

# **EXHIBIT 62**

**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, 1988

Commission File Number 1-8567-9

**RECEIVED**

**Maxus Energy Corporation**

(Exact name of registrant as specified in its charter)

MAR 13 1989

Delaware

(State or other jurisdiction of  
incorporation or organization)

Bechtel Information Services  
Gaithersburg, Maryland

17 North Harwood Street  
Dallas, Texas

(Address of principal executive offices)

75-189153A  
EBCO S.E.C. (I.R.S. Employer  
Identification No.)  
MAR 10 1989  
75201  
TEX 75 (Zip Code)

Registrant's telephone number, including area code: (214) 953-2000

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$1.00 Par Value	New York Stock Exchange Pacific Stock Exchange Basel Stock Exchange Geneva Stock Exchange Zurich Stock Exchange
Rights to Purchase Junior Preferred Stock, Series A, of Maxus Energy Corporation	New York Stock Exchange Pacific Stock Exchange
\$4.00 Cumulative Convertible Preferred Stock, \$1.00 Par Value	New York Stock Exchange
8 1/4% Floating Fund Debentures Due April 1, 2008	New York Stock Exchange
Liquid Yield Option Notes Due 2004 (Zero Coupon—Subordinated)	New York Stock Exchange

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

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 27, 1989 was approximately \$729,340,000.

Shares of Common Stock outstanding at February 27, 1989—89,888,305.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following document are incorporated by reference into the indicated part of this report:

Definitive proxy statement of the Company relating to the 1989 Annual Meeting of Stockholders, filed with the Commission pursuant to Regulation 14A—Part III.

**EXECUTED**

TOTAL NO. OF SEQUENTIALLY MARKED PAGES 374 EXHIBIT  
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## COMMON TREASURY STOCK

In July 1986, the Company's Board of Directors approved the purchase of an additional 25,000,000 shares of Common Stock over the next two years. During 1986, the Company purchased 8,445,038 shares of its Common Stock in open market transactions at an average cost of \$11.60 per share.

In February 1987, the Company's Board of Directors approved a tender offer for 20,000,000 shares of the Company's outstanding Common Stock at \$17.00 per share (see "Restructuring Program"). Prior to the tender offer, the Company had repurchased 606,937 shares of Common Stock.

In July 1988, the Company retired 36,258,697 shares of Common Treasury Stock which had an associated cost of \$584.6 million. Cost was determined on an average basis. The \$548.3 million of excess cost over par value of the stock was charged to paid-in capital to the extent of the original issuance proceeds (\$357.9 million); the remainder was charged to accumulated deficit (\$190.4 million).

	Shares	Amount
January 1, 1986 .....	(8,849,356)	\$(156.2)
Purchase of Common Treasury Stock .....	(8,445,038)	(98.0)
Employee Benefit Plan purchases .....	76,216	1.1
Deferred compensation .....	4,137	.1
January 1, 1987 .....	(17,214,041)	(253.0)
Purchase of Common Treasury Stock .....	(20,606,937)	(356.8)
Exercise of Stock Options .....	296,280	4.8
Employee Benefit Plan purchases .....	132,624	2.1
Deferred compensation .....	4,430	.1
January 1, 1988 .....	(37,387,644)	(602.8)
Retirement of Common Treasury Stock .....	36,258,697	584.6
Employee Benefit Plan purchases .....	253,868	4.1
December 31, 1988 .....	(873,079)	\$ (14.1)

## STOCK OPTIONS

The Company's 1986 Long-Term Incentive Plan (the "Plan"), administered by the Compensation Committee of the Board of Directors, permits the grant to officers and certain key employees of stock options, stock appreciation rights ("SARs"), performance units and awards of Common Stock or other securities of the Company on terms and conditions determined by the Compensation Committee of the Board of Directors. There are also options and SARs outstanding pursuant to other incentive plans of the Company under which the Company does not intend to make any additional grants.

The grant or exercise of an option does not result in a charge against the Company's earnings because all options have been granted at exercise prices approximating the market value of the stock at the date of grant. However, any excess of Common Stock market price over the option price of options which include SARs does result in a charge against the Company's earnings; a subsequent decline in market price results in a credit to earnings, but only to a maximum of the earnings charges incurred in prior years on unexercised SARs. There was no charge against or credit to earnings for SARs in 1988, 1987 or 1986.

