

EXHIBIT 125

D536000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the Fiscal Year Ended December 31, 1982

Commission File Number 1-3638-2

Diamond Shamrock Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

717 North Harwood Street
Dallas, Texas

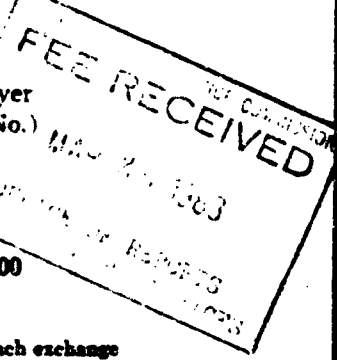
(Address of principal executive offices)

34-0683533

(I.R.S. Employer
Identification No.)

75201

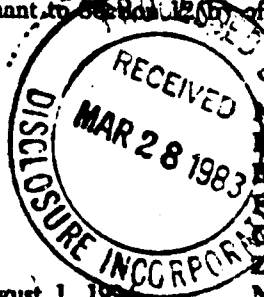
(Zip Code)



Registrant's telephone number, including area code (214) 745-2000

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

| Title of each class | Name of each exchange on which registered |
|--|---|
| Common Stock Without Par Value | New York Stock Exchange Pacific Stock Exchange Baird Stock Exchange Frankfurt Stock Exchange Geneva Stock Exchange Zurich Stock Exchange |
| 7 3/4% Sinking Fund Debentures Due August 1, 1994 | New York Stock Exchange |
| 9 1/8% Sinking Fund Debentures Due November 15, 2000 | New York Stock Exchange |
| 7.70% Sinking Fund Debentures Due December 15, 2001 | New York Stock Exchange |
| 8 1/2% Sinking Fund Debentures Due April 1, 2008 | New York Stock Exchange |



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

| Title of each class |
|---|
| 9% Sinking Fund Debentures Due April 1, 1999 |
| 8 1/4% Sinking Fund Debentures Due June 1, 1996 |

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 22, 1983 was approximately \$1,588,300,000.

Shares of Common Stock outstanding at February 22, 1983 - 33,534,614.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the indicated part or parts of this report:

- (a) 1982 Annual Report to Stockholders of the Company - Parts I and II;
- (b) Definitive proxy statement of the Company relating to the 1983 stockholders' meeting, filed with the Commission pursuant to Regulation 14A - Part III;
- (c) Annual Report on Form 10-K of Sigmor Corporation for the fiscal year ended June 30, 1982 - Part IV; and
- (d) Quarterly Report on Form 10-Q of Sigmor Corporation for the three months ended September 30, 1982 - Part IV.

SIGNED COPY

Index on Sequentially Numbered Page 26, 27+28
Total of sequentially numbered pages 241

PART I

Items 1 and 2. Business and Properties.

Diamond Shamrock Corporation (the "Company") was incorporated in Delaware in 1928 as the successor to a corporation founded in 1910. The Company is a domestic integrated oil and gas company with interests in coal and chemicals. Its world headquarters is located at 717 North Harwood Street, Dallas, Texas 75201, and its telephone number is (214) 745-2000 (effective April 1, 1983, the number will be (214) 922-2000). As used herein all references to the "Company" relate to Diamond Shamrock Corporation, its subsidiaries and their predecessors unless the context otherwise indicates.

Operations consist of the following principal business segments: *Oil and Gas*, which includes exploration and production, natural gas processing and refining and marketing; *Coal*, which includes steam and metallurgical coal; *Industrial Chemicals*, which consists of electro chemicals, including caustic soda and chlorine, soda products, which includes chromium chemicals and sodium silicates, and other commodity chemicals; *Specialty Chemicals*, which includes process chemicals, functional polymers, metal coatings, urethane chemicals and polymer additives; *Agricultural Chemicals*, which includes fungicides, herbicides and animal health products; and *Electrolytic Systems*, which includes patented metallic electrodes and electrochemical and electrometallurgical technology.

Information concerning outside sales and operating revenues and operating profit for each of the Company's business segments and its business in general for the three years ended December 31, 1982, together with information concerning business segment and corporate and other identifiable assets as of December 31, 1982, 1981 and 1980, is set forth on pages 37 and 38 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Overseas, the Company is engaged in the exploration for and production of oil and gas and the manufacture and sale of chemicals and related technology. The Company has manufacturing, administrative and marketing facilities in more than 30 countries. Information concerning outside sales and operating revenues and operating profit for the three years ended December 31, 1982 and assets by geographic region as of December 31, 1982, 1981 and 1980 are presented on page 36 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

The Company's sales or transfers between geographic areas were not significant in each of the three years ended December 31, 1982. Operating revenues from export sales to unaffiliated customers located outside the United States were less than 10% of the Company's consolidated sales and operating revenues in each of the three years ended December 31, 1982.

Oil and Gas

The Company's Oil and Gas segment is primarily engaged in the exploration for and production of crude oil and natural gas, the processing of natural gas, the refining of crude oil, and the marketing of refined petroleum products in the United States. The Oil and Gas segment consists of three principal product groups: exploration and production, natural gas processing, and refining and marketing, which contributed approximately 8%, 6% and 40%, respectively, of the Company's outside sales and operating revenues in 1982.

Exploration and Production

The Company's exploration and production activities are centered in the United States. Presently, the Company's only production outside the United States is in the Dutch North Sea. The Company also has exploration prospects in Australia, New Zealand, Indonesia and Ireland.

The Company's net proved reserves of crude oil (including condensate) and natural gas decreased in 1982, as did crude oil and gas production. Information regarding the Company's net interests in estimated quantities of proved developed and undeveloped reserves of crude oil (including condensate) and natural gas at December 31, 1982, 1981 and 1980, together with production data for the

three years ended December 31, 1982, are set forth on page 51 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Information disclosing future net cash flows relating to the Company's proved oil and gas reserves and additional information concerning the Company's oil and gas producing activities are set forth on pages 49 through 53 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. *Proved developed reserves* are proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. *Proved undeveloped reserves* are proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

In 1982, the Company filed estimates of its proved reserves of crude oil and natural gas in the United States at December 31, 1981 with the Department of Energy. Such estimates include its net interests in domestic proved crude oil and natural gas reserves. The total reserve estimates so included in the filing do not differ by more than 5% from the total reserve estimates included in those shown at December 31, 1981 in the Company's 1982 Annual Report to Stockholders.

Average sales prices (including transfers) and production costs of crude oil and natural gas produced for the three years ended December 31, 1982 are as follows:

| | <u>1982</u> | <u>1981</u> | <u>1980</u> |
|---------------------------------------|-------------|-------------|-------------|
| United States | | | |
| Average Sales Price | | | |
| Crude Oil (per barrel) | \$31.72 | \$36.08 | \$28.72 |
| Natural Gas (per MCF) | \$ 2.41 | \$ 1.99 | \$ 1.61 |
| Average Production Cost (per barrel)* | \$ 3.35† | \$ 3.51† | \$ 2.24† |
| North Sea | | | |
| Average Sales Price | | | |
| Crude Oil (per barrel) | \$34.36 | \$40.35 | \$34.63 |
| Natural Gas (per MCF) | \$ 5.43 | \$ 4.82 | \$ 4.24 |
| Average Production Cost (per barrel)* | \$ 6.40 | \$ 5.51 | \$ 5.12 |

* Production or lifting cost is exclusive of depreciation and depletion of capitalized lease acquisition, exploration and development costs. The gas production is converted to equivalent barrels of crude oil by dividing the MCF volume by six. Six MCF of gas has approximately the heating value of one barrel of crude oil.

† Includes windfall profit tax.

Transfers to the Company's refining and gas processing operations are valued at estimated prices based on the prices of comparable products using posted field prices, when applicable, or amounts estimated to represent prices equivalent to those that could be obtained in a competitive arms-length market environment, giving recognition to transportation costs, quality differences and regulation by governments.

The following tables set forth information regarding the Company's wells and leasehold acres. *Gross wells or acres* are the total number of wells or acres in which the Company owns any interest. *Net wells or acres* are the sum of the fractional working interests the Company owns in gross wells or acres.

As of December 31, 1982, the Company owned productive oil and gas wells as follows:

| | <u>Gross</u> | <u>Net</u> |
|----------------------------|--------------|----------------|
| Oil Wells Owned | | |
| United States | 2,412 | 1,045.1 |
| North Sea | - | - |
| Total | <u>2,412</u> | <u>1,045.1</u> |
| Gas Wells Owned | | |
| United States | 1,587 | 1,121.1 |
| North Sea | 18 | .7 |
| Total | <u>1,605</u> | <u>1,121.8</u> |
| Multiple Completion | 179 | 95.3 |

The following table sets forth the Company's developed acreage and undeveloped acreage at December 31, 1982:

| <u>Gross Acres</u> | <u>United States</u> | <u>North Sea</u> | <u>Australia</u> | <u>New Zealand</u> | <u>Canada</u> | <u>Indonesia</u> | <u>Ireland</u> |
|--------------------|----------------------|------------------|-------------------|--------------------|---------------|------------------|----------------|
| Developed Acres | 737,703 | 8,018 | - | - | - | - | - |
| Undeveloped Acres | 6,035,763 | 700,192 | 10,014,299 | 2,853,756 | 4,144 | 4,394,749 | 150,000 |
| Total | <u>6,773,536</u> | <u>708,210</u> | <u>10,014,299</u> | <u>2,853,756</u> | <u>4,144</u> | <u>4,394,749</u> | <u>150,000</u> |
| <u>Net Acres</u> | | | | | | | |
| Developed Acres | 554,791 | 815 | - | - | - | - | - |
| Undeveloped Acres | 4,176,622 | 30,781 | 2,453,305 | 1,231,901 | 1,572 | 1,066,667 | 34,740 |
| Total | <u>4,731,413</u> | <u>31,597</u> | <u>2,453,305</u> | <u>1,231,901</u> | <u>1,572</u> | <u>1,066,667</u> | <u>34,740</u> |

Drilling activities of the Company for the three years ended December 31, 1982 are summarized below:

| | <u>1982</u> | <u>1981</u> | <u>1980</u> |
|--------------------------------------|--------------|--------------|--------------|
| United States | | | |
| Net Exploratory Wells Drilled | | | |
| Productive | 15.2 | 25.9 | 12.2 |
| Dry | 25.6 | 36.4 | 15.5 |
| Total | <u>44.0</u> | <u>62.3</u> | <u>27.7</u> |
| Net Development Wells Drilled | | | |
| Productive | 102.2 | 117.7 | 80.0 |
| Dry | 39.5 | 21.7 | 22.5 |
| Total | <u>141.7</u> | <u>139.4</u> | <u>102.5</u> |
| Foreign | | | |
| Net Exploratory Wells Drilled | | | |
| Productive | .04 | - | .1 |
| Dry | .10 | .3 | .3 |
| Total | <u>.14</u> | <u>.3</u> | <u>.4</u> |

At December 31, 1982, the Company was participating in the drilling of 36 gross and 14.1 net wells in the United States and 2 gross and 0.1 net wells in the North Sea.

Drilling and production spending was approximately \$220,574,000 in 1982. The Company spent approximately \$191,000,000 in 1982 to purchase net leasehold acreage in the United States of 386,600 acres. These expenditures included \$161,700,000 for leasehold acquisitions in the Beaufort Sea Diapir Field in Alaska which is considered by the U.S. Geological Survey to be one of the nation's most promising sites for crude oil reserves.

Natural Gas Processing/Refining and Marketing

Most of the natural gas processed and a small portion of the crude oil refined by the Company are produced from acreage leased by the Company. The major portion of its crude oil requirements is purchased under short-term contracts from outside sources. Such crude oil purchases are at posted prices competitive with the posted prices of other purchasers in the same area. The Company has substantial investments in crude oil and natural gas gathering pipelines used to bring crude oil and natural gas to its McKee refinery and gas processing facilities near Dumas, Texas. In addition, the Company has investments ranging from 30% to 100% in various segments of petroleum product pipelines extending from the McKee refinery to other points in the marketing area for its petroleum products. The Company expects to be able to continue to obtain crude oil and natural gas in sufficient quantities for its reasonably foreseeable requirements.

The McKee refinery and gas processing facilities have a crude oil and natural gas throughput capacity of approximately 71,000 barrels per day and 400,000 MCF per day, respectively. Over 90% of the McKee refinery output is in light products such as gasoline and turbine and diesel fuels. With the addition of Sigmor Corporation's Three Rivers refinery near Corpus Christi, Texas, the Company has the capacity to refine more than 110,000 barrels of crude oil per day. (See "Acquisition of Sigmor Corporation" below.)

The crude oil throughput at the McKee refinery and the volume of natural gas processed and natural gas liquids recovered at the gas processing facilities during the three years ended December 31, 1982 were as follows:

| | <u>1982</u> | <u>1981</u> | <u>1980</u> |
|--|-------------|-------------|-------------|
| Refinery Crude Oil Throughput (thousands of barrels) | 24,080 | 21,708 | 20,857 |
| Natural Gas Processed (millions of cubic feet) | 104,565 | 111,301 | 108,154 |
| Natural Gas Liquids Recovered (thousands of barrels) | 8,398 | 8,652 | 8,534 |

Most of the Company's refined products are distributed through petroleum product pipelines to eight different terminals located in its marketing area. Such products are sold primarily through jobbers and dealers with most of its motor gasoline and diesel fuel being sold in eleven Rocky Mountain and Southwestern states under its own brand name through approximately 150 jobbers with 1,739 service station outlets.

In 1980, Sigmor Corporation ("Sigmor") became a jobber for gasoline supplied by the Company. Since that time, the business relationship between the Company and Sigmor evolved so that the Company annually supplied Sigmor with approximately 60% of all of the gasoline sold by Sigmor and, correspondingly, Sigmor purchased from the Company approximately 50% of all gasoline sold annually by the Company. During 1982, Sigmor marketed motor gasoline under the Company's brand name in Texas, Louisiana and Oklahoma through approximately 440 of the Company's 1,739 branded service station outlets. Sales to Sigmor during 1982 amounted to \$419,140,000, approximately 13% of the Company's consolidated sales and operating revenues for the year. On July 7, 1982, the Company and Sigmor announced the proposed acquisition of Sigmor by the Company. (See "Acquisition of Sigmor Corporation" below.)

Most of the ethane/propane mixture recovered by the Company in its natural gas liquids processing facilities is converted into ethylene and propylene for sale principally to industrial customers. Most of the other natural gas liquids are sold principally to dealers and wholesalers for resale to end-users and distributors. The residue gas is sold principally to interstate pipeline companies under long-term contracts for resale to end-users and distributors. The ammonia produced is sold to a firm specializing in agricultural marketing of ammonia.

The Company's Oil and Gas segment experiences intense competition in all areas of its business. During 1982, there was considerable marketing competition in the petroleum products industry.

leading to a reduction in motor gasoline prices which outpaced any corresponding reduction in the price of crude oil. As a result, margins in the Company's refining and marketing business have been under severe pressure, and the Company expects this condition to continue over the near future. The Company is a relatively modest factor industry-wide in the exploration for and the sale of oil and gas. Its competitors include the major energy companies, which are fully integrated petroleum producers, and independent oil and gas concerns.

