturity Rate for any quarter as provided above in this Section, 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 Capital by at least three recognized dealers in U.S. Government securities selected by Capital. As used in this Section, 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).

Section 2.06. Additional Interest. In addition, if at any time following the date hereof (a) Texaco 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 on the Loan, or (b) Capital shall be required to pay, with respect to its income derived from the interest payments on the Loan, 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), or any other taxing authority, then, in any such case, Texaco will pay as interest such additional amounts ("Additional Interest") as may be necessary in order that the net amounts received and retained by Capital after

paying such Additional Interest, 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 Capital's having such funds as it would have had in the absence of the obligation to pay such Additional Interest, or such withholding or deduction or the payment of such taxes, duties, assessments or governmental charges, as the case may be.

Section 2.07. Extension of Interest Period.

Notwithstanding the provisions of Section 2.01, Texaco shall have the right at any time during the term of the Loan, so long as Texaco is not in default in the payment of interest on the Loan, to extend the interest payment period to 60 months; provided that at the end of such period Texaco shall pay all interest then accrued and unpaid together with interest thereon at the weighted average rate applicable to the Loan to the extent permitted by applicable law; provided, further, that, during any such extended interest period or at any time during which there is an uncured Event of Default under the Loan, Texaco shall not pay dividends on any of its shares of equity stock. Notwithstanding anything else contained herein, the time within which all payments of the principal of and interest on the Loan (or any replacement loans) shall be made shall not be later than the fiftieth anniversary of the issuance of the Preferred Shares. Texaco covenants (x) not to exercise the right to extend the interest period with respect to the Loan made pursuant to the Preferred Stock Loan Agreement dated October 27, 1993 or pursuant to the Common Stock Loan Agreement dated October 27, 1993 (the "Prior Loans") unless it exercises or has exercised the right to extend the interest period with respect to the Loan 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 their terms, the interest period with respect to the Loan shall also be extended as provided herein, 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 Loan would occur during such interest extension period. Texaco shall give Capital such prior notice of its selection of such interest payment period with respect to the Loan as shall enable Capital to give at least eleven Business Days prior notice to the holders of the Preferred Shares, and Texaco shall cause Capital to give such notice to the holders of the Preferred Shares.

ARTICLE III

PAYMENTS

Section 3.01. Method and Date of Payment. Each payment by Texaco of principal and interest (including Additional Interest, if any) on the Loan shall be made to Capital in lawful money of the United States at such place and to such account as may be designated in writing by Capital.

ARTICLE IV

SUBORDINATION

Section 4.01. Subordination. Texaco and Capital covenant and agree that the Loan is subordinate and junior in right of payment to all Senior Indebtedness as provided herein, but not to the obligations of other creditors such as trade creditors. The term "Senior Indebtedness" shall mean the principal, premium, if any, and interest on (i) all indebtedness of Texaco (excluding the Prior Loans, with which the Loan shall rank on a pari passu basis), whether outstanding on the date hereof or hereafter 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 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 Loan. Obligations to other creditors, including trade creditors, do not constitute Senior Indebtedness. The Loan 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 these 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 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 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 Loan or interest thereon or in respect of any repayment, redemption, retirement, purchase or other acquisition of the Loan.

In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to Texaco, its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding up of Texaco, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by Texaco for the benefit of creditors, or (iv) any other marshalling of the assets of Texaco, 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 on account of the Loan. Any payment or distribution, whether in cash, securities or other property (other than securities of Texaco 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 these subordination provisions with respect to the indebtedness evidenced by the Loan, 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 these subordination provisions) be payable or deliverable in respect to the Loan 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 Loan by any act or failure to act on the part of Texaco.

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, Capital 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 Loan shall have been paid in full, and such payments or distributions received by Capital, 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 and its creditors other than the holders of Senior Indebtedness, on the one hand, and Capital, on the other, be deemed to be a payment by Texaco on account of Senior Indebtedness, and not on account of the Loan.

#### ARTICLE V

##### REPRESENTATIONS AND WARRANTIES

Section 5.01. Representations and Warranties. Texaco represents and warrants to Capital that:

(a) Good Standing. Texaco is a corporation duly established and validly existing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as now being conducted.

(b) Power and Authority. Texaco has full power and authority to enter into this Agreement and to incur and perform the obligations provided for herein, all of which have been duly authorized by all proper and necessary action.

(c) Binding Agreement. This Agreement constitutes the valid and legally binding obligation of Texaco enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

#### ARTICLE VI

##### COVENANTS

Section 6.01. Covenants. Texaco agrees (i) to use the proceeds of the Loan for working capital, for retirement of debt and for other general corporate purposes, (ii) to maintain direct or indirect 100% ownership of the common shares of Capital, (iii) not to voluntarily dissolve, wind-up or liquidate Capital so long as any Preferred Shares

are outstanding, (iv) to timely perform all of its duties as Manager of Capital, (v) not to exercise the right pursuant to Section 2.07 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 Loan 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 Loan shall also be extended and (vi) not to exercise the right to extend the interest period with respect to the Prior Loans if the specified maturity date on the Loan would occur during such interest extension period.

