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STOCK PURCHASE AGREEMENT

By and Among

DIAMOND SHAMROCK CORPORATION

OCCIDENTAL PETROLEUM CORPORATION

OCCIDENTAL CHEMICAL HOLDING CORPORATION

and

OXY-DIAMOND ALKALI CORPORATION

dated

September 4, 1986

OCC 032905

OCCNJ 0000204

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Note: This Table of Contents shall not, for any purpose, be deemed to be part of this Agreement.

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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT ("Agreement") made as of the 4th day of September, 1986, by and among DIAMOND SHAMROCK CORPORATION, a Delaware corporation ("Seller"), OCCIDENTAL PETROLEUM CORPORATION, a Delaware corporation ("OPC"), OCCIDENTAL CHEMICAL HOLDING CORPORATION, a California corporation ("Oxy-Chem"), and OXY-DIAMOND ALKALI CORPORATION, a Delaware corporation ("Buyer");

W I T N E S S E T H:

WHEREAS, each of Oxy-Chem and Buyer is an indirect wholly owned subsidiary of OPC; and

WHEREAS, Seller is the record and beneficial owner of 1,000 shares, being all of the issued and outstanding shares, of Common Stock, par value \$1.00 per share (the "Shares"), of Diamond Shamrock Chemicals Company, a Delaware corporation ("DSCC"); and

WHEREAS, pursuant to this Agreement Buyer desires to acquire from Seller and Seller desires to transfer to Buyer substantially all of the Chemicals Business of the DSCC Companies, other than the Cogeneration Business Unit (as all of those terms are defined in Section

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2.02 hereof), and, in furtherance thereof, Seller desires to sell and transfer the Shares to Buyer and Buyer desires to purchase and acquire the Shares from Seller, all upon the terms and subject to the conditions hereinafter set forth; and

WHEREAS, OPC and Oxy-Chem have entered into this Agreement in order to induce Seller to enter into this Agreement.

NOW, THEREFORE, it is agreed as follows:

ARTICLE I

Purchase and Sale of Shares

Section 1.01 Purchase and Sale. Subject to the conditions set forth in Articles VI and VII hereof, at the Closing (as defined in Section 5.01 hereof), Buyer shall purchase and accept from Seller, and Seller shall sell, transfer and deliver to Buyer, the Shares for the Purchase Price (as defined in Section 1.02 hereof).

Section 1.02 Purchase Price. The aggregate consideration for the Shares shall be \$411,132,672 (the "Purchase Price"), consisting of (a) the assumption of the financial obligations described in Schedule 1.02 (the "Assumed Obligations") and (b) a cash payment (the "Cash Portion") equal to the Purchase Price less the amount of

the Assumed Obligations. For purposes of this Agreement, the amount of the Assumed Obligations shall be deemed to be equal to (i) the aggregate unpaid principal or the capitalized lease amount and any unamortized premiums of or related to the Assumed Obligations (the "Base Amount") less (ii) the portion thereof payable within one year (the "Current Portion"), all as reflected on the accounting records of Seller or DSCC, as applicable, and computed as of the Closing Date (as defined in Section 5.01 hereof) consistent with Schedule 1.02. Seller represents that Schedule 1.02 sets forth both the Base Amount reflected on said accounting records and the actual unpaid principal or capitalized lease amount and any unamortized premiums of or related to each of the Assumed Obligations, and the Current Portion as of July 31, 1986, together with a payment and amortization schedule through December 31, 1987. At the Closing, Buyer shall pay to Seller the Cash Portion as determined in accordance with this Article I, including Schedule 1.02, by wire transfer of immediately available funds to a bank account designated by Seller to Buyer prior to the Closing Date.

Section 1.03 Assumed Obligations. Prior to the Closing, Seller shall cause DSCC to assume the Assumed Obligations in accordance with Section 8.08 hereof.

Section 1.04 Net Working Capital.