Acquisition of Sigmor Corporation

On January 14, 1983, Sigmor was merged into a wholly owned subsidiary of the Company. Under the terms of the merger the holders of 4,068,186 shares of Sigmor common stock elected to receive \$17.50 per share (resulting in the payment by the Company of a total of \$71,508,000) while other Sigmor shareholders, principally Mr. and Mrs. Tom E. Turner, elected to receive 0.44 of a share of the Company's \$2.07 Cumulative Convertible Preferred Stock, without par value, for each share of Sigmor common stock owned (resulting in the issuance by the Company of a total of 4,184,749 preferred shares). The Company had owned 21% of Sigmor's common stock since 1978. The acquisition was accounted for as a purchase, and accordingly, the Company's 1983 consolidated financial statements will include the results of Sigmor's operations from the date of acquisition.

Subsequent to its acquisition of Sigmor and as contemplated in the merger agreement, the Company sold to Tetco, Inc., a company wholly owned by the Turner family, the former majority owners of Sigmor, certain of the acquired Sigmor assets at approximately their book value. The sales proceeds (\$43,201,000) were used to reduce outstanding borrowings previously incurred by Sigmor under its bank credit agreement.

Sigmor markets gasoline, automotive products and "convenience store" type merchandise through retail service stations. At June 30, 1982, Sigmor operated a total of 553 retail outlets, including 357 stations which included convenience store facilities, 125 high volume stations, 71 self-service stations and 2 outlets operated in connection with convenience stores owned by others. Of such outlets, 424 were located in Texas, 22 in Louisiana, 38 in California, 11 in Colorado, 14 in Virginia, 12 in Washington and the remainder in 13 other states.

The total gallons of gasoline sold by retail outlets operated by Sigmor during the fiscal year ended June 30, 1982 was 770,355,769, an average of 115,669 gallons sold per month per retail outlet.

Pro forma combined data (unaudited) of the Company for 1982 and at December 31, 1982 (as though the Sigmor acquisition and the related sale of certain assets had taken place on January 1, 1982) is set forth on page 35 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

On January 28, 1983, the Company filed a report on Form 8-K with the Securities and Exchange Commission with respect to the acquisition of Sigmor by the Company.

Coal

Properties and Reserves

The principal coal properties of the Company are primarily leased by various subsidiaries of the Company or by partnerships or joint ventures in which the Company has interests. The Company's properties in eastern Kentucky include reserves in Breathitt, Perry, Leslie and Knott Counties ("Falcon" properties) and interests in properties in Pike and Floyd Counties ("Hawkeye" properties). Through recent acquisitions, the Company holds coal properties in West Virginia in Logan and Mingo Counties ("Diamond Phoenix" properties) and in Clay, Kanawha, Logan, Nichols, Putnam and Wyoming Counties ("Amherst" properties), in Pennsylvania in Greene County ("Gateway" properties), in Montana in Rosebud and Big Horn Counties ("Montco" properties), in Illinois in Lawrence and Richland Counties ("LaSalle" properties) and in the Beluga coal fields near Anchorage ("Diamond Alaska" properties).

The following table reflects estimates of quantities (in thousands of tons) of the Company's recoverable coal reserves (excluding 315 million tons of lignite reserves in Texas and Mississippi) at December 31, 1962:

| Surface | Assigned Reserves | | | Unassigned Reserves | | | Total Reserves |
|----------------------------|-------------------|---------------|----------------|---------------------|----------------|----------------|------------------|
| | Proven | Probable | Total | Proven | Probable | Total | |
| Falcon | 21,930 | 7,704 | 29,634 | 18,583 | 10,713 | 29,296 | 58,932 |
| Amherst | 49,204 | 9,931 | 59,135 | - | - | - | 59,135 |
| Diamond Alaska | - | - | - | 235,485 | - | 235,485 | 235,485 |
| Hawkeye | 802 | - | 802 | 1,574 | 677 | 2,251 | 3,053 |
| Diamond Phoenix | - | - | - | 45,024 | 16,976 | 62,000 | 62,000 |
| Montco | - | - | - | 137,566 | - | 137,566 | 137,566 |
| Total - surface | 71,936 | 17,635 | 89,571 | 438,232 | 28,366 | 466,600 | 556,171 |
| Underground | | | | | | | |
| Falcon | 900 | 78 | 1,066 | 45,490 | 58,983 | 102,463 | 103,529 |
| Amherst | 103,115 | 21,403 | 124,518 | 29,874 | 9,942 | 39,816 | 164,134 |
| Gateway | 3,419 | - | 3,419 | 9,000 | - | 9,000 | 12,419 |
| LaSalle | - | - | - | 175,281 | 31,166 | 206,479 | 206,479 |
| Hawkeye | - | - | - | 717 | 678 | 1,395 | 1,395 |
| Total - underground | 107,522 | 21,479 | 129,003 | 260,152 | 99,801 | 359,953 | 487,956 |
| Total reserves | 179,458 | 39,114 | 218,574 | 698,384 | 127,167 | 825,553 | 1,044,127 |

Data supporting the foregoing reserve estimates were obtained by prospecting, drilling, sampling and mapping and from previous mining operations. The extent to which reserves will eventually be mined depends upon future economic conditions affecting coal mining which cannot now be forecast.

Assigned Reserves are those reserves which can be mined and marketed using the Company's current mining practices and techniques and which are considered to be economically recoverable under current conditions. *Unassigned Reserves* are those reserves requiring significant additional facilities and/or equipment and which are generally considered to be economically recoverable under current conditions, although detailed studies of the economics of their recoverability have not been undertaken. In order to expand the mining operations of the Company into the areas of unassigned reserves, it will be necessary for the Company to incur additional capital expenditures for mining equipment and facilities.

Proven Reserves are recoverable and merchantable reserves substantiated by adequate information, including that derived from drilling, current and previous mining, outcrop data and knowledge of mining conditions. The computed tonnage is judged to be within 20% of the true tonnage. Proven reserves are not generally considered to extend beyond one quarter of a mile from a point of measurement. *Probable Reserves* are based on more preliminary or limited information. Probable reserves are generally considered to extend beyond proven reserves to not more than three-quarters of a mile from a point of measurement.

At the present time the Company is carrying on mining operations at its Falcon, Amherst and Gateway mines to fulfill long-term contracts described under "Production and Sales" below. In 1962, approximately 90% of the Company's production consisted of steam coal with the remainder consisting of metallurgical coal. No mining operations are being carried on at the Company's LaSalle and Diamond Phoenix properties, and the Hawkeye mine has been idle since January 1, 1963. The Montco and Diamond Alaska properties have not been developed for mining operations; however, the Company is preparing engineering and other studies for these properties.

Production and Sales

Coal production at present is shipped as both washed and unwashed product. Current production is attributable to both deep mining and surface mining operations. Surface mining involves removing surface materials covering a coal seam or seams, followed by the recovery of the exposed coal, generally through the use of trucks and loading machines.

The table below sets forth the sales of coal (in thousands of tons) for each of the three years ended December 31, 1982. Coal production and sales (including coal brokered by Amherst) during 1981 was lower due to a 2½-month strike by the United Mine Workers of America and the Falcon Coal Company Employees' Association.

| | <u>Sales</u> |
|------|--------------|
| 1982 | 8,932 |
| 1981 | 7,497 |
| 1980 | 6,837 |

The Company depends upon long-term coal supply agreements for a substantial portion of its sales. In 1982, nearly 90% of its coal production was sold under long-term agreements.

The Company's principal coal customer is the Tennessee Valley Authority ("TVA"). The largest of the TVA contracts provides for the delivery of 70,000 tons of coal per week from the Falcon properties until approximately 20,500,000 more tons have been delivered. In accordance with the terms of the contract, TVA is taking delivery at a rate 10% below the contract base quantity. Another TVA contract, with Amherst Coal, requires the delivery of 300,000 tons of coal per year through December 1988.

A third TVA contract, with Falcon, provides for the delivery of 12,600 tons of coal per week and expires in March 1983. In 1979, TVA terminated another contract with Falcon requiring the delivery of 14,000 tons of coal per week through March 1983, pursuant to a contract provision allowing termination if adjustments resulting from cost increases due to compliance with new legislation caused more than a 10% increase in the contract base price of coal. The Company believes that this provision was inapplicable and that TVA's cancellation was improper. Accordingly, the Company has instituted litigation against TVA.

The Company's other long-term contracts are with Detroit Edison Company, a Michigan utility, requiring yearly shipments of 1,150,000 tons of coal through 1994; Jones & Laughlin Steel Corporation, providing for the sale of 450,000 raw tons of coal per year through 1995; and Dayton Power and Light Company, an Ohio utility, requiring the delivery of 500,000 tons of coal per year through 1982. Shipments under the Dayton Power and Light contract will increase to a rate of 750,000 tons per year from 1983 until approximately 8,000,000 more tons are supplied. This shipment rate may be increased to 1,000,000 tons per year beginning in 1986 upon mutual agreement of the parties.

During 1982, the Company exported 858,000 tons of coal mined from its Hawkeye and Amherst properties to foreign customers.

The Company's contracts contain provisions for adjustments to the base price of coal as the consequence of changes in specified production costs. The Company believes that the adjustments for production costs have allowed it to recover substantially all of its increased costs of production in recent years. All of the Company's contracts contain minimum quality specifications relating to moisture, ash and sulfur content and heating value. The purchasers may suspend deliveries of coal should quality not conform closely to these minimum quality requirements, pending resolution of coal quality problems.

The sale of coal is highly competitive. The Company must compete with many other coal producers in negotiating coal sales contracts and spot sales. The primary factors in competition for sales contracts are price, quantity and quality of coal reserves, production rate and transportation availability. The primary factors in competition for spot sales are price, quality and adequate pro-

duction and delivery facilities. In addition, the level of economic activity, energy conservation and the cost of complying with various environmental regulations directly affect the demand for coal. These and other factors constrained United States and export coal markets in 1982 and are expected to continue to impact such markets in 1983.

Industrial Chemicals

The Company's Industrial Chemicals segment is a leading domestic producer of electro chemicals, including chlorine, caustic soda, potassium chemicals and chlorinated paraffins, and soda products, including sodium silicate and chromium chemicals. It also produces other commodity chemicals. These products are sold to a wide range of industries, including chemical, pulp and paper, water treatment, textile, soap, aluminum, pigments, adhesives, glass and metal and numerous other industries. The Company uses chlorine it produces to manufacture chlorinated solvents, chlorinated paraffins and agricultural chemicals.

The Company markets its Industrial Chemicals products through divisions, subsidiaries and joint venture operations both domestically and internationally. The location of the Company's manufacturing sites and terminals provide access to all major domestic markets as well as export sales opportunities.

The Company believes that it is a leading world and domestic producer of chromium chemicals and a leading domestic producer of silicate products and chlorine and caustic soda. There are numerous competitors in each of these businesses, and a number of these companies possess greater assets and financial resources than does the Company. The Company believes that the pricing of chlorine and caustic soda are principally affected by demand for these products in the automotive and housing industries, and that such demand has a greater impact on its competitive position than any other single factor. Plant location, capacity, quality of product, price and servicing of customers are essential to the Company's competitive position. Key strengths for the Industrial Chemicals segment include world leadership in electrochemical technology, efficient low-cost plants, a well-trained, highly professional sales force, a large and efficient distribution system and a broad customer base.

The principal raw materials used by the Industrial Chemicals segment include salt, potassium chloride, chrome ore, silica sand and paraffin. The Company has extensive salt reserves in close proximity to its chlorine facilities in Texas from which it obtains the majority of its salt requirements. At present operating rates, the Company estimates its salt reserves will last approximately 100 years.

The Company purchases most of its other raw materials from various domestic suppliers. However, its chrome ore is obtained from foreign sources. At year end there was on hand approximately two years' inventory of chrome ore. The Company has generally been able to obtain adequate supplies of raw materials at competitive prices, and it expects to continue to be able to do so in the reasonably foreseeable future from the same or alternate sources.

The price and availability of energy, while important to the operations of all of the Company's segments, are of particular significance to the operations of the Industrial Chemicals segment. Electricity is a basic element in the manufacture of chlorine and caustic soda. Rapidly escalating energy costs have put pressure on production costs of certain of the Company's products, principally chlorine and caustic soda. In 1982 the Company completed a 200-megawatt gas turbine combined cycle co-generation plant which is capable of supplying all the electricity and process steam required to operate the Company's 1,400-ton per day chlorine plant in LaPorte, Texas. This plant produces approximately 40% of the Company's chlorine. To date there have not been any material disruptions of production at the Company's plants or other facilities because of energy shortages. However, there is no assurance that energy shortages in the future will not have an adverse effect on the Company's operations directly or indirectly by reason of their effect on customers, suppliers or prices.

Manufacturing facilities and other important physical properties with respect to the Company's Industrial Chemicals segment are located at the sites listed below. All sites are owned in fee except those preceded by an asterisk, which denotes facilities leased entirely or principally.

| | | |
|--------------------|-------------------|-------------------|
| *Mobile, AL | Franklin Park, IL | Dallas, TX |
| Muscle Shoals, AL | Baltimore, MD | Deer Park, TX |
| Oxnard, CA | Jersey City, NJ | La Porte, TX |
| *Delaware City, DE | Lockport, NY | Belle, WV |
| Chicago, IL | Castle Hayne, NC | Talcahuano, Chile |
| | Cincinnati, OH | |

Specialty Chemicals

Principal products of the Company's Specialty Chemicals segment include process chemicals, functional polymers and various other chemical products and meta coatings. Process chemical products consist of specialty and performance chemicals used primarily in textile, paper, plastics, paint, oil, concrete and nuclear industries. These chemicals are generally proprietary in nature and used to upgrade industrial processes or end products. Functional polymers includes ion exchange resins used in home and industry to remove, replace or exchange materials from liquids in such uses as water softeners or demineralization, sugar processing and chemical processing. The Company also produces urethane chemicals, which are produced for rigid and flexible urethane foams and are used in a wide variety of industries, including automotive and sporting goods; polymer additives, which are utilized to enhance various properties of certain plastics and find application in numerous plastic products; and proprietary chrome and zinc-based coatings for the protection of steel and aluminum against corrosion which are used primarily by the automotive industry.

International sales, including both export sales and sales of chemicals manufactured abroad, are a significant aspect of the operations of the Specialty Chemicals segment, which has manufacturing facilities throughout the world.

For the most part, the Company sells its Specialty Chemicals products directly to users through subsidiaries and affiliated businesses around the world. The basic market for such products is oriented toward products specifically developed to solve a customer's technical and process problems and to upgrade a customer's products. In this regard, servicing of customers and quality of products are of prime importance. Pricing of such products is based on cost benefits to the customer.

Competition is significant in most areas of the Specialty Chemicals segment's operations. Many small, low overhead operations, particularly in the paper and textile business, result in intense competition in many of the Company's markets. The maintenance and growth of competitive position require research and development, acquiring new technology and developing new products and applications with in-house technology as well as technology from other specialty operations.