## ARTICLE VII

### EVENTS OF DEFAULT

Section 7.01. 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 Loan, including any Additional Interest in respect thereof, when due for 10 days; provided that a valid extension of the interest payment period by Texaco pursuant to Section 2.07 shall not constitute a default in the payment of interest for this purpose;

(b) default in the payment of principal on the Loan;

(c) dissolution or winding-up or liquidation of Capital;

(d) the bankruptcy, insolvency or liquidation of Texaco; or

(e) the breach by Texaco of any of its covenants under the Loan;

then, in every such event, and at any time thereafter during the continuance of such event, Capital will have the right to declare the principal of and the interest on the Loan and all other amounts payable hereunder to be forthwith due and payable and to enforce its other rights as a defaulted creditor with respect to the Loan, whereupon the same shall become and be forthwith due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement to the contrary notwithstanding. If an Event of

Default specified in subparagraph (c) or (d) above shall have occurred, the principal of and interest on the Loan and all other amounts payable hereunder shall thereupon and concurrently become due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, anything in this Agreement to the contrary notwithstanding.

#### ARTICLE VIII

##### MISCELLANEOUS

Section 8.01. Notices. All notices hereunder shall be deemed given by a party hereto if in writing and delivered personally or by telegram or facsimile transmission or by registered or certified mail (return receipt requested) to the other party at the following address for such party (or at such other address as shall be specified by like notice):

If to Capital, to:

Texaco Capital LLC  
c/o Texaco Inc.  
2000 Westchester Avenue,  
White Plains, NY 10650

Facsimile no.: (914) 253-7753

Attention: Treasurer

If to Texaco, to:

Texaco Inc.  
2000 Westchester Avenue,  
White Plains, NY 10650

Facsimile no.: (914) 253-7753

Attention: Treasurer

Any notice given by mail or telegram or facsimile transmission shall be effective when received.

Section 8.02. Binding Effect. Texaco shall have the right at all times to assign any of its rights or obligations under this Agreement to a direct or indirect wholly owned subsidiary of Texaco; provided that, in the event of any such assignment, Texaco shall remain jointly and severally liable for all such obligations. Capital may

not assign any of its rights hereunder without the prior written consent of Texaco. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of Texaco and Capital and their respective successors and assigns. Any assignment by Texaco or Capital in contravention of this Section 8.02 shall be null and void.

Section 8.03. Governing Law. EXCEPT AS TO MATTERS RELATING TO THE AUTHORIZATION, EXECUTION AND DELIVERY OF THIS AGREEMENT, WHICH SHALL BE GOVERNED BY THE LAWS OF THE TURKS AND CAICOS ISLANDS IN THE CASE OF CAPITAL, THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 8.04. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Section 8.05. Amendments. This Agreement may be amended by mutual consent of the parties in the manner the parties shall agree; provided that, so long as any of the Preferred Shares shall remain outstanding, no such amendment shall be made, and no termination of this Agreement shall occur, without the prior consent of at least 66-2/3% of the holders of the Preferred Shares, in writing or at a duly constituted meeting of such holders, unless and until the Loan and all accrued and unpaid interest thereon (including Additional Interest, if any) shall have been paid in full.

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

TEXACO INC.

By: Peter M. Wissel

\_\_\_\_\_  
Title: Assistant Treasurer

TEXACO CAPITAL LLC  
By Texaco Inc., as Manager

By: Shelby Faber

\_\_\_\_\_  
Title: Assistant Treasurer

## AGREEMENT AS TO LIABILITIES

AGREEMENT, dated as of June 8, 1994, between Texaco Inc. ("Texaco"), a corporation organized under the laws of the State of Delaware, United States of America, and Texaco Capital LLC, a limited life company organized under the laws of the Turks and Caicos Islands ("Capital").