After the Restructuring, certain outstanding stock options were amended to reflect the spin-off of the refining and marketing business, resulting in options being outstanding for an additional 680,497 shares.

At December 31, 1988 and 1987, there were 1,491,040 and 1,922,574 shares of Common Stock, respectively, reserved for future grants under the 1986 Plan, and stock options representing 1,600,310 shares of Common Stock were exercisable under all incentive plans of the Company.

Stock option activity was as follows:

	1988	1987	1986
Outstanding at January 1 .....	2,068,796	2,557,978	2,322,403
Granted .....	758,350	698,200	1,237,213
Exercised .....		(296,280)	
Cancelled .....	(500,236)	(1,571,599)	(1,001,638)
Restructuring conversion .....		680,497	
Outstanding at December 31 .....	2,326,910	2,068,796	2,557,978

Stock options were exercised in 1987 at prices ranging from \$7.957 to \$12.75 per share. Exercise prices of stock options outstanding at December 31, 1988 ranged from \$6.25 to \$23.689 per share.

#### LEASES

The Company leases certain machinery and equipment, facilities and office space under cancellable and non-cancellable operating leases, most of which expire within 20 years and may be renewed.

Minimum annual rentals for operating leases at December 31, 1988 were as follows:

1989 .....	\$ 14.0
1990 .....	13.5
1991 .....	13.2
1992 .....	11.9
1993 .....	9.2
1994 and thereafter .....	71.9
	<u>\$133.7</u>

Rental expense for operating leases was as follows:

	1988	1987	1986
Total rentals .....	\$30.1	\$34.8	\$37.1
Less—Sublease rental income .....	6.4	6.5	4.8
Rental expense .....	<u>\$23.7</u>	<u>\$28.3</u>	<u>\$32.3</u>

#### COMMITMENTS AND CONTINGENCIES

In 1987, ten purported class action and derivative suits were commenced by a number of stockholders of the Company in the Delaware Chancery Court against the Company and, in most of the actions, directors of the Company. These actions alleged, in general, that the directors breached their fiduciary duties by, or wasted corporate assets in connection with, among other things, approving the adoption of the Company's Shareholder Rights Plan ("Rights Plan") in October 1986, refusing to redeem the rights thereunder, rejecting the takeover offers made by Mesa Limited Partnership or affiliates thereof in 1986 and 1987, refusing to negotiate the sale of the Company or to submit the matter to stockholder vote, adopting a plan restructuring the Company (see "Restructuring Program"), or a combination of the foregoing matters. The Company settled these actions in September 1988 by redeeming the Common Share Purchase Rights issued pursuant to the Rights Plan in accordance with their terms and adopting a new Preferred Share Purchase Rights Plan. The settlement provides for the release of all claims that have been or could be asserted by any stockholder of the Company arising from the subject matters of the litigation. The Company will pay the amount of plaintiffs' counsel fees and expenses as may be awarded by the court, but not to exceed \$1,075,000.

The Company was a defendant in a large number of lawsuits arising from exposure of military personnel in Vietnam to "Agent Orange" manufactured by the Company and other companies which allegedly contained some amount of dioxin. This litigation was certified as a class action and was settled in 1984 when the defendants paid an aggregate of \$130.0 million into a court-administered fund. The Federal District Court also dismissed the claims of the plaintiffs in individual actions pending before it who had requested exclusion from the class. The United States Court of Appeals for the Second Circuit affirmed the District Court's

approval of the settlement and the dismissal of the claims by the plaintiffs who had requested exclusion from the class. Petitions to the United States Supreme Court for review of certain aspects of this litigation were denied on June 30, 1988, thereby terminating these proceedings.

One major action remains of the several lawsuits filed against the Company in New Jersey state courts relating to its former Newark, New Jersey plant which was used for the manufacture of Agent Orange. In this suit residents and businesses in the Newark area and former employees at the plant are making claims for personal injury and property loss. The litigation is still in the discovery stage. The Company does not expect any material liability from this remaining claim.