The principal production plants and other important physical properties with respect to the Company's Specialty Chemicals segment are located at the sites listed below. All sites are owned in fee except those preceded by an asterisk, which denotes facilities leased entirely or principally.

| | | |
|------------------|---------------------------|---------------------------------|
| Redwood City, CA | *Chardon, OH | Pontychun, Llantrisant, England |
| *Cedartown, GA | Melbourne, Australia | Chauny, France |
| Frankfort, IL | Drogenbos, Belgium | Courtenay, France |
| Carlstadt, NJ | Tremembe, Brazil | Drammen, Norway |
| Harrison, NJ | Hamilton, Ontario, Canada | Barcelona, Spain |
| Charlotte, NC | Eccles, England | Taipei, Taiwan |
| Ashtabula, OH | Leeds, England | |

In February 1983, the Company announced that it is studying the divestiture of its specialty chemicals businesses. (See "Possible Divestiture of Certain Businesses" below.)

Agricultural Chemicals

The businesses of the Company's Agricultural Chemicals segment are technology-oriented and serve life science related markets. Principal products of this segment include chlorothalonil, the active ingredient in its proprietary fungicides **DACONIL 2757**® and **BRAVO**®, which are used primarily for turf, and on peanuts and vegetables, respectively; **DACTHAL**®, a preemergence herbicide used primarily for turf, ornamental shrubs and vegetables; postemergence herbicides, consisting of arsonates used primarily for cotton and phenoxies used primarily for small grain crops; and an insecticide marketed abroad. Animal health products include **ATGARD**® anthelmintics, **RABON**® larvicides, **ECTRIN** ectoparasiticides and antibiotics. Animal health products are used for poultry, swine, cattle, horses and pets.

The Agricultural Chemicals segment accounts for a significant portion of the Company's overseas sales, and foreign markets are believed to be an important growth area for these products. Penetration into growing international markets depends on strong marketing operations and investment in strategically located plants and distribution centers. In this regard, research efforts are presently aimed at developing products to address world markets.

The Agricultural Chemicals segment has generally been able to obtain adequate supplies of raw materials at competitive prices, although it has experienced substantial price increases for some raw materials and energy.

The products of the Agricultural Chemicals segment are sold in competition with the products of many other companies, a number of which are major corporations. While price, plant location, capacity and quality of product are all essential to the segment's competitive position in these businesses, the long-term maintenance and improvement of competitive position depend upon the continued development, licensing and acquisition of proprietary products.

Manufacturing facilities and other important physical properties with respect to the Company's Agricultural Chemicals segment are located at the following sites:

Tuscaloosa, AL
Princeton, NJ
Greens Bayou, TX

Belvedere, England
Shah Alam, Malaysia
Torreon, Mexico

Xalostoc, Mexico
Singapore, Singapore

The Company is presently studying the divestiture of its Agricultural Chemicals segment. (See "Possible Divestiture of Certain Businesses" below.)

Electrolytic Systems

In June 1982, the Company established a joint venture with a Swiss corporation to create a single worldwide research and marketing organization for electrochemical technology. The principal activities of the new company are the manufacturing, licensing and marketing of patented metallic catalytically-activated electrodes to customers worldwide. These dimensionally stable electrodes substantially reduce the consumption of electrical power in the production of chlorine. The joint venture also licenses and sells chlorine and caustic soda diaphragm and membrane cells and proprietary systems for the treatment and disinfecting of water and sewage. The Company, through a wholly owned subsidiary, continues to hold many patents and licenses relating to various fields of industrial electrochemistry and electrometallurgy which it licenses to the joint venture and others worldwide.

Possible Divestiture of Certain Businesses

In February 1983, the Company announced that it is studying the divestiture of certain of its chemical businesses, including those businesses which constitute the Specialty Chemicals and Agricultural Chemicals segments. These businesses contributed \$53,000,000 to the Company's pretax operating profit in 1982. The Company's Industrial Chemicals operations are not being considered for divestiture.

Patents

The Company owns or is licensed under many patents which have been secured over a period of years and which expire at various times. While the Company believes that, in the aggregate, these patents and licenses constitute valuable assets, particularly as they relate to the fields of industrial electrochemistry and electrometallurgy, it does not believe that any one of such patents or licenses is of material significance to its total business.

Research and Development

In recent years, the Company's research and development activities have been primarily devoted to electrochemistry, agricultural chemicals and areas related to animal health. Total expenditures for research and development (excluding technical services to customers) were \$47,632,000 in 1982, \$52,679,000 in 1981 and \$45,214,000 in 1980. The Company's principal research center is located in Concord Township, Ohio, and serves as the headquarters for most of the Company's research and process development activities. Additional research facilities are located at Morristown, New Jersey and Manchester and Eccles, England.

Regulatory Controls

Governmental Controls of Petroleum Activities

The Crude Oil Windfall Profit Tax Act of 1980 imposes a tax on producers of crude oil. The tax, although characterized as a tax on "windfall profits", is an excise tax of a certain percent of the per barrel price of crude oil in excess of a changing base price. The percent of the tax and the base price vary according to the classification of the oil under the tax scheme. A provision of the Economic Recovery Tax Act of 1981 reduces the tax rate on newly discovered oil each year during the period 1982 through 1986. The Company's windfall profit tax for 1982 was \$16,159,000. Although the impact of the tax varies from producer to producer, the Company does not believe it is at a competitive disadvantage compared with the petroleum industry generally.

Effective January 28, 1981, a Presidential Executive Order exempted all crude oil and refined petroleum products from price and allocation controls imposed under the Emergency Petroleum Allocation Act, the Federal Energy Administration Act, the Energy Policy and Conservation Act of 1975 and the Energy Conservation and Production Act of 1976 (together the "Acts"). Except for actions and adjustments with respect to periods prior to January 28, 1981, which have not yet been resolved, this Executive Order also terminated regulations under the Acts which had imposed an "e.-titlements" program to equalize the cost of crude oil among United States refiners.

The prices received for most natural gas are regulated under the Natural Gas Policy Act of 1978. Most of the Company's contracts for the sale of natural gas contain provisions permitting the collection of the highest just and reasonable ceiling price established by regulatory authority.

Health, Safety and Environmental Controls

Federal, state and local laws and regulations relating to health and environmental quality affect nearly all of the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide penalties for the violation of such standards.

Many of the Company's operations are subject to controls established under the Federal Clean Water Act and the Federal Clean Air Act. The Clean Water Act requires the Company to obtain and comply with the terms of discharge permits and provides for the imposition of penalties, regardless of fault, for certain discharges of effluents. As a result of controls established under the Clean Air Act, the Company has incurred and will incur expenses in reducing or eliminating air emissions and could be limited in its ability to construct and operate new facilities in certain locations.

The Toxic Substances Control Act authorizes the Environmental Protection Agency ("EPA") to ban or restrict the manufacture, processing, distribution, commercial use or disposal of any chemical substance or mixture that presents an unreasonable risk of injury to health or the environment. Companies are required to notify the EPA before manufacturing any new chemical substance. The EPA may require testing of such chemical substance as well as substantial recordkeeping and reporting. Compliance with this Act by the Company has increased the expense and extended the time required to develop and bring new products to market.

Past and present industrial waste disposal practices are receiving increased government attention. The Resource Conservation and Recovery Act empowers the EPA to regulate the treatment and disposal of industrial wastes. The EPA has established standards and permit requirements for facilities engaged in the treatment, storage and disposal of hazardous wastes and has set standards for generators and transporters thereof. The EPA has also issued regulations for the identification of hazardous wastes and for tracing the generation, transport and disposal of these wastes. The Company has incurred and will continue to incur expenses related to reports, recordkeeping, facility operations and waste disposal under this Act.

The Comprehensive Environmental Response, Compensation and Liability Act ("Superfund") establishes a fund to clean up deposits and spills of hazardous substances. The fund is created through the imposition of taxes on crude oil and on 42 designated chemicals, including a number of chemicals produced or purchased by the Company. The law also imposes a tax on hazardous wastes to fund the cost of monitoring and maintaining closed hazardous waste disposal sites. The Company has been identified as a potentially responsible party in connection with several hazardous waste disposal sites listed by the EPA for immediate remedial action. The Company has paid to the government its proportionate share of clean-up costs at three of those sites, which costs have not been material to the Company's business or financial condition, and is awaiting further data on two other sites before it can determine what, if any, claims the government may assert. The Company does not believe that it was a substantial contributor to the hazardous waste contamination at any of these sites. The Company continues to incur the expense of the tax imposed by Superfund on crude oil delivered to its refineries and on the designated chemicals which it produces.

The Occupational Safety and Health Administration of the United States Department of Labor has issued regulations which, among other things, set standards on work place exposure to a variety of substances. The Company has an ongoing program to assure that its affected facilities are operated in a manner which complies with such exposure standards.

The Company's Coal segment is subject to federal legislation and regulations prescribing mining health and safety standards. The Federal Coal Mine Health and Safety Act ("Safety Act") authorizes the Mine Safety and Health Administration to impose strict health and safety requirements, principally related to underground mining operations. The Company believes that it is and can remain in substantial compliance with the Safety Act. While the Company has paid fines for violations under the Act, the Company has not received notification of any violation which has not been corrected or is not in the process of being corrected.

The Federal Surface Mining Control and Reclamation Act ("Surface Mining Act") regulates and limits surface mining operations, including the surface effects of underground mining. In addition, the Surface Mining Act provides for the taxation of surface and underground mine production. Certain provisions of the Surface Mining Act and regulations promulgated thereunder relate to the handling and placement of overburden, which is the material removed from the ground to reach the coal seams. As a result of its efforts to comply with these provisions, the Company has experienced declines in productivity and increases in mining costs. Compliance with the regulations has had a material effect on the Coal segment as a result of increased needs for capital equipment and required modifications of operations, and on cash flow due to the timing of collection of claims for cost reimbursements from its customers. While the Company is unable to project the ongoing cost of compliance with these provisions of the Surface Mining Act, it believes that the cost will increase at least through the mid-1980's.

The Surface Mining Act permits the states to assume primary responsibility for regulation of surface mining operations if such states implement and enforce laws which are consistent with the Surface Mining Act. All states where the Company has active coal mining operations have assumed primary enforcement responsibility; however, this assumption of responsibility by the states in which the Company operates has not had a significant effect on the Coal segment's operations.

In addition to prescribing civil fines and criminal penalties, the United States government may under the provisions of both the Safety Act and the Surface Mining Act suspend operations of a mine or a portion thereof (i) if a condition creating an imminent danger to the health and safety of humans or the protection of the environment is deemed to exist or (ii) if a mine operator does not correct a condition contrary to such Acts, but which is not creating an imminent danger, within a reasonable time period. The Coal segment has never incurred criminal penalties and has not been significantly affected by civil penalties or closure orders.

Under both federal and state law, the Company is required to obtain permits prior to beginning active mining operations. In order to obtain a permit, it must show that its mining operations will meet certain reclamation and environmental standards. The Company has permits for all of its active mining operations and believes the Coal segment is in substantial compliance with the laws and regulations under which the permits were issued. The Company believes it will be able to obtain permits for mining substantially all of its existing reserves.

The Company cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced with respect to products or activities to which they have not previously been applied. Compliance with more stringent laws, regulations or enforcement policies could have an adverse effect on the operations of the Company and could require substantial expenditures by the Company for the installation and operation of pollution control systems and equipment. The Company's environmental control capital expenditures were approximately \$13,000,000 in 1982, and are expected to approximate \$14,000,000 in 1983. In addition to capital expenditures, the Company has incurred significant operating costs in complying with environmental control laws and regulations.

Employees

As of December 31, 1982, the Company had 10,880 employees, 8,530 of whom were located in the United States. Upon the acquisition of Sigmor in January 1983, approximately 3,800 of Sigmor's employees, all of whom were located in the United States, became employees of the Company.

Executive Officers of the Company

The following table sets forth certain information as of March 1, 1983 concerning the executive officers of the Company:

| <u>Name</u> | <u>Position with the Company</u> | <u>Age</u> | <u>Served as an Officer Since</u> |
|-----------------|--|------------|-----------------------------------|
| W. H. Bricker | Chairman of the Board and Chief Executive Officer | 51 | 1972 |
| J. A. Rush, Jr. | Vice Chairman of the Board | 60 | 1967 |
| A. J. Tomlinson | President and Chief Operating Officer | 50 | 1973 |
| J. L. Jackson | Executive Vice President and Coal Unit President | 51 | 1979 |
| C. E. Stewart | Executive Vice President and Chemical Unit President | 47 | 1973 |

| <u>Name</u> | <u>Position with the Company</u> | <u>Age</u> | <u>Served as an Officer Since</u> |
|----------------------|--|------------|-----------------------------------|
| R. M. Ahlstrom | Vice President, Finance | 48 | 1971 |
| G. G. Carlton | Vice President | 47 | 1978 |
| R. M. Epps | Vice President and Refining and Marketing Unit President | 53 | 1982 |
| C. B. Groves | Vice President and Exploration and Production Unit President | 45 | 1982 |
| J. F. Kelley | Vice President and General Counsel | 41 | 1981 |
| C. D. McDoulett, Jr. | Vice President, Development | 38 | 1979 |
| E. M. Olivier | Vice President, Technology and Planning | 45 | 1980 |
| R. W. Arp | Controller | 46 | 1981 |
| T. J. Fretthold | Secretary | 33 | 1982 |
| D. C. Mielke | Treasurer | 40 | 1976 |

Officers are elected annually by the Board of Directors and may be removed at any time by the Board. There are no family relationships among the executive officers listed, and there are no arrangements or understandings pursuant to which any of them were elected as officers.

Each of the officers named above has been an employee or an officer of the Company during the last five years, other than J. L. Jackson, J. F. Kelley, C. D. McDoulett, Jr. and E. M. Olivier. Mr. Jackson assumed his present position in February 1979 upon completion of the acquisition of Falcon Seaboard Inc. by the Company. Mr. Jackson had previously been an officer of Falcon Seaboard Inc. for more than five years. Mr. Kelley joined United Technologies International, a subsidiary of United Technologies Corporation, as vice president and general counsel in 1973 and served as deputy general counsel of United Technologies Corporation from 1977 until 1981. Mr. McDoulett joined Falcon Seaboard Inc. in 1978 as a vice president. Following the acquisition of Falcon Seaboard Inc. by the Company, Mr. McDoulett became a vice president of the Company's Coal unit. In 1981, Mr. McDoulett was appointed director, corporate development for the Company and in 1982 was appointed to his present position. Mr. Olivier served as director of corporate planning of Corning Glass Works from 1972 until 1975 and as vice president and general manager of that company's Science Products Division from 1975 until 1980.

Item 3. Legal Proceedings.

The Company, together with several other corporations, is a defendant in lawsuits alleging liability as a result of the manufacture and sale to the United States government of a defoliant, known as "Agent Orange", which was used by the United States in Vietnam. The plaintiffs are veterans who served in Vietnam, and in some instances members of their families, who allege that personal injuries resulted from exposure to Agent Orange. The suits, some of which contain class action allegations, have been consolidated for certain pre-trial discovery and trial of certain issues in the United States District Court for the Eastern District of New York. (*In re Agent Orange Product Liability Litigation*, MDL No. 381.)

In late 1979, that Court ruled that certain issues, particularly those of applicable statutes of limitation, liability and causation, would be decided under principles of federal common law. In

late 1980, the United States Court of Appeals for the Second Circuit reversed the latter ruling, holding that federal common law was not applicable to these claims. The United States Supreme Court determined not to review the decision of the Court of Appeals. As a result, the applicable law governing these issues will be the state law appropriate in each particular case.