WHEREAS, Capital has issued and sold 14,000,000 6-7/8% Cumulative Guaranteed Monthly Income Preferred Shares, Series A (the "Series A Preferred Stock");

WHEREAS, Capital intends to issue and sell up to 5,175,000 Cumulative Adjustable Rate Monthly Income Preferred Shares, Series B (the "Series B Preferred Stock, the Series A Preferred Stock and the Series B Preferred Stock being collectively called the "Preferred Stock") with a liquidation preference (the "Liquidation Preference") of \$25 per share;

WHEREAS, it is a condition precedent to the issuance of the Series B Preferred Stock that Texaco enter into this Agreement;

NOW THEREFORE, Texaco and Capital hereby agree as follows:

Section 1.01. Guarantee by Texaco. Subject to the terms and conditions hereof, Texaco hereby irrevocably and unconditionally guarantees to each person or entity to whom Capital is now or hereafter becomes indebted or liable (other than any holder of the Preferred Stock in such holder's capacity as such a holder) (the "Beneficiaries") the full payment, when and as due, regardless of any defense, right of set-off or counterclaim which Capital may have or assert, of any and all indebtedness and liabilities of Capital to such Beneficiaries (collectively, the "Obligations") to the extent that the aggregate Obligations of Capital are at any time in excess of its income and assets. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof. The Holders of the Series B Preferred Stock shall not constitute beneficiaries under the Agreement As To Liabilities dated as of October 27, 1993 amongst Texaco and Capital. The holders of the Series A Preferred Stock shall not constitute beneficiaries under this Agreement.

Section 1.02. Term of Agreement. This Agreement will remain in effect until such time as all of the Series B Preferred Stock shall have been redeemed in accordance with their terms or the Series B Preferred Stock and the shares of Capital's common stock shall have been purchased and canceled by Capital or Texaco, as the case may be. This Agreement is continuing, irrevocable, unconditional and absolute.

Section 1.03. Waiver of Notice. Texaco hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 1.04. Releases, Waivers, Etc. The obligations, covenants, agreements and duties of Texaco under this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

- (a) the release or waiver, by operation of law or otherwise, of the performance or observance by Capital of any express or implied agreement, covenant, term or condition relating to the Obligations to be performed or observed by Capital;
- (b) the extension of time for the payment by Capital of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;
- (c) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of Capital granting indulgence or extension of any

kind;

- (d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, Capital or any of the assets of Capital; or

(e) the settlement or compromise of any Obligation guaranteed hereby or any obligation hereby incurred.

There shall be no obligation of the Beneficiaries to give notice to, or obtain consent of, Texaco with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce this Agreement directly against Texaco, and Texaco waives any right or remedy to require that any action be brought against Capital or any other person or entity before proceeding against Texaco.

## ARTICLE II

Section 2.01. Binding Effect. All guarantees and agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of Texaco and shall inure to the benefit of the Beneficiaries.

Section 2.02. Notices. Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail) or telex, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to wit:

Texaco Capital LLC  
c/o Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Facsimile no.: (914) 253-7753  
Attention: Treasurer

Texaco Inc.  
2000 Westchester Avenue  
White Plains, NY 10650

Facsimile no.: (914) 253-7753  
Attention: Treasurer

Section 2.03. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

THIS AGREEMENT is executed as of the day and year first above written.

TEXACO INC.

By: Peter M. Wissel  
\_\_\_\_\_  
Title: Assistant Treasurer

TEXACO CAPITAL LLC  
By: Texaco Inc., as Manager

By: Shelby Faber  
\_\_\_\_\_  
Title: Assistant Treasurer

TEXACO ANNOUNCES PUBLIC ISSUANCE  
-----  
OF \$112.5 MILLION IN PREFERRED SHARES  
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FOR IMMEDIATE RELEASE: WEDNESDAY, JUNE 8, 1994.  
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WHITE PLAINS, N.Y., June 8 - Texaco Inc. announced today that its wholly owned finance subsidiary, Texaco Capital LLC, a company organized under the laws of the Turks and Caicos Islands, British West Indies, is issuing \$112.5 million of Cumulative Adjustable Rate Monthly Income Preferred Shares ("MIPS"), Series B, in a public offering.

The preferred shares are being offered at \$25 per share, callable at par after five years, with a variable dividend rate which is reset quarterly. The dividend rate will be equal to 88 percent of the highest of three U.S. Treasury Department maturities (three-month, ten-year and 30-year). The dividend rate for the period from June 15, 1994, to September 30, 1994, will be 6.4 percent per annum. The payments of dividends and payments on liquidation or redemption with respect to the Preferred Shares are guaranteed by Texaco Inc. Dividends on the Preferred Shares will be paid monthly commencing June 30, 1994.

Proceeds from the sale will be loaned to Texaco Inc. to be used for working capital, retirement of debt and other general corporate purposes.

The sale is being led by Goldman, Sachs & Co. with Dean Witter Reynolds Inc.; A. G. Edwards & Sons, Inc.; Kidder, Peabody & Co. Incorporated; Lehman Brothers; Morgan Stanley & Co. Incorporated; PaineWebber Incorporated; Prudential Securities Incorporated; and Smith Barney Inc.

The Preferred Shares are issued under a shelf registration statement that was filed with the Securities and Exchange Commission in October 1993. The Preferred Shares will be listed on the New York Stock Exchange (Symbol TXCPB).

- xxx -

CONTACTS: Dave Dickson (914) 253-4128  
Jim Swords (914) 253-4103