In 1984, the Company, working with the New Jersey Department of Environmental Protection, signed orders to clean up the Newark plant and surrounding neighborhood. The neighborhood cleanup is substantially finished. The Department of Environmental Protection and the U.S. Environmental Protection Agency have issued a record of decision which follows the Company's recommended remedial action plan for the plant site, and a consent decree under which the Company will agree to implement the plan is now being negotiated with the State of New Jersey and the United States. The plan projects an expected cost of approximately \$10.0 million and is anticipated to begin in 1989.

The Company and The B. F. Goodrich Company are parties to a Federal Trade Commission ("FTC") administrative complaint issued in January 1982 that alleges the acquisition by Goodrich of the Company's plastics subsidiary in 1981 would illegally reduce competition in the domestic production of vinyl chloride monomer and polyvinyl chloride resins. The Company and Goodrich believe the sale was lawful. The Company has agreed, however, that if a final judgment of a federal appeals court requires Goodrich to divest itself of the acquired assets and they are not sold to a third party, the Company will reacquire them. After a trial on the merits of this matter in 1985, an Administrative Law Judge ("ALJ") dismissed the complaint. The appeal before the FTC was heard in January 1986.

In March 1982, the FTC overturned the ALJ's decision in part and upheld it in part. The FTC ordered Goodrich to divest the vinyl chloride monomer plant in La Porte, Texas, within 12 months after the order becomes final, at no minimum price, to a FTC-approved acquirer. Goodrich petitioned the Second Circuit Court of Appeals for review of the FTC order. The appeal on the divestiture issue is pending.

In 1981, a manufacturer of pleasure boats and military craft sued the Company and Koppers Company, Inc. ("Koppers") alleging that a resin supplied by the Company and Koppers for use in making boat hulls caused blisters on the fiberglass parts of the pleasure boats resulting in claims for damages by the boat owners. The resin was supplied by the Company from 1975 until its resins business was sold to Koppers in late 1977. Thereafter, Koppers supplied the resin until 1981. In December 1983, the case was settled by the Company and Koppers agreeing to defend, indemnify and hold the boat manufacturer harmless from all boat claims which were asserted on or before June 30, 1985. In turn, the boat manufacturer agreed to resolve boat claims against Koppers and the Company asserted after June 30, 1985. In December 1988, the Company suspended its obligations under the settlement agreement to resolve claims against the boat manufacturer in view of the breach and/or anticipatory breach of said agreement by the boat manufacturer. In December of 1988, the boat manufacturer filed bankruptcy under Chapter 11 of the Bankruptcy Code. The bankruptcy filing stayed all proceedings against the boat manufacturer in every case in which it is a party. The Company will continue to defend all claims against it and Koppers asserted on or before June 30, 1985 and will defend all claims asserted against it subsequent to June 30, 1985. To date the Company has paid approximately \$9.0 million to settle claims and lawsuits arising from this matter. Although it is not possible to gauge the effect of the bankruptcy on further financial liability of the Company at this time, it is anticipated that it will cost at least an additional \$7.0 million to resolve pending and future claims and lawsuits.

The insurance companies which wrote the Company's primary and excess insurance during the relevant period have to date refused to provide coverage for the Company's losses and expenses arising from the Agent Orange litigation, the personal injury and property damage claims related to the Newark plant, the cleanup

of the Newark plant site, other environmental claims and the boat manufacturer claims. In two actions filed in New Jersey state courts and in an action filed in a California state court, the Company has commenced litigation against all of these insurers for declaratory judgments that it is entitled to coverage for these claims in accordance with the Company's understanding of the terms of the policies. During 1988 trial of the New Jersey action relating to Agent Orange and the Newark Plant was completed and a decision is expected in early 1989.

In November of 1987, the Company filed a lawsuit in Texas state court against Kidder, Peabody & Co. Incorporated, Martin A. Siegel and Ivan F. Boesky seeking damages of at least \$300.0 million arising from alleged leaks by Siegel to Boesky of confidential information about the 1983 acquisition of Natomas Company by a predecessor of the Company. At the time, Siegel was an officer and director of Kidder, Peabody, which acted as the Company's investment advisor for the Natomas acquisition. Subsequently, Kidder, Peabody filed declaratory judgment actions in Delaware state court and a Federal District Court in New York City seeking declarations that it had no liability to the Company for the activities of Siegel and Boesky. The Delaware state court action was dismissed by the Delaware Chancellor in January 1989. The Company has moved to dismiss or stay the New York action. Kidder, Peabody has moved to stay the Texas action and for summary judgment in the New York action. The Company believes that it is entitled to recover material amounts of damages from the defendants and will vigorously pursue its claims. Kidder, Peabody can be expected to continue to defend the litigation tenaciously. There can be no assurance that the Company will actually obtain any significant recovery.