In 1980, several defendants, including the Company, filed third-party complaints against the United States government. Also in 1980, the defendants moved for summary judgment based on a government contract defense, asserting the position that, since the circumstances surrounding the manufacture and use of Agent Orange were dictated and controlled by the government, the defendants should be entitled to share in the government's immunity, if any, from suit.

In December of 1980, the District Court dismissed the third-party complaints against the government, basing its ruling on sovereign immunity. In the same order, the District Court denied the defendants' motion for summary judgment on the grounds that issues of fact precluded summary judgment, but found that the government contract defense may be applicable and ordered a separate trial on that defense. This trial is scheduled to commence in June of 1983. At the same time, the District Court conditionally granted the plaintiffs' motions for class action certifications.

Certain defendants, including the Company, have filed a motion for relief that would permit them to appeal the dismissal of the third-party complaints and the class action certification to the Circuit Court.

In view of the numerous unresolved issues in these lawsuits, the Company is not able at this time to make an informed judgment as to the outcome or to quantify the potential liability, if any, of the Company. The Company intends to defend the litigation vigorously because it believes strongly in the merits of its case which have not yet been fully addressed.

In January of 1982, the Federal Trade Commission issued an administrative complaint against The B. F. Goodrich Company ("BFG") and the Company challenging the acquisition by BFG of a substantial part of the Company's plastics business. The Company believes that the transaction was lawful and BFG has agreed that it will vigorously defend the action and any appeals resulting therefrom on behalf of both parties. If BFG is required by a final order of a United States Court of Appeals to divest such plastics business, the Company has agreed, under certain circumstances, to repurchase such business at a price to be computed pursuant to a formula that is intended to value such business on a depreciated book value basis at the time of such reacquisition. Unless the agreement to repurchase terminates earlier pursuant to specified conditions, it will continue in effect until December 31, 1989.

The Company is involved in numerous other lawsuits incidental to its business, none of which, individually or in the aggregate, has or is expected to have a material impact upon the Company's business, financial position or results of operations.

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

Inapplicable.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information required by this item appears on pages 43 and 48 and on the inside front and back covers of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Item 6. Selected Financial Data.

The information required by this item appears on page 55 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The information required by this item appears on pages 28 and 29 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The information required by this item appears on pages 30 through 35 of the Company's 1982 Annual Report to Stockholders, which information is incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

Inapplicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item with respect to directors of the Company appears on pages 3 through 5 of the definitive proxy statement of the Company relating to the Company's 1983 Annual Meeting of Stockholders filed with the Commission pursuant to Regulation 14A, which information is incorporated herein by reference. Information concerning the Company's executive officers is set forth under the heading "Executive Officers of the Company" in "Item 1. Business" above.

Item 11. Management Remuneration and Transactions.

The information required by this item appears on pages 7 through 13 of the definitive proxy statement of the Company relating to the Company's 1983 Annual Meeting of Stockholders filed with the Commission pursuant to Regulation 14A, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item appears on pages 1 and 2 of the definitive proxy statement of the Company relating to the Company's 1983 Annual Meeting of Stockholders filed with the Commission pursuant to Regulation 14A, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information required by this item appears on pages 7 and 8 of the definitive proxy statement of the Company relating to the Company's 1983 Annual Meeting of Stockholders filed with the Commission pursuant to Regulation 14A, which information is incorporated herein by reference.

PART IV

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

(a) Documents filed as part of this report:

- (1) Financial Statements** - The following financial statements have been incorporated herein by reference to pages 30 through 35 of the Company's 1982 Annual Report to Stockholders:

Consolidated Statement of Income for the three years ended December 31, 1982.

Consolidated Balance Sheet - December 31, 1982, 1981 and 1980.

Consolidated Statement of Stockholders' Equity for the three years ended December 31, 1982.

Consolidated Statement of Changes in Financial Position for the three years ended December 31, 1982.

Financial Summary.

Report of Independent Accountants.

Supplementary Information.

Condensed parent company financial information has been omitted, since the amount of restricted net assets of consolidated subsidiaries does not exceed 25% of total consolidated net assets. Also, footnote disclosure regarding restrictions on the ability of both consolidated and unconsolidated subsidiaries to transfer funds to the parent company has been omitted since the amount of such restrictions does not exceed 25% of total consolidated net assets.

The individual financial statements of each unconsolidated subsidiary and corporate joint venture accounted for under the equity method, other than Signor Corporation (whose Annual Report on Form 10-K for the fiscal year ended June 30, 1982 and Quarterly Report on Form 10-Q for the three months ended September 30, 1982 are incorporated herein by reference), have been omitted since (i) neither the Company's and its other subsidiaries' investment in or advances to, nor their proportionate share of the total assets of, each such unconsolidated subsidiary and corporate joint venture exceeded 10% of consolidated assets at December 31, 1982 and (ii) the Company's and its other subsidiaries' equity in income before taxes and extraordinary items of each such unconsolidated subsidiary and corporate joint venture did not exceed 10% of such consolidated income for the year ended December 31, 1982.

(2) Financial Statement Schedules.

Schedule V – Consolidated Properties and Equipment.

Schedule VI – Consolidated Accumulated Depreciation and Depletion – Properties and Equipment.

Report of Independent Accountants on Financial Statement Schedules.

(3) Exhibits.

- 3.1 – Restated Certificate of Incorporation of the Company as in effect May 20, 1982 (Exhibit 3 to Form 10-Q for the Fiscal Quarter Ended June 30, 1982 and incorporated herein by reference).
- 3.2 – Bylaws of the Company as amended as of February 17, 1983, filed herewith.
- 4.1 – Specimen Certificate for Common Stock (Exhibit 6.1 to Form S-14 Registration Statement No. 2-63426 and incorporated herein by reference).
- 4.2 – Form of Certificate of Designation, Preferences, Rights and Limitations of \$2.07 Cumulative Convertible Preferred Stock of the Company (Exhibit B to Appendix I of the Proxy Statement included as part of Form S-14 Registration Statement No. 2-80059 and incorporated herein by reference).
- 4.3 – Indenture dated as of April 1, 1978 between the Company and Mellon Bank, N.A., relating to the Company's 8½% Sinking Fund Debentures due April 1, 2008 (Exhibit No. 2.2 to Form S-7 Registration Statement No. 2-80897 and incorporated herein by reference).
- 4.4 – Indenture dated as of December 15, 1976 between the Company and Mellon Bank, N.A., relating to the Company's 7.70% Sinking Fund Debentures due December 15, 2001 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-57692 and incorporated herein by reference).

- 4.5 - Indenture dated as of November 15, 1973 between the Company and Mellon Bank, N.A., relating to the Company's 9½% Sinking Fund Debentures due November 15, 2000 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-54900 and incorporated herein by reference).
- 4.6 - Indenture dated as of April 1, 1974 between the Company and Mellon Bank, N.A., relating to the Company's 9% Debentures due April 1, 1999 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-50420 and incorporated herein by reference).
- 4.7 - Indenture dated as of June 1, 1971 between the Company and Mellon National Bank and Trust Company (now known as Mellon Bank, N.A.), relating to the Company's 8¼% Debentures due June 1, 1996 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-40665 and incorporated herein by reference).
- 4.8 - Indenture dated as of August 1, 1969 between the Company and Mellon National Bank and Trust Company (now known as Mellon Bank, N.A.), relating to the Company's 7¾% Debentures due August 1, 1994 (Exhibit 5.2 to Form S-7 Registration Statement No. 2-40665 and incorporated herein by reference).
- 4.9 - Indenture dated as of January 1, 1962, as amended by First Supplemental Indenture dated as of December 1, 1967, between the Company (as the successor of The Shamrock Oil and Gas Corporation) and Mellon National Bank and Trust Company (now known as Mellon Bank, N.A.), relating to the Company's 4½% Debentures due January 1, 1967 (Exhibit 5.3 to Form S-7 Registration Statement No. 2-40665 and incorporated herein by reference).
- 4.10 - Second Supplemental Indenture dated as of January 1, 1978 between the Company and Mellon Bank, N.A., amending the Indenture referred to in Exhibit 4.8 above (Exhibit 5.7 to Form S-7 Registration Statement No. 2-60697 and incorporated herein by reference).
- 4.11 - Purchase Agreement dated May 22, 1964 between the Company and the purchasers named in Annex I thereto relating to the Company's 4.65% Notes due 1989 (Exhibit 5C to Form S-1 Registration Statement No. 2-26341 and incorporated herein by reference).
- 4.12 - Amendment to Purchase Agreement dated August 4, 1980 amending the Purchase Agreement referred to in Exhibit 4.10 above (Exhibit 4.11 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference).
- 4.13 - Agreement of Company to file with the Securities and Exchange Commission (the "Commission") upon request copies of instruments defining rights of holders of 4½% Notes due 1987 issued pursuant to a Note Purchase Agreement (the Company undertakes to furnish a copy of such agreement to the Commission upon request).
- 4.14 - \$750,000,000 Revolving Credit and Term Loan Agreement dated as of April 15, 1982 (Exhibit 20 to Form 10-Q Quarterly Report for quarter ended March 31, 1982 and incorporated herein by reference).
- 4.15 - Agreement of the Company to file with the Commission upon request a copy of the \$200,000,000 Term Loan and Bank Credit Agreement dated as of June 15, 1961, as amended as of April 20, 1982 (the Company undertakes to furnish a copy of such agreement to the Commission upon request).

- 4.16 - Agreement of the Company to file with the Commission upon request a copy of the \$200,000,000 Revolving Credit and Term Loan Agreement dated as of November 17, 1982 (the Company undertakes to furnish a copy of such agreement to the Commission upon request).
- 10.1 - 1980 Long-Term Incentive Plan (Exhibit 1(a) to Form S-8 Registration Statement No. 2-57475 and incorporated herein by reference).
- 10.2 - 1971 Stock Option Plan of the Company, as amended (Exhibit 1 to Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 2-58339 and incorporated herein by reference).
- 10.3 - 1973 Qualified Stock Option Plan of Falcon Seaboard Drilling Company, as amended (assumed by the Company), filed herewith.
- 10.4 - 1976 Stock Option Plan of Falcon Seaboard Inc., as amended (assumed by the Company), filed herewith.
- 10.5 - Performance Incentive Plan, as amended as of January 1, 1978 (Exhibit to Form S-7 Registration Statement No. 2-60897 and incorporated herein by reference).
- 10.6 - Specimen copy of Split-Dollar Insurance Agreement between the Company and its executive officers (Exhibit 10.4 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference).
- 10.7 - Specimen copy of Salary Continuation Letter Agreement between the Company and its executive officers (Exhibit 10.5 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference).
- 10.8 - Specimen copy of Disability Benefit Letter Agreement between the Company and its executive officers (Exhibit 10.6 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference).
- 10.9 - Specimen copy of Employment Agreement between the Company and its executive officers (Exhibit 10.7 to Form S-15 Registration Statement No. 2-72863 and incorporated herein by reference).
- 10.10 - Specimen copy of letter agreement between the Company and its executive officers relating to the Employment Agreement filed as Exhibit 10.7 above (Exhibit 10.8 to Form 10-K for the Fiscal Year Ended December 31, 1981 and incorporated herein by reference).
- 10.11 - Supplemental Early Retirement Plan of the Company (Exhibit 10.9 to Form 10-K for the Fiscal Year Ended December 31, 1981 and incorporated herein by reference).
- 13.1 - 1982 Annual Report to Stockholders of the Company, filed herewith. (Certain portions of such Annual Report are incorporated herein by reference and are identified by reference to page numbers in the text of this report on Form 10-K. Such Annual Report, except for those portions thereof which are expressly incorporated by reference in the filing, is furnished for the information of the Commission and is not to be deemed "filed" as part of the filing.)
- 22.1 - List of Principal Subsidiaries of the Company as of December 31, 1982, filed herewith.
- 24.1 - Consent of Independent Accountants, filed herewith.
- 25.1 - Powers of Attorney of directors and officers of the Company, filed herewith.

- 25.2 - Power of Attorney of the Company, filed herewith.
- 28.1 - Definitive Proxy Statement of the Company relating to the Company's 1983 Annual Meeting of Stockholders filed with the Commission pursuant to Regulation 14A. (Certain portions of such Proxy Statement are incorporated herein by reference and are identified by reference to page numbers in the text of this report on Form 10-K.)
- 28.2 - Annual Report on Form 10-K of Sigmor Corporation for the fiscal year ended June 30, 1982, filed herewith.
- 28.3 - Quarterly Report on Form 10-Q of Sigmor Corporation for the three months ended September 30, 1982, filed herewith.
- 28.4 - Undertakings, filed herewith.

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Company during the last quarter of 1982.

SCHEDULE V

DIAMOND SHAMROCK CORPORATION
CONSOLIDATED PROPERTIES AND EQUIPMENT
 Three Years Ended December 31, 1982

| | Type of Property | | | | Total |
|---------------------------|--|--------------------------|---|-----------------------------|-------------|
| | Coal, Oil, Gas and Other Raw Material Resources | Processing Facilities | Transportation, Marketing and General Facilities | Construction in Progress | |
| | (In thousands) | | | | |
| Balance January 1, 1980 | \$ 648,597 | \$1,249,705 | \$239,448 | \$ 59,822 | \$2,197,572 |
| Additions, at cost | 159,435 | 90,695 | 28,273 | 118,345 | 396,748 |
| Disposals and transfers | (19,838) | (18,650) | (7,230) | - | (45,718) |
| Balance December 31, 1980 | \$ 788,094 | \$1,324,750 | \$238,491 | \$ 178,167 | \$2,549,502 |
| Additions, at cost | 296,309 | 168,793 | 79,574 | 67,070 | 549,746 |
| Disposals and transfers | (21,834) | (398,823) | (22,071) | (7,881) | (378,589) |
| Balance December 31, 1981 | \$1,062,569 | \$1,104,720 | \$315,984 | \$ 237,378 | \$2,720,651 |
| Additions, at cost | 437,917 | 244,839 | 38,957 | (109,015) | 612,698 |
| Disposals and transfers | (34,163) | (93,903) | (18,104) | (5,814) | (151,984) |
| Balance December 31, 1982 | \$1,466,323 | \$1,255,656 | \$336,847 | \$ 122,747 | \$3,181,573 |

SCHEDULE VI

DIAMOND SHAMROCK CORPORATION
CONSOLIDATED ACCUMULATED DEPRECIATION AND DEPLETION
PROPERTIES AND EQUIPMENT
Three Years Ended December 31, 1962

| | Type of Property | | | Total |
|--|--|--------------------------|--|-------------|
| | Coal, Oil, Gas and Other Raw Material Resources | Processing Facilities | Transportation, Marketing and General Facilities | |
| | (In thousands) | | | |
| Balance January 1, 1960 | \$232,038 | \$ 451,695 | \$102,298 | \$ 786,931 |
| Additions charged against income(a) | 64,358 | 85,845 | 10,334 | 160,537 |
| Disposals and other charges, net | (19,134) | (8,901) | (4,919) | (32,954) |
| Balance December 31, 1960 | \$278,162 | \$ 528,639 | \$107,713 | \$ 914,514 |
| Additions charged against income | 85,169 | 64,354 | 14,282 | 163,785 |
| Disposals and other charges, net | (8,831) | (104,589) | (9,571) | (123,991) |
| Balance December 31, 1961 | \$354,500 | \$ 488,404 | \$112,104 | \$ 955,008 |
| Additions charged against income | 122,067 | 75,849 | 12,615 | 210,531 |
| Disposals and other charges, net | (27,135) | (62,640) | (8,627) | (96,402) |
| Balance December 31, 1962 | \$449,432 | \$ 501,613 | \$116,092 | \$1,067,137 |

(a) Includes income charges and credits applicable to discontinued operations in 1960.

The provisions for depreciation and depletion were computed principally in accordance with the following methods and range of rates:

| | Method | Rate |
|---|--------------------|--------------------------------|
| Raw materials resources | Unit of production | Estimated recoverable reserves |
| Buildings and land improvements | Straight line | 2% to 3% |
| Machinery and equipment | Straight line | 4% to 20% |
| Furniture and fixtures - mechanical | Straight line | 15% |
| Furniture and fixtures - non-mechanical | Straight line | 6% to 7% |
| Automotive equipment | Straight line | 14% to 20% |
| Leasehold improvements | Straight line | Lease terms |

**REPORT OF INDEPENDENT ACCOUNTANTS ON
FINANCIAL STATEMENT SCHEDULES**

**To the Board of Directors
Diamond Shamrock Corporation**

Our examinations of the consolidated financial statements referred to in our report dated February 17, 1983 appearing on page 47 of the Annual Report 1982 of Diamond Shamrock Corporation (which report and financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an examination of the Financial Statement Schedules listed in Item 13(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse
Price Waterhouse

**Dallas, Texas
February 17, 1983**

SIGNATURES

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

DIAMOND SHAMROCK CORPORATION

By W. H. BRICKER
Chairman of the Board and
Chief Executive Officer


March 24, 1963

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

| <u>Signature</u> | <u>Title</u> |
|-------------------------|---|
| *W. H. BRICKER | Chairman of the Board and Chief Executive Officer |
| *J. AVERY RUSH, JR. | Vice Chairman of the Board |
| *A. J. TOMLINSON | President, Chief Operating Officer and Director |
| *R. M. AHLSTROM | Vice President, Finance (Principal Financial Officer) |
| *RICHARD W. ARP | Controller (Principal Accounting Officer) |
| *B. CHARLES AMES | Director |
| *J. DAVID BARNES | Director |
| *W. L. LYONS BROWN, JR. | Director |
| *PHILIP E. COLDWELL | Director |
| *GENE EDWARDS | Director |
| *RAYMOND A. HAY | Director |
| *ALLEN C. HOLMES | Director |
| John T. Kimbell | Director |
| *W. THOMAS YORK | Director |

Timothy J. Fretthold, by signing his name hereto, does hereby sign this report on Form 10-K on behalf of each of the above-named officers and directors of the registrant pursuant to powers of attorney executed on behalf of each of such officers and directors.

*By


Attorney-in-fact

March 24, 1963

INDEX TO EXHIBITS

| <u>Exhibit Number</u> | <u>Exhibit</u> | <u>Sequentially Numbered Page</u> |
|---------------------------|---|---|
| 3.1 | - Restated Certificate of Incorporation of the Company as in effect May 20, 1952 (Exhibit 3 to Form 10-Q for the Fiscal Quarter Ended June 30, 1982 and incorporated herein by reference). | |
| 3.2 | - Bylaws of the Company as amended as of February 17, 1983, filed herewith. | 29 |
| 4.1 | - Specimen Certificate for Common Stock (Exhibit 6.1 to Form S-14 Registration Statement No. 2-83426 and incorporated herein by reference). | |
| 4.2 | - Form of Certificate of Designation, Preferences, Rights and Limitations of \$2.07 Cumulative Convertible Preferred Stock of the Company (Exhibit B to Appendix I of the Proxy Statement included as part of Form S-14 Registration Statement No. 2-80059 and incorporated herein by reference). | |
| 4.3 | - Indenture dated as of April 1, 1978 between the Company and Mellon Bank, N.A., relating to the Company's 8½% Sinking Fund Debentures due April 1, 2008 (Exhibit No. 2.2 to Form S-7 Registration Statement No. 2-80697 and incorporated herein by reference). | |
| 4.4 | - Indenture dated as of December 15, 1976 between the Company and Mellon Bank, N.A., relating to the Company's 7.70% Sinking Fund Debentures due December 15, 2001 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-57692 and incorporated herein by reference). | |
| 4.5 | - Indenture dated as of November 15, 1975 between the Company and Mellon Bank, N.A., relating to the Company's 9½% Sinking Fund Debentures due November 15, 2000 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-54900 and incorporated herein by reference). | |
| 4.6 | - Indenture dated as of April 1, 1974 between the Company and Mellon Bank, N.A., relating to the Company's 9% Debentures due April 1, 1999 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-50420 and incorporated herein by reference). | |
| 4.7 | - Indenture dated as of June 1, 1971 between the Company and Mellon National Bank and Trust Company (now known as Mellon Bank, N.A.), relating to the Company's 8¼% Debentures due June 1, 1998 (Exhibit 2.2 to Form S-7 Registration Statement No. 2-40663 and incorporated herein by reference). | |
| 4.8 | - Indenture dated as of August 1, 1969 between the Company and Mellon National Bank and Trust Company (now known as Mellon Bank, N.A.), relating to the Company's 7¾% Debentures due August 1, 1994 (Exhibit 5.2 to Form S-7 Registration Statement No. 2-40365 and incorporated herein by reference). | |
| 4.9 | - Indenture dated as of January 1, 1962, as amended by First Supplemental Indenture dated as of December 1, 1967, between the Company (as the successor of The Shamrock Oil and Gas Corporation) and Mellon National Bank and Trust Company (now known as Mellon Bank, N.A.), relating to the Company's 4¾% Debentures due January 1, 1967 (Exhibit 5.3 to Form S-7 Registration Statement No. 2-40663 and incorporated herein by reference). | |
| 4.10 | - Second Supplemental Indenture dated as of January 1, 1978 between the Company and Mellon Bank, N.A., amending the Indenture referred to in Exhibit 4.8 above (Exhibit 5.7 to Form S-7 Registration Statement No. 2-60697 and incorporated herein by reference). | |

INDEX TO EXHIBITS -- (Continued)

| <u>Exhibit Number</u> | <u>Exhibit</u> | <u>Sequentially Numbered Page</u> |
|---------------------------|--|---|
| 4.11 | - Purchase Agreement dated May 20, 1964 between the Company and the purchasers named in Annex I thereto relating to the Company's 4.65% Notes due 1969 (Exhibit 5C to Form S-1 Registration Statement No. 2-26341 and incorporated herein by reference). | |
| 4.12 | - Amendment to Purchase Agreement dated August 4, 1980 amending the Purchase Agreement referred to in Exhibit 4.10 above (Exhibit 4.11 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference). | |
| 4.13 | - Agreement of Company to file with the Securities and Exchange Commission (the "Commission") upon request copies of instruments defining rights of holders of 4% Notes due 1987 issued pursuant to a Note Purchase Agreement (the Company undertakes to furnish a copy of such agreement to the Commission upon request). | |
| 4.14 | - \$750,000,000 Revolving Credit and Term Loan Agreement dated as of April 15, 1982 (Exhibit 20 to Form 10-Q Quarterly Report for quarter ended March 31, 1982 and incorporated herein by reference). | |
| 4.15 | - Agreement of the Company to file with the Commission upon request a copy of the \$200,000,000 Term Loan and Bank Credit Agreement dated as of June 15, 1981, as amended as of April 20, 1982 (the Company undertakes to furnish a copy of such agreement to the Commission upon request). | |
| 4.16 | - Agreement of the Company to file with the Commission upon request a copy of the \$200,000,000 Revolving Credit and Term Loan Agreement dated as of November 17, 1982 (the Company undertakes to furnish a copy of such agreement to the Commission upon request). | |
| 10.1 | - 1980 Long-Term Incentive Plan (Exhibit 1(a) to Form S-8 Registration Statement No. 2-87475 and incorporated herein by reference). | |
| 10.2 | - 1971 Stock Option Plan of the Company, as amended (Exhibit 1 to Post-Effective Amendment No. 1 to Form S-8 Registration Statement No. 2-56339 and incorporated herein by reference). | |
| 10.3 | - 1973 Qualified Stock Option Plan of Falcon Seaboard Drilling Company, as amended (assumed by the Company), filed herewith. | 48 |
| 10.4 | - 1978 Stock Option Plan of Falcon Seaboard Inc., as amended (assumed by the Company), filed herewith. | 54 |
| 10.5 | - Performance Incentive Plan, as amended as of January 1, 1978 (Exhibit to Form S-7 Registration Statement No. 2-80697 and incorporated herein by reference). | |
| 10.6 | - Specimen copy of Split-Dollar Insurance Agreement between the Company and its executive officers (Exhibit 10.4 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference). | |
| 10.7 | - Specimen copy of Salary Continuation Letter Agreement between the Company and its executive officers (Exhibit 10.5 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference). | |
| 10.8 | - Specimen copy of Disability Benefit Letter Agreement between the Company and its executive officers (Exhibit 10.6 to Form 10-K for the Fiscal Year Ended December 31, 1980 and incorporated herein by reference). | |

INDEX TO EXHIBITS - (Continued)

Exhibit
Number

Exhibit

Sequentially
Numbered
Page

| | | |
|-------|--|-----|
| 10.9 | - Specimen copy of Employment Agreement between the Company and its executive officers (Exhibit 10.7 to Form S-15 Registration Statement No. 2-72563 and incorporated herein by reference). | |
| 10.10 | - Specimen copy of letter agreement between the Company and its executive officers relating to the Employment Agreement filed as Exhibit 10.7 above (Exhibit 10.8 to Form 10-K for the Fiscal Year Ended December 31, 1981 and incorporated herein by reference). | |
| 10.11 | - Supplemental Early Retirement Plan of the Company (Exhibit 10.9 to Form 10-K for the Fiscal Year Ended December 31, 1981 and incorporated herein by reference). | |
| 13.1 | - 1982 Annual Report to Stockholders of the Company, filed herewith. (Certain portions of such Annual Report are incorporated herein by reference and are identified by reference to page numbers in the text of this report on Form 10-K. Such Annual Report, except for those portions thereof which are expressly incorporated by reference in the filing, is furnished for the information of the Commission and is not to be deemed "filed" as part of the filing.) | 66 |
| 22.1 | - List of Principal Subsidiaries of the Company as of December 31, 1982, filed herewith. | 131 |
| 24.1 | - Consent of Independent Accountants, filed herewith. | 139 |
| 25.1 | - Powers of Attorney of directors and officers of the Company, filed herewith. | 135 |
| 25.2 | - Power of Attorney of the Company, filed herewith. | 149 |
| 28.1 | - Definitive Proxy Statement of the Company relating to the Company's 1983 Annual Meeting of Stockholders filed with the Commission pursuant to Regulation 14A. (Certain portions of such Proxy Statement are incorporated herein by reference and are identified by reference to page numbers in the text of this report on Form 10-K.) | |
| 28.2 | - Annual Report on Form 10-K of Signor Corporation for the fiscal year ended June 30, 1982, filed herewith. | 151 |
| 28.3 | - Quarterly Report on Form 10-Q of Signor Corporation for the three months ended September 30, 1982, filed herewith. | 227 |
| 28.4 | - Undertakings, filed herewith. | 289 |

EXHIBIT 3.2

**DIAMOND SHAMROCK
CORPORATION**

Bylaws

February 17, 1963

DIAMOND SHAMROCK CORPORATION • DALLAS, TEXAS 75201

DIAMOND SHAMROCK CORPORATION

BYLAWS

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| OFFICES | |
| 1. Delaware | 1 |
| 2. Dallas and Elsewhere | 1 |
| STOCKHOLDERS' MEETINGS | |
| 3. Place | 1 |
| 4. Annual Meeting | 1 |
| 5. Special Meetings | 1 |
| 6. Notices | 1 |
| 7. Inspectors | 2 |
| 8. Quorum | 2 |
| 9. Voting | 2 |
| 10. List of Stockholders | 3 |
| 11. Order of Business | 3 |
| CONSENTS TO CORPORATE ACTION | |
| 12. Record Date | 3 |
| 13. Date of Consent | 3 |
| 14. Procedures | 3 |
| NOMINATIONS OF DIRECTOR CANDIDATES | |
| 15. Eligibility to Make Nominations | 4 |
| 16. Procedure for Nominations by the Board | 4 |
| 17. Procedure for Nominations by Stockholders | 5 |
| 18. Substitution of Nominees | 5 |
| 19. Determination of Compliance with Procedures | 5 |
| DIRECTORS | |
| 20. Election | 6 |
| 21. Responsibilities | 6 |
| 22. Powers | 6 |
| 23. Qualifications, Term, Number | 6 |
| 24. Compensation | 6 |
| 25. Resignation | 6 |
| 26. Removal | 6 |
| 27. Vacancies | 6 |
| 28. Meetings | 6 |
| 29. Notices | 7 |

(i)

| | <u>Page</u> |
|---|-------------|
| 30. Quorum | 7 |
| 31. Committees of the Board | 7 |
| 32. Unanimous Action | 8 |
| OFFICERS | |
| 33. Executive Officers | 8 |
| 34. Term of Office | 8 |
| 35. Compensation | 8 |
| 36. Other Officers and Agents | 8 |
| 37. Bond | 9 |
| 38. Chairman of the Board and Chief Executive Officer | 9 |
| 39. Vice Chairman of the Board | 9 |
| 40. President and Chief Operating Officer | 9 |
| 41. Vice Presidents | 10 |
| 42. Secretary and Assistant Secretaries | 10 |
| 43. Treasurer and Assistant Treasurers | 10 |
| 44. Controller and Assistant Controllers | 11 |
| 45. General Counsel and Assistant General Counsels | 11 |
| INDEMNIFICATION | |
| 46. Damages and Expenses | 11 |
| 47. Insurance | 12 |
| STOCK RECORDS | |
| 48. Form of Certificates | 12 |
| 49. Classes of Stock, Rights | 12 |
| 50. Transfers | 12 |
| 51. Lost Certificates | 13 |
| 52. Record Dates | 13 |
| 53. Stockholders of Record | 13 |
| GENERAL | |
| 54. Inspection of Books | 14 |
| 55. Contracts, Checks, Etc. | 14 |
| 56. Fiscal Year | 14 |
| 57. Dividends | 14 |
| 58. Reserves | 14 |
| 59. Annual Statement | 14 |
| 60. Form of Notices | 15 |
| 61. Seal | 15 |
| 62. Amendments | 15 |
| 63. Certificate of Incorporation and Applicable Law | 15 |

(8)

DIAMOND SHAMROCK CORPORATION

BYLAWS

OFFICES

1. *Delaware.* The corporation's registered office in the State of Delaware shall be in the City of Wilmington, County of New Castle, State of Delaware, and the name of the registered agent in charge thereof is The Corporation Trust Company.

2. *Dallas and Elsewhere.* The corporation shall also have an office at such place in the County of Dallas, State of Texas, and may also have offices at such other places, as the Board of Directors (the "Board") may from time to time appoint or the business of the corporation may require.

STOCKHOLDERS' MEETINGS

3. *Place.* All meetings of the stockholders shall be held at such place as the Board shall determine.