The Company is also a party to a number of other lawsuits, the outcomes of which are not expected to have a material effect on the Company's operations or financial position.

**MAXUS ENERGY CORPORATION**  
**SUPPLEMENTARY FINANCIAL INFORMATION**  
(Unaudited)

(Data is as of December 31 of each year or for the year then ended and dollar amounts in tables are in millions, except per share, unless otherwise indicated.)

**QUARTERLY DATA**

	1988				
	March 31, (a)	June 30, (a)	September 30, (a)	December 31,	For the Year
Sales and operating revenues.....	\$162.7	\$151.6	\$131.2	\$129.4	\$574.9
Gross profit (b).....	32.2	28.7	14.2	(8.7)	66.4
Loss before cumulative effect of accounting change.....	(10.3)	(9.6)	(27.1)	(14.6)	(61.6)
Cumulative effect of accounting change.....	(70.0)				(70.0)
Net loss.....	(80.3)	(9.6)	(27.1)	(14.6)	(131.6)
Per Common Share					
Loss before cumulative effect of accounting change.....	\$ (.25)	\$ (.24)	\$ (.43)	\$ (.29)	\$(1.21)
Cumulative effect of accounting change.....	(.78)				(.78)
Net loss.....	(1.03)	(.24)	(.43)	(.29)	(1.99)
Cash dividends.....					
Market price per share					
Common					
High.....	8½	9	8½	7½	9
Low.....	6¼	6	6	6¾	6
\$4.00 Preferred					
High.....	37½	37¼	38	36½	38
Low.....	33¾	33½	33¾	33¾	33¾
			1987 (a)		
	March 31,	June 30,	September 30,	December 31,	For the Year
Sales and operating revenues.....	\$170.0	\$163.0	\$169.3	\$154.3	\$656.6
Gross profit (b).....	34.6	27.3	23.0	3.4	88.3
Income (loss) from continuing operations.....	1.5	(403.8)	(29.5)	(55.1)	(486.9)
Loss from discontinued operations.....	(51.1)	(1.6)			(52.7)
Net loss.....	(49.6)	(405.4)	(29.5)	(55.1)	(539.6)
Per Common Share					
Continuing.....	\$ (.06)	\$(4.66)	\$ (.46)	\$ (.74)	\$(5.67)
Discontinued.....	(.48)	(.02)			(.56)
Net loss.....	(.54)	(4.68)	(.46)	(.74)	(6.23)
Cash dividends.....	.10				.10
Market price per share					
Common—Diamond Shamrock Corporation					
High.....	16¾	17			17
Low.....	12¼	14¾			12¼
Common—Maxus Energy Corporation					
High.....		12½	16	13¼	16
Low.....		11	12¼	6	6
\$4.00 Preferred					
High.....	44¾	44½	46½	43	46¼
Low.....	38¾	38	41	32½	32½

(a) Restated to reflect adoption of SFAS 96 in the fourth quarter of 1987 effective January 1, 1988.

(b) Gross profit is sales and operating revenues less purchases and operating expenses and depreciation, depletion and amortization.

(c) See "Restructuring Program" and "Discontinued Operations" on F-12 in the Financial Summary. The high and low market prices per share of Common Stock reflect those of Diamond Shamrock Corporation prior to the spin-off of Diamond Shamrock R&M, Inc. effective April 30, 1987 and Maxus Energy Corporation during the period May 1, 1987 through December 31, 1987.

In 1987, due to the Company's purchase of its Common Stock, the weighted average number of Common shares outstanding used in calculating earnings per Common share varied significantly between the individual quarters and for the year. As a consequence of this share difference, along with the wide variation in quarterly earnings, calculated earnings per Common share for 1987 does not equal the sum of the quarters.

Price Waterhouse have made a limited review of the quarterly data presented above, in accordance with standards established by the American Institute of Certified Public Accountants. However, such limited review procedures do not constitute an examination in accordance with generally accepted auditing standards and accordingly, Price Waterhouse express no opinion thereon.