4. *Annual Meeting.* The annual meeting of the stockholders for the election of directors, the receiving of reports and the transaction of such other business as may properly be brought before the meeting shall be held on such date and at such time during business hours as the Board determines.

5. *Special Meetings.* Special meetings of the stockholders for any purpose may be called by the Chairman of the Board, and shall be promptly called by the Chairman of the Board or in his absence by the Secretary at the written request of a majority of the Board, upon not less than 10 nor more than 60 days written notice. The request shall be sent to the Chairman of the Board and the Secretary and shall state the purposes of the proposed meeting. Special meetings of holders of the outstanding preferred stock of the corporation may be called in the manner and for the purposes provided in the corporation's certificate of incorporation. Business transacted at special meetings shall be confined to the purposes stated in the notice.

6. *Notice.* The Board shall cause written notice of each meeting of stockholders to be mailed to each stockholder entitled to vote at

such meeting not less than 10 nor more than 60 days prior to the meeting. The notice shall state the place, date and time of the meeting and if a special meeting, the purposes for which it is called.

7. *Inspectors.* The Board shall appoint inspectors of election to act as judges of the voting and to determine those entitled to vote at any stockholders' meeting, or any adjournment thereof, in advance of such meeting, but if the Board fails to make such appointments or if an appointee fails to serve, the chairman of the stockholders' meeting may appoint substitute inspectors.

8. *Quorum.* The holders of stock having a majority of the voting power entitled to vote at any stockholders' meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business at any such meeting. If, however, such majority shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time without notice, other than announcement at the meeting of the time and place of the adjourned meeting, until the requisite amount of voting stock shall be present or represented or the meeting has been adjourned permanently. At such adjourned meeting, at which the requisite amount of voting stock shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally called.

9. *Voting.* At each meeting of the stockholders, every stockholder having the right to vote shall be entitled to vote in person or by proxy appointed by a legally sufficient instrument. The vote for directors, the vote upon any questions set forth in the proxy statement announcing the meeting, and the vote upon any other action of business at the discretion of the chairman of the stockholders' meeting shall be by written ballot. The vote upon any other question before the meeting shall be by written ballot upon the demand of stockholders voting at least 15% of the shares represented at the meeting. All questions, except election or removal of directors or as otherwise provided in these bylaws, shall be decided by a majority vote of those shares present or represented and voting, and, with respect to any election or question to be decided by any class of stock voting as a class, by a majority vote of those shares present or represented and voting of that class.

10. *List of Stockholders.* A complete list of the stockholders entitled to vote at any meeting shall be available for examination by such persons for any proper purpose for such period of time and at such place as is required by law.

11. *Order of Business.* Unless otherwise determined by the Board prior to the meeting, the chairman of the stockholders' meeting shall determine the order of business.

CONSENTS TO CORPORATE ACTION

12. *Record Date.* The record date for determining stockholders entitled to express consent to corporate action, including without limitation any action relating to any amendment or repeal of these bylaws, in writing without a meeting shall be fixed by the Board. Any stockholder seeking to have the stockholders authorize or take corporate action by written consent without a meeting shall, by written notice, request the Board to fix a record date. The Board shall, upon receipt of such a request, fix the record date as the 15th day following receipt of the request or such later date as may be specified by such stockholder. If the record date falls on a Saturday, Sunday or legal holiday, the record date shall be the day next following which is not a Saturday, Sunday or legal holiday.

13. *Date of Consent.* The date for determining if an action has been consented to by the holder or holders of shares of outstanding stock of the corporation having the requisite voting power to authorize or take action specified therein (the "Consent Date") shall be the 31st day after the date on which materials soliciting consents are mailed to stockholders of the corporation or, if no such materials are required to be mailed under applicable law, the 31st day following the record date fixed by the Board pursuant to Section 12 of these bylaws. If the Consent Date falls on a Saturday, Sunday or legal holiday, the Consent Date shall be the day next following which is not a Saturday, Sunday or legal holiday.

14. *Procedures.* In the event of the delivery to the corporation of a written consent or consents purporting to authorize, take or revoke corporate action (each such written consent is referred to in this Section 14 as a "Consent"), the Secretary of the corporation shall provide for the safe-keeping of such Consent and shall conduct such reasonable investigation as he deems necessary or appropriate for the

purpose of ascertaining the validity of such Consent and all matters incident thereto, including, without limitation, whether the holders of shares having the requisite voting power to authorize or take the action specified in the Consent have given consent; *provided, however*, that if the corporate action to which the Consent relates is the removal or replacement of one or more members of the Board, the Secretary of the corporation shall designate two persons, who may not be members of the Board, to serve as Inspectors with respect to such Consent and such Inspectors shall discharge the functions of the Secretary of the corporation under this Section 14. If after such investigation the Secretary or the Inspectors (as the case may be) shall determine that the Consent is valid, that fact shall be certified on the records of the corporation kept for the purpose of recording the proceedings of stockholders, and the Consent shall be filed in such records, at which time the Consent shall become effective as stockholder action; *provided, however*, that neither the Secretary nor the Inspectors (as the case may be) shall make such certification or filing, and the Consent shall not become effective as stockholder action, until the final termination of any proceedings which may have been commenced in the Court of Chancery of the State of Delaware or any other court of competent jurisdiction for an adjudication of any legal issues incident to determining the validity of the Consent, unless and until such Court shall have determined that such proceedings are not being pursued expeditiously and in good faith. In conducting the investigation required by this Section 14, the Secretary or the Inspectors (as the case may be) may, at the expense of the corporation, retain special legal counsel and any other necessary or appropriate professional advisors, and such other personnel as they may deem necessary or appropriate, to assist them.

NOMINATIONS OF DIRECTOR CANDIDATES

15. *Eligibility to Make Nominations.* Nominations of candidates for election as directors of the corporation at any meeting of stockholders called for election of directors (an "Election Meeting") may be made by the Board of Directors or by any stockholder entitled to vote at such Election Meeting.

16. *Procedure for Nominations by the Board.* Nominations by the Board shall be made not less than 30 days prior to the date of an Election Meeting. At the request of the Secretary of the corporation

each proposed nominee shall provide the corporation with such information concerning himself as is required under the rules of the Securities and Exchange Commission, to be included in the corporation's proxy statement soliciting proxies for the election of such nominee as a director.

17. Procedure for Nominations by Stockholders. Not less than 30 days prior to the date of an Election Meeting any stockholder who intends to make a nomination at such Election Meeting shall deliver a written notice to the Secretary of the corporation setting forth (i) the name, age, business address and residence address of each nominee proposed in such notice, (ii) the principal occupation or employment of each such nominee, (iii) the number of shares of capital stock of the corporation which are beneficially owned by each such nominee and (iv) such other information concerning each such nominee as would be required, under the rules of the Securities and Exchange Commission, in a proxy statement soliciting proxies for the election of such nominee as a director. Such notice shall include a signed consent to serve as a director of the corporation, if elected, of each such nominee.

18. Substitution of Nominees. In the event that a person is validly designated as a nominee in accordance with Section 16 or Section 17 hereof and shall thereafter become unable or unwilling to stand for election to the Board of Directors, the Board of Directors or the stockholder who proposed such nominee, as the case may be, may designate a substitute nominee upon delivery not less than 5 days prior to the date of an Election Meeting a written notice to the Secretary of the Corporation setting forth such information regarding such substitute nominee as would have been required to be delivered to the Secretary pursuant to Section 16 or Section 17, as the case may be, had such substitute nominee been initially proposed as a nominee. Such notice shall include a signed consent to serve as a director of the corporation, if elected, of each such substitute nominee.

19. Determination of Compliance with Procedures. If the Chairman of the Election Meeting determines that a nomination of any candidate for election as a director of the corporation was not made in accordance with Sections 15, 16, 17 and 18, such nomination shall be void.

DIRECTORS

20. *Election.* At the annual meeting the stockholders entitled to vote shall elect the directors by a plurality vote by written ballot.

21. *Responsibilities.* The business and affairs of the corporation shall be managed by or under the direction of the Board.

22. *Powers.* In addition to the powers and authorities expressly conferred by these bylaws, the Board may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

23. *Qualifications, Term, Number.* Directors must be stockholders. If a director ceases to be a stockholder, he shall thereupon cease to be a director and his office shall be vacant. Each director shall hold his office until his successor is elected and qualified or until the earlier of his retirement, resignation or removal. There shall be no fewer than nine nor more than fifteen directors, as determined by the Board.

24. *Compensation.* The Board may establish such compensation for, and reimbursement of the expenses of, directors for attendance at meetings of the Board or committees, or for other services by directors to the corporation, as the Board may determine.

25. *Resignation.* Any director may resign at any time by giving written notice of his resignation to the Chairman of the Board or the Secretary.

26. *Removal.* Any director or the entire Board may be removed at any time by vote of the holders of a majority of the shares entitled to vote at an election of directors.

27. *Vacancies.* Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

28. *Meetings.* Immediately after the adjournment of the annual meeting of the stockholders each year, the directors elected thereat without notice shall convene the annual meeting of directors for the organization of the Board, the election of officers and members of committees, and the transaction of any other business which properly

may come before the meeting. If a quorum of the Board shall not be present, the Chairman of the Board shall call a meeting for such purposes as promptly as is practicable. Except as otherwise provided in this paragraph, directors may hold their regular and special meetings at such times and places and have one or more offices and keep the books of the corporation at such places as the Board determines.

29. *Notices.* No notice of regular meetings of the Board need be given. Special meetings of the Board may be called by the Chairman of the Board or the President on notice to each director, given either in person or by mail, telephone or telegram; special meetings shall be called by the Chairman of the Board, the President or the Secretary on like notice, on the written request of three directors. At least 24 hours notice of special meetings shall be given to each director.

30. *Quorum.* At all meetings of the Board, a majority of the total number of directors shall constitute a quorum for the transaction of business and, except for the designation of committees (Section 31) and the removal of executive officers (Section 33), the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board. Directors may participate in any meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting may hear one another, and such participation shall constitute presence in person at such meeting. If a quorum is not present, the directors present may adjourn the meeting without notice other than announcement until a quorum is present.

31. *Committees of the Board.* The Board by resolution passed by a majority of the whole Board may designate one or more committees, each committee to consist of two or more directors of the corporation. A committee shall have and exercise the powers of the Board in the management of the business and affairs of the corporation to the extent provided in the resolution, and may authorize the seal of the corporation to be affixed to all papers which may require it. Each committee shall have such name as may be determined by the Board. A majority of the members of a committee shall constitute a quorum and a majority vote of the members at a meeting at which a quorum is present shall be the act of the committee. A committee shall keep minutes of its proceedings, and shall report its proceedings to the Board when required or when requested by a director to do so.

32. *Unanimous Action.* Any action required or permitted to be taken at any meeting of the Board or a committee of the Board may be taken without a meeting if all members of the Board or the committee consent thereto in a writing filed with the minutes of the proceedings of the Board or committee.

OFFICERS

33. *Executive Officers.* At the annual meeting of the Board each year, the Board shall elect the following executive officers:

Chairman of the Board and Chief Executive Officer
Vice Chairman of the Board
President and Chief Operating Officer
One or more Vice Presidents
Secretary
Treasurer
Controller
General Counsel

The executive officers shall have the duties, responsibilities and authorities as are reflected in these bylaws or in resolutions of the Board, but at all times the actions of the executive officers shall be subject to the review, delegation, redetermination, direction and control of the Board. Any number of executive offices may be held by the same person. The Chairman of the Board, the Vice Chairman of the Board and the President shall be members of the Board. At any meeting the Board may elect additional executive officers, fill vacancies and, by vote of a majority of the whole Board, remove any executive officer.

34. *Term of Office.* An executive officer shall hold office until he retires, resigns or is removed. An officer may resign at any time by giving written notice of his resignation to the Chairman of the Board or the Secretary.

35. *Compensation.* The executive officers shall receive such compensation as shall be fixed by the Board.

36. *Other Officers and Agents.* The Chairman of the Board may appoint such Assistant Secretaries, Assistant Treasurers, Assistant Controllers, Assistant General Counsels and other officers and agents

as the Chairman of the Board shall deem necessary or proper in the conduct of the affairs of the corporation with such designations, titles, seniority, duties and responsibilities as he shall deem advisable. All officers and agents appointed by the Chairman of the Board shall perform their duties under the direction of the Chairman of the Board and shall receive compensation as from time to time shall be fixed by the Chairman of the Board and shall hold their offices at the pleasure of the Chairman of the Board. The Chairman of the Board shall report appointments of other officers and agents to the Board.

37. *Bond.* If required by the Board, any and every officer or agent shall give the corporation a bond in a sum and with one or more sureties satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

38. *Chairman of the Board and Chief Executive Officer.* The Chairman of the Board and Chief Executive Officer shall be one office and may be referred to by either title. The Chairman of the Board shall preside at all meetings of the stockholders and of the Board and he shall have such other duties and responsibilities as may be assigned to him by the Board. He shall have overall responsibility for the management and direction of the business and affairs of the corporation. He shall be the senior officer of the corporation and in case of the inability or failure of the President to perform his duties, he shall perform the duties of the President. The Chairman of the Board may delegate to any qualified person the chairmanship of any meeting of the stockholders, either on a temporary or a permanent basis.

39. *Vice Chairman of the Board.* The Vice Chairman of the Board shall assist the Chairman of the Board and perform such duties and have such authority and responsibilities as shall be assigned to or required of him from time to time by the Chairman of the Board or the Board.

40. *President and Chief Operating Officer.* The President and Chief Operating Officer of the corporation shall be one office and may be referred to by either or both titles. The President shall be

responsible for the active direction of the daily business of the corporation. He shall report to and be under the supervision of the Chairman of the Board. In case of the inability or failure of the Chairman of the Board to perform the duties of his office, the President shall perform the duties of the Chairman of the Board, unless otherwise determined by the Board.

41. *Vice Presidents.* Each Vice President, however, titled, shall perform such duties and services and shall have such authority and responsibilities as shall be assigned to or required of him from time to time by the Board, the executive committee, the Chairman of the Board or the President.

42. *Secretary and Assistant Secretaries.* (a) The Secretary shall attend all meetings of the stockholders and all meetings of the Board and record all proceedings of the meetings of the stockholders and of the Board, and he shall perform like duties for the standing committees when requested by the Board, the Chairman of the Board or the President, in books he keeps for those purposes. He shall give, or cause to be given, notice of all meetings of the stockholders and meetings of the Board. He shall perform such duties as may be prescribed to him by the Chairman of the Board or the President. He shall have charge of the seal of the corporation and authority to affix the seal to any instrument. He or any Assistant Secretary may attest to the corporate seal by handwritten or facsimile signature. The Secretary shall keep and account for all books, documents, papers and records of the corporation except those for which some other officer or agent has been designated or is otherwise properly accountable. He shall have authority to sign stock certificates.

(b) Assistant Secretaries, in the order of their seniority, shall assist the Secretary and, if the Secretary is unavailable or fails to act, perform the duties and exercise the authorities of the Secretary.

43. *Treasurer and Assistant Treasurers.* (a) The Treasurer shall have the custody of the corporate funds and securities belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Treasurer with the prior approval of the Chairman of the Board or the President. He shall disburse the funds and pledge the credit of the corporation as may be directed by the Board and shall render to the Board of Directors, the Chairman

of the Board and the President, as and when required by them, or any of them, an account of all his transactions as Treasurer.

(b) Assistant Treasurers, in the order of their seniority, shall assist the Treasurer and, if the Treasurer is unable or fails to act, perform the duties and exercise the powers of the Treasurer.

44. *Controller and Assistant Controllers.* (a) The Controller shall be the chief accounting officer of the corporation. He shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation in accordance with accepted accounting methods and procedures. He shall initiate periodic audits of the accounting records, methods and systems of the corporation. He shall render to the Board of Directors, the Chairman of the Board and the President, as and when required by them, or any of them, a statement of the financial condition of the corporation.

(b) Assistant Controllers, in the order of their seniority, shall assist the Controller and, if the Controller is unable or fails to act, perform the duties and exercise the powers of the Controller.

45. *General Counsel and Assistant General Counsels.* (a) The General Counsel shall be the chief legal officer of the corporation. He shall provide legal counsel and advice to the Board and to the officers with respect to compliance with applicable laws and regulations. He shall also provide or obtain legal defense of the corporation. He shall render to the Board, the Chairman of the Board and the President of the corporation, as and when required by them, or any of them, a report on the status of claims against, and pending litigation of, the corporation.

(b) Assistant General Counsels, in the order of their seniority, shall assist the General Counsel and, if the General Counsel is unable or fails to act, perform the duties and exercise the powers of the General Counsel.

INDEMNIFICATION

46. *Damages and Expenses.* To the full extent permitted by law, the corporation shall indemnify and pay the expenses of any person who is or was made, or threatened to be made, a party to an action or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that he is or was a director, officer or

employee of the corporation or served any other corporation, trust or enterprise in any capacity at the request of the corporation.

47. *Insurance.* The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, trustee or agent of or for the corporation, or is or was serving at the request of the corporation as a director, officer, employee, trustee or agent of another corporation, trust or enterprise against any liability asserted against him and incurred by him in any capacity or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of these bylaws.

STOCK RECORDS

48. *Form of Certificates.* The certificates of stock of the corporation shall be numbered and shall be entered in the books of the corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be mechanically signed with a facsimile of the signature of the Chairman of the Board, the President or a Vice President, and a facsimile of the signature of the Secretary or an Assistant Secretary, and shall also be signed by, or bear the facsimile signature of, a duly authorized officer or agent of any properly designated transfer agent of the corporation. Such certificates may be issued and delivered notwithstanding the person whose facsimile signature appear thereon shall have ceased to be such officer at the time the certificates are issued and delivered.

49. *Classes of Stock, Rights.* The designations, preferences and relative participating, optional or other special rights of the various classes of stock or series thereof, and the qualifications, limitations or restrictions thereof, shall be set forth in full or summarized on the face or back of the certificates which the corporation issues to represent its stock, or in lieu thereof, such certificates shall set forth the office of the corporation from which the holders of certificates may obtain a copy of such information.

50. *Transfers.* Subject to restrictions on the transfer of stock, the corporation shall make transfers of stock on its books upon surrender of the certificate for the shares to the corporation or its duly appointed transfer agent duly endorsed by the stockholder named in the certificate or his duly authorized attorney.

51. *Lost Certificates.* An executive officer may direct a new certificate to be issued in place of certificates theretofore issued by the corporation and alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. As a condition precedent to the issuance thereof, the officer may require the claimant to advertise the alleged loss, theft or destruction in such manner as the officer may require and to give the corporation a bond in such sum as he may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed or the issuance of the new certificate.

52. *Record Dates.* The Board of Directors may fix in advance a date, not more than sixty nor less than ten days prior to the date of any meeting of stockholders, nor more than sixty days prior to the date for the payment of any dividend, or the date for the allotment of rights, or the date when any change or conversion or exchange of capital stock shall go into effect, or a date in connection with obtaining such consent, as a record date for the determination of the stockholders entitled to notice of, and to vote at, any such meeting and any adjournment thereof, or entitled to receive payment of any such dividend, or to any such allotment of rights, or to exercise the rights in respect of any such change, conversion or exchange of capital stock, or to give such consent, and in such case such stockholders and only such stockholders as shall be stockholders of record on the date so fixed shall be entitled to such notice of, and to vote at, such meeting and any adjournment thereof, or to receive payment of such dividend, or to receive such allotment of rights, or to exercise such rights, or to give such consent, as the case may be, notwithstanding any transfer of any stock on the books of the corporation after any such record date fixed as aforesaid.

53. *Stockholders of Record.* The corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not the corporation shall have express or other notice thereof.

GENERAL

54. *Inspection of Books.* The accounts and books of the corporation shall be open to inspection of stockholders to the extent required by law, unless greater access to the accounts and books shall be authorized by an executive officer of the corporation.

55. *Contracts, Checks, Etc.* All contracts, agreements, checks, drafts, notes, bonds, bills of exchange and orders for the payment of money shall be signed or endorsed by the persons the Board prescribes.

56. *Fiscal Year.* The Board shall determine the fiscal year of the corporation.

57. *Dividends.* The Board may declare dividends in cash, property or securities of the corporation upon the capital stock of the corporation at any regular or special meeting of the Board.

58. *Reserves.* Before payment of any dividend, the Board may set aside, out of any funds of the corporation available for dividends, such sums as the Board thinks proper as a reserve fund to meet contingencies, or for working capital, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board shall think conducive to the interests of the corporation. The Board may increase, reduce or abolish the reserves.

59. *Annual Statement.* The Board shall cause an independent public accountant, selected from time to time by the Board, to examine in accordance with generally accepted auditing standards, prior to the annual meeting of the stockholders in each year, the books and records of the corporation and the financial statements for the preceding fiscal year, which statements shall set forth the financial position as of the close of, and the results of operations of the corporation for, the preceding fiscal year, and the Board shall cause such accountant or firm of accountants to render to the Board its opinion with respect thereto. The Board shall cause copies of the financial statements together with the opinion to be sent to all stockholders entitled to vote at the annual meeting in the year succeeding the year to which the financial statements apply and to be available to stockholders attending the annual meeting.

60. *Form of Notices.* Whenever notice is required to be given to any director or officer or stockholder, such notice may be given either in person or by mail, telephone or telegram, except as provided in Section 6. If mailed, the notice will be deemed given when deposited in the United States mail, postage prepaid, addressed to the stockholder, officer or director at such address as appears on the books of the corporation or, in default of other address, to such director, officer or stockholder at the General Post Office in the City of Wilmington, Delaware. If given in person or by telephone, notice will be deemed given when communicated. If given by telegram, notice will be deemed given when dispatched. Any stockholder, director or officer may waive any notice required to be given under these bylaws.

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

62. *Amendments.* These bylaws may be amended or repealed in whole or in part at any regular meeting of the Board or the stockholders, or at any special meeting of the Board or of the stockholders if notice of the proposed amendment or repeal is contained in the notice of the special meeting.

63. *Certificate of Incorporation and Applicable Law.* These bylaws are subject to the provisions of the certificate of incorporation of the corporation and applicable law.

EXHIBIT 10.3

FALCON SEABOARD DRILLING COMPANY

1973 Qualified Stock Option Plan

(Amended as of April 15, 1982)

1. Stock Subject to the Plan

Upon approval of this Plan by the holders of a majority of the outstanding voting stock of the Corporation, as set forth in paragraph 14 hereof, thirty thousand (30,000) shares of the authorized unissued Common Stock of the Corporation will be reserved for issue upon the exercise of Options granted under the Plan. If any Option shall expire or terminate for any reason without having been exercised in full, the unexercised shares subject thereto shall again be available for the purposes of the Plan.

2. Administration

The Plan shall be administered by a Stock Option Committee (hereinafter called the Committee) appointed by the Board of Directors, which shall consist of not less than three (3) members of the Board of Directors. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Options shall be granted and the number of shares to be subject to each Option. In making such determinations, the Committee may take into account the nature of the services rendered by the respective employees, their present potential contributions to the Corporation's success and such other factors as the Committee in its discretion shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Options (which need not be identical), and to make all other determinations necessary or advisable for the administration of the Plan. The Committee shall also have the power to amend, modify, alter, or otherwise change all or any portion of the Plan in order to make the same constitute a "Qualified Stock Option Plan" under the United States Internal Revenue Code, as amended, or the Regulations of the Treasury Department promulgated thereunder. The Committee's determinations on the matters referred to in this paragraph 2 shall be conclusive.

3. Eligibility

Options may be granted only to key employees of the Corporation and its subsidiaries, including subsidiaries which become such after the adoption of this Plan. A director of the Corporation who is not such an employee of the Corporation shall not be eligible to receive an Option. No person shall be eligible to participate in the Plan while he owns, directly or indirectly, or immediately after such Option is granted, should it be immediately exercised, would own more than 1% of the total combined voting power or value of all classes of stock of the Corporation or its subsidiaries. For purposes hereof, a person shall be considered as owning the stock which is owned directly or indirectly by or for members of his family; and stock owned directly or indirectly by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries. No Option may be granted hereunder to an employee after he shall have reached the age of 65.

4. Allotment of Options

The aggregate number of shares as to which an Option or Options may be granted hereunder to any one employee shall not exceed 10% of the total number of shares of Common Stock subject to the Plan.

5. Option Prices

(a) The purchase price of the Common Stock under each Option shall be determined by the Committee, but shall not be less than the fair market value of the stock at the time of the granting of the Option.

(b) The fair market value of a share on a particular date shall be deemed to be the mean between the highest and lowest sales prices per share of the stock on the American Stock Exchange on that date, or, if there shall have been no sale on that date, on the last preceding date on which such a sale or sales were made on the American Stock Exchange. In the event that the method just described for determining the fair market value of the shares shall not remain consistent with the provisions of the United States Internal Revenue Code, as amended, or the Regulations of the Treasury Department promulgated thereunder, then the fair market value per share shall be determined by such other method consistent therewith as the Committee shall in its discretion select and apply at the time of grant of the Option concerned.

6. Exercise of Options

(a) The terms of each Option shall be five (5) years from the date of granting thereof, or such shorter period as is prescribed in paragraphs 8 and 9 hereof. Except as provided in said paragraphs 8 and 9, no Option may be exercised at any time unless the holder thereof is then an employee of the Corporation. An Option shall not be exercisable after the expiration of five (5) years from the date it is granted. During the first year an Option is outstanding, it may not be exercised with respect to any of the shares covered thereby. Thereafter, an Option may be exercised as to the total number of shares initially covered thereby, only as follows:

| <u>Period</u> | <u>Portion of Total Number of Shares Initially Covered by Option</u> |
|---------------------------------|--|
| Second Year | 20% |
| Third Year | 40% |
| Fourth Year | 60% |
| First Six Months of Fifth Year | 80% |
| Second Six Months of Fifth Year | 100% |

In computing the number of shares which may at any time be purchased in accordance with this paragraph 6(a), there shall be included in such number the number of shares of Common Stock theretofore purchased pursuant to the Option, which number of shares shall be adjusted to reflect any adjustments theretofore made in the number of shares covered by the Option, in accordance with paragraph 11 hereof.

(b) Each exercise of an Option or portion or part thereof shall be evidenced by a notice in writing to the Corporation, accompanied by payment in full of the option price of the shares then being purchased (1) in cash

at the discretion of the Committee, upon such terms and conditions as it may approve, by transferring to the Corporation shares of Common Stock already owned by the optionee at their fair market value as of the date of exercise of the option or (iii) at the discretion of the Committee upon such terms and conditions as it may approve, by a combination of (i) and (ii). The proceeds of sale of stock subject to option are to be added to the general funds of the Corporation and used for its corporate purposes as the Board of Directors shall determine.

(c) An employee shall have none of the rights of a stockholder with respect to the shares subject to option until such shares shall be issued to him upon the exercise of his Option.

(d) No new Option, or any part thereof, shall be exercisable by an employee while there is outstanding, within the meaning of Section 442(c)(2) of the Internal Revenue Code of 1954, any Qualified Stock Option or Restricted Stock Option not terminated before January 1, 1965, which was granted to such employee before the granting of such new Option to purchase shares at a price (determined as of the date of grant of such new Option) higher than the purchase price of such new Option.

7. Non-Transferability of Options

No Option granted under the Plan shall be transferable otherwise than by Will or the laws of descent and distribution. An Option may be exercised, during the lifetime of the employee, only by him.

8. Termination of Employment

In the event of the retirement of an employee holding an Option, or the termination of his employment for any reason other than retirement or death, he may (unless otherwise provided in his Option) exercise his option as to the shares to which his Option was effective on the day before his retirement or termination at any time within three (3) months after such retirement or termination, but not after five (5) years from the date of granting thereof. Options granted under the Plan shall not be affected by any change of employment so long as the holder continues to be an employee of the Corporation or one of its subsidiaries. The Options may contain such provisions, consistent with the United States Internal Revenue Code, as amended, and the Regulations of the Treasury Department promulgated thereunder, as the Committee shall approve with reference to the effect of approved leaves of absence. Nothing in the Plan or in any Option granted pursuant to the Plan shall confer on any employee any right to continue in the employ of the Corporation or a subsidiary or interfere in any way with the right of the Corporation or a subsidiary to terminate his employment at any time.

9. Death of Employee

In the event of the death of an employee to whom an Option has been granted, while he is employed by the Corporation or a subsidiary or within three (3) months after his retirement or the termination of his employment, the Option theretofore granted to him may be exercised by a legatee or legatees of the optionee under the employee's last Will, or by the personal representatives or distributees of such deceased employee, at any time within a period of one year after the death of such employee, but not after five (5) years from the date of granting thereof, and only if and to the extent that the employee was entitled to exercise the Option at the date of his death.

10. Employee's Agreement to Serve

Each employee receiving an Option shall agree that he will remain in the service of the Corporation or a subsidiary for a period of at least two (2) years from the date of granting the Option (or until earlier retirement), at the pleasure of the Board of Directors of the Corporation, and at such compensation as such Board of Directors shall reasonably determine from time to time.

11. Adjustments upon Changes in Capitalization

Notwithstanding any other provision of the Plan, the Options may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each Option and the option prices in the event of changes in the outstanding Common Stock of the Corporation by reason of stock dividends, recapitalization, mergers, consolidations, split-ups, combinations, or exchanges of shares and the like. In the event of such change in the outstanding Common Stock of the Corporation, the aggregate number and class of shares available under the Plan and the maximum number of shares as to which Options may be granted to any employee shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

12. No Loans to Holders of Options

The Corporation or any subsidiary may not directly or indirectly lend money to any person for the purpose of assisting such person to acquire or carry shares of Common Stock issued upon the exercise of Options granted under the Plan.

13. Amendment and Termination

Unless the Plan shall theretofore have been terminated as hereinafter provided, the Plan shall terminate on, and no Option shall be granted thereunder after March 6, 1983. The Board of Directors of the Corporation may at any time prior to that date terminate the Plan, or make such modifications of the Plan as it shall deem advisable; provided, however, that the Board of Directors may not, without further approval by the holders of Common Stock of the Corporation, increase the maximum number of shares for which Options may be granted under the Plan, either in the aggregate or to any individual employee, or change the manner of determining the minimum option prices, or extend the period during which Options may be granted or exercised, or withdraw the authority to administer the Plan from a committee consisting of directors of the Corporation not eligible to receive Options granted under the Plan. No termination or amendment of the Plan may, without the consent of the employee to whom any Option shall theretofore have been granted, adversely affect the rights of such employee under such Option.

14. Effectiveness of the Plan

This Plan, which has been adopted by the Board of Directors on March 7, 1973, shall become effective when (i) it shall have been approved by the majority vote of the Corporation's then issued and outstanding Common Stock, Class "3" Preferred Stock, Series 1 Class "C" Preferred Stock, Series 2 Class "C" Preferred Stock, and Class "B" Common Stock, voting as a single class, represented in person or by proxy at the next Annual Meeting of Stockholders or at any other meeting of such stockholders held before March 6, 1974, at a meeting duly called and held for that

purpose, and (ii) the shares of Common Stock reserved for issue upon the exercise of Options granted under the Plan shall have been duly approved for listing, upon official notice of issuance, on the American Stock Exchange.

15. Time of Granting Options

Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board of Directors or the holders of Common Stock of the Corporation or any action taken by the Committee shall constitute the granting of an Option hereunder. The granting of an Option pursuant to the Plan shall take place only when a written Option shall have been duly executed and delivered by the Corporation to the employee to whom such Option is to be granted.

EXHIBIT 10.4

1976 STOCK OPTION PLAN

OF

FALCON SEABOARD INC.

(As Amended Effective April 15, 1982)

1. Purpose of the Plan.

This Stock Option Plan (the "Plan") is intended as an employment incentive, to retain in the employ of Falcon Seaboard Inc. (the "Company") persons of training, experience and ability, to attract new employees whose services are considered unusually valuable, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company. It is intended that options granted under the Plan will not qualify as "qualified stock options" under the Internal Revenue Code of 1954, as amended by the Tax Reform Act of 1976 and as the same may be further amended from time to time (the "Internal Revenue Code").

2. Administration of the Plan.

The Board of Directors shall appoint and maintain a Compensation and Stock Option Committee (hereinafter called the "Committee") which shall consist of at least three members of the Board of Directors who shall not have been eligible to participate in the Plan at any time within one year prior to appointment and who shall serve at the pleasure of the Board. No member of such Committee shall be eligible to receive stock options under the Plan while serving on the Committee. The Committee shall have full power and authority to designate participants, to determine the terms and provisions of option agreements (which need not be identical) and to interpret the provisions and supervise the administration of the Plan. All decisions and selections made by the Committee pursuant to the provisions of the Plan shall be made by a majority of its members. Any decision reduced to writing and signed by a majority of the members shall be fully effective as if it had been made by a majority at a meeting duly held. The Committee shall have the authority in its discretion, to grant an option to an eligible employee and to grant to the holder of an outstanding option in exchange for the surrender and cancellation of such option a

new option having a purchase price lower than provided in the option so surrendered and cancelled and containing such other terms and conditions as the Committee may prescribe in accordance with the provisions of the Plan. The Committee shall have the authority in its discretion to amend any outstanding option to reflect any amendment to this Plan effected after the date such option was granted.

3. Designations of Participants.

The persons eligible for participation in the Plan as recipients of options shall include only key employees of the Company or of any subsidiary of the Company (as defined in Section 425(f) of the Internal Revenue Code). An employee who owns directly or indirectly stock possessing more than 5% of the total combined voting power or value of all classes of stock of the Company or a subsidiary thereof shall not be eligible to participate in the Plan. The Directors of the Company shall not be eligible to participate in the Plan as directors, but Directors otherwise qualified shall be eligible to participate. An employee who has been granted an option hereunder may be granted an additional option or options, if the Committee shall so determine. No employee may receive an option under the Plan covering more than 20% of the total number of shares that may be subject to the Plan.

4. Stock Reserved for the Plan.

Subject to adjustment as provided in Paragraph 9 hereof, a total of 240,000* shares of Common Stock, \$.50** par value, of the Company shall be subject to the Plan. The shares subject to the Plan shall consist of unissued shares or previously issued shares reacquired and held by the Company, and such amount of shares shall be and is hereby reserved for sale for such purpose. Any of such shares

* Reflecting adjustment of the number of shares of Common Stock pursuant to the terms hereof as a result of the stock split declared by the Board of Directors of the Company on May 11, 1977, payable June 23, 1977.

** Reflecting reduction of par value of Common Stock from \$1.50 per share to \$.50 per share pursuant to amendments to the Company's Certificate of Incorporation approved at Annual Meeting of Stockholders on May 11, 1977.

which may remain unsold and which are not subject to outstanding options at the termination of the Plan shall cease to be reserved for the purpose of the Plan, but until termination of the Plan the Company shall at all times reserve a sufficient number of shares to meet the requirements of the Plan. Should any option expire or be cancelled prior to its exercise or relinquishment in full, the shares theretofore subject to such option may again be subjected to an option under the Plan, except that shares subject to purchase pursuant to any option or portion thereof relinquished and not required to be issued upon such relinquishment shall not again be available for options under the Plan.

5. Option Price.

(a) The purchase price of each share placed under option pursuant to the Plan shall be determined by the Committee, but shall in no event be less than the greater of (i) the par value of such share or (ii) 100% of the fair market value of such share on the date the option is granted.

(b) The fair market value of a share on a particular date shall be deemed to be the mean between the highest and lowest sales prices per share of the stock on the New York Stock Exchange (or the principal national securities exchange on which such stock may be listed from time to time) on that date, or, if there shall have been no sale on that date, on the last preceding date on which such a sale or sales were effected on such exchange. In the event that the method just described for determining the fair market value of the shares shall not remain consistent with the provisions of the Internal Revenue Code or the regulations of the Secretary of the Treasury promulgated thereunder, as presently existing or as may be hereafter amended, then the fair market value per share shall be determined by such other method consistent with the Internal Revenue Code or regulations as the Committee shall in its discretion select and apply at the time of grant of the option concerned.

6. Option Period.

(a) Options granted under this Plan shall terminate and be of no force and effect with respect to any shares not previously taken up by optionee upon the happening of the first of the following:

(i) The expiration of five years from the date of granting of each option;

(ii) The expiration of one year from the date of death or total permanent disability (as determined by the Company) of the optionee while engaged in employment with the Company;

(iii) The expiration of six months from the date of the termination of the optionee's employment with the Company by retirement under or in accordance with the retirement plan of the Company, upon attaining the normal retirement age therein provided; or

(iv) The expiration of ten days from the date of termination of the optionee's employment for any reason other than such retirement, death or total permanent disability (as determined by the Company).

(b) If the Company is reorganized, or merged or consolidated with another corporation while unexercised options remain outstanding under the Plan, there shall be substituted for the shares subject to the unexercised portions of such outstanding options an appropriate number of shares of each class of stock or other securities of the reorganized or merged or consolidated corporation which were distributed to the shareholders of the Company in respect of such shares in accordance with Section 425(a) of the Internal Revenue Code; provided, however, that all such options may be cancelled by the Company as of the effective date of any such reorganization, merger or consolidation or of any dissolution or liquidation of the Company by giving notice to each holder thereof or his personal representative of its intention to do so during the thirty-day period next preceding such effective date of such cancellation of outstanding options; and provided further that in such event the Company shall, promptly following such cancellation by the Company, deliver to each holder of an unexercised option notice of the fact of such cancellation together with cash in the amount of the Appreciated Value thereof, as hereinafter defined, determining the "then-current market value" per share of the Common Stock subject to such option on the basis of the average price of such Common Stock on the New York Stock Exchange (or the principal national securities exchange on which such Stock may be listed from time to time) for the three-day period next preceding such cancellation by the Company.

(c) "Employment with the Company" as used in this Plan shall include employment with any subsidiary of the Company and options granted under this Plan shall not be affected by an employee's transfer of employment from the Company to a subsidiary, from a subsidiary to the Company, or between subsidiaries.

7. Exercise of Options.

(a) The Committee, in granting options hereunder, shall have discretion to determine the terms upon which such options shall be exercisable, subject to the applicable provisions of the Plan.

(b) However, in any event such options shall become exercisable only after one year of continued employment immediately following the date upon which the option is granted; and no such option may thereafter become exercisable for a number of shares exceeding (i) 33-1/3% of the number of shares subject to the option until after two years of such continued employment, or (ii) 66-2/3% of the number of shares subject to the option until after three years of such continued employment. After three years of such continued employment, such option may thereafter become exercisable for 100% of the number of shares subject to the option.

(c) Options may be exercised solely by the optionee during his lifetime or after his death by the person or persons entitled thereto under his will or the laws of descent and distribution.

(d) In the event of termination of employment for any reason other than death, options shall, subject only to the provisions of Paragraph 6(a) hereof, automatically terminate and may not be exercised to any extent.

(e) In the event of the death or disability of the optionee while in the employment of the Company and while options granted hereunder are still in force and unexpired under the terms of Paragraph 6 hereof, any unmatured installments of the options shall be accelerated as of the date of death or disability and the options shall thereupon be exercisable in full without regard to the installment exercise provisions of subparagraph (b) of this Paragraph 7.

(f) The purchase price of the shares as to which an option is exercised shall be paid in full upon exercise of an option (i) in cash (including check, money order or wire transfer) or (ii) at the discretion of the Committee, upon such terms and conditions as it may approve, by transferring to the Company shares of Common Stock already owned by the optionee at their fair market value as of the date of exercise of the option or (iii) at the discretion of the Committee, upon such terms and conditions as it may approve, by a combination of (i) and (ii). The holders of options shall not be or have any of the rights or privileges of a shareholder of the Company in respect of any shares purchasable upon the exercise of any part of an option unless and until certificates representing such shares shall have been issued by the Company to such holders.

8. Relinquishment of Options: Assignability.

(a) The Committee, in granting options hereunder, shall have discretion to determine that certain options shall include a right of relinquishment as hereinafter provided by this Paragraph 8. The Committee shall also have discretion to determine whether a stock option agreement evidencing an option heretofore or hereafter granted by the Committee shall be amended or supplemented to include such a right of relinquishment. Neither the Committee nor the Company shall be under any obligation or incur any liability to any person by reason of the Committee's refusing to grant or include a right of relinquishment in any option granted hereunder or in any stock option agreement evidencing the same, or refusing to consent to any election to relinquish the same. Subject to the Committee's determining in any case that the grant by it of a right of relinquishment is consistent with Paragraph 1 hereof, any option under the Plan, and any non-qualified stock option agreement evidencing such option, may provide:

(i) That the optionee, or his heirs or other legal representatives to the extent entitled to exercise the option under the terms thereof, in lieu of purchasing the entire number of shares subject to purchase thereunder, shall have the right to relinquish all or any part of the unexercised portion of the option (to the extent exercisable as provided in (iv), hereinbelow) for a number of shares of the Common Stock of the Company, for an amount of cash or for a combination of shares of such Common Stock and cash, to be determined as follows:

(A) The written notice of exercise of such right of relinquishment, provided for in clause (ii) of this subparagraph (a), shall state the percentage, if any, of the Appreciated Value, hereinafter defined, which such optionee elects to receive in cash (which percentage is called the "Cash

Percentage"), such Cash Percentage to be in increments of 10% of such Appreciated Value up to 100% thereof;

(B) The number of shares of Common Stock of the Company, if any, issuable pursuant to such relinquishment shall be the number of such shares, rounded to the next greater number of full shares, as shall be equal to: 100% less the Cash Percentage, times the excess of (1) the aggregate current market value of the shares of such Common Stock covered by the option or the portion thereof so relinquished over (2) the aggregate purchase price for such shares specified in such option (which excess is called the "Appreciated Value"), divided by the then-current market value per share of such Common Stock; and

(C) The amount of cash payable pursuant to such relinquishment shall be an amount equal to the Appreciated Value less the aggregate current market value of the shares issued pursuant to such relinquishment, if any, which cash shall be paid by the Company subject to such conditions as are deemed advisable by the Committee to permit compliance by the Company with the withholding provisions applicable to employers under the Internal Revenue Code (and under any applicable State income tax law);

(ii) That such right of relinquishment may be exercised only upon receipt by the Company by a written notice of such relinquishment which shall be dated the date of election to make such relinquishment; and that, for purposes of the Plan, such date of election shall be deemed to be the date when such notice is sent by registered or certified mail, if by mail, or when receipt is acknowledged by the Company, if delivered by hand or by any telegraphic communications equipment of the sender, provided

that, in the event the method just described for determining such date of election shall not be or remain consistent with provisions of Section 16(b) of the Securities Exchange Act of 1934 or the rules and regulations adopted by the Securities and Exchange Commission thereunder, as presently existing or as may be hereafter amended, which exempt from the operation of said Section 16(b) in whole or in part any such relinquishment transaction, then such date of election shall be determined by such other method consistent with said Section 16(b) or rules or regulations as the Committee shall in its discretion select and apply;

(iii) That the "current market value" of a share of the Common Stock of the Company shall be deemed to be the mean between the highest and lowest sales prices per share of such Stock on the New York Stock Exchange (or the principal national securities exchange on which such Stock may be listed from time to time) on the date of election determined in accordance with clause (ii) of this subparagraph (a), or, if there shall have been no sale on that date, on the last preceding date on which a sale or sales were effected on such exchange;

(iv) That the option, or any portion thereof, may be relinquished only to the extent that (A) it is exercisable on the date written notice of relinquishment is received by the Company, (B) the Committee, subject to the provisions of subparagraph (b) of this Paragraph 8, shall consent to the election of the holder of such option to relinquish such option as set forth in such written notice of relinquishment and (C) the holder of such option pays, or makes provision satisfactory to the Company for the payment of, any taxes which the Company is obligated to collect with respect to such relinquishment; and

(v) That the Committee shall have the authority to require that the holder of such option, or his heirs or other legal representatives to the extent entitled to exercise the option under the terms thereof, may be deemed, in the event of the death or total permanent disability of the option holder, to have elected to exercise such right of relinquishment and to receive a Cash Percentage of 100%.

however, no adjustment shall be made by reason of the distribution of subscription rights on outstanding stock.

10. Purchase for Investment.

Unless the options and shares covered by the Plan have been registered under the Securities Act of 1933, as amended, or the Company has determined that such registration is unnecessary, each person exercising an option under the Plan may be required by the Company to give a representation in writing that he is acquiring such shares for his own account for investment and not with a view to, or for sale in connection with, the distribution of any part thereof.

11. Expiration Date of Plan.

The Plan shall be effective June 14, 1976.

No option shall be granted pursuant to the Plan after June 13, 1986.

12. Amendments or Termination.

The Board of Directors may amend, alter or discontinue the Plan, except that no amendment or alteration shall be made which would impair the rights of any participant under any option theretofore granted, without his consent, and except that no amendment or alteration shall be made which, without the approval of the stockholders, would:

(a) Increase the total number of shares reserved for the purposes of the Plan, except as is provided in Paragraph 9 of the Plan, or decrease the Option Price provided for in Paragraph 5 of the Plan, or change the class of employees eligible to participate in the Plan as provided in paragraph 3 of the Plan;

(b) Extend the option period provided for in Paragraph 6 of the Plan; or

(c) Extend the expiration date of this Plan set forth in Paragraph 11 hereof.

13. Government Regulations.

The Plan, and the granting and exercise of options thereunder, and the obligation of the Company to sell and deliver shares under such options, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

FALCON SEABOARD INC.

EXHIBIT 13.1

QUARTERLY REPORTS

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