(a) The Purchase Price has been determined on the assumption that, as of the Closing Date, the Net Working Capital (as defined in Exhibit 1.04) as reflected on the accounting records of DSCC will be \$100,000,000. Buyer shall cause the accounting records of the DSCC Companies to be closed as of the Closing Date. Not later than 90 calendar days after the Closing Date, Buyer shall cause DSCC to prepare a balance sheet of DSCC as of the Closing Date (the "Closing Date Balance Sheet") and a statement of changes in financial position for the month or period ending on the Closing Date. The Closing Date Balance Sheet shall reflect, subject to Exhibit 1.04, all events occurring through the end of the Closing Date. The Net Working Capital shall be computed by deducting the current liabilities from the current assets set forth in the Closing Date Balance Sheet, which shall be prepared in conformity with generally accepted accounting principles applied on a consistent basis ("GAAP"), as clarified, and subject to the adjustments indicated, in Exhibit 1.04. Without limiting

the generality of any other provision hereof, Seller shall be entitled to observe physical inventories, if any, and other procedures employed by DSCC in preparing the Closing Date Balance Sheet; provided, however, that Seller shall have the sole responsibility to make its own arrangements for and to carry out such observation. A copy of the Closing Date Balance Sheet and the related statement of changes in financial position shall be delivered to Seller and Seller shall have full access to accounting records, trial balances and reports from which the Net Working Capital computation was derived.

(b) Subject to Section 1.04(c) hereof, if the Net Working Capital as of the Closing Date as so computed is (i) less than \$100,000,000, Seller shall pay promptly to DSCC an amount by wire transfer of immediately available funds equal to the deficiency, together with interest thereon for each day after the Closing Date to the date of such payment at a per annum rate equal to the prime rate of Chemical Bank, N.A. (the "Interest Rate"), to an account to be designated in writing by DSCC to Seller, or (ii) greater than \$100,000,000, DSCC shall pay promptly to Seller an amount by wire transfer of immediately available funds equal to the excess, together with interest thereon for each day after the Closing Date to

the date of such payment at the Interest Rate, to an account to be designated in writing by Seller to DSCC.

(c) If, within 30 calendar days after DSCC's delivery of the computation of Net Working Capital to Seller pursuant to Section 1.04(a) hereof, Seller determines in good faith that the amount of Net Working Capital so computed is inaccurate, Seller shall give notice to DSCC within such 30 calendar-day period, (i) setting forth Seller's determination of the amount of Net Working Capital and (ii) specifying in reasonable detail Seller's basis for its disagreement with DSCC's computation. The failure by Seller so to express its disagreement within such 30 calendar-day period shall constitute acceptance of the amount of Net Working Capital so computed pursuant to Section 1.04(a) hereof. If Seller and DSCC are unable to resolve their disagreement within 30 calendar days after receipt by DSCC of notice of such disagreement, the items in dispute shall be referred for determination to a "Big 8" independent accounting firm (other than Arthur Andersen & Co. or Price Waterhouse) agreed upon by Seller and DSCC (the "Accountants") within such 30 calendar-day period. The Accountants shall make a determination as to each of the items in dispute, which determination shall be (i) in writing, (ii) furnished to

each of Seller and DSCC as promptly as practicable after the items in dispute have been referred to the Accountants, (iii) made in accordance with the accounting principles and procedures set forth in Exhibit 1.04, and (iv) conclusive and binding upon each of the parties hereto. The fees and expenses of the Accountants shall be shared equally by Seller and DSCC. Within three business days after the date on which the Accountants furnish to Seller and DSCC such firm's written determination, the appropriate party shall make payment in accordance with Section 1.04(b) hereof.

Section 1.05 Net Book Value of the Equity Companies.

(a) The Purchase Price has been determined on the assumption that, as of the Closing Date, the aggregate net book value determined in accordance with GAAP (as reflected on the books of DSCC) of those Subsidiaries (as defined in Section 2.02 hereof) and those assets which are listed in Schedule 1.05 (collectively, the "Equity Companies") will be \$43,132,672 (the "Assumed Value").

(b) Within 30 calendar days after the Closing Date, Buyer shall cause DSCC to compute the net book value (the "Closing Value") in accordance with GAAP of the Equity Companies (as then reflected on the books of DSCC) as of the Closing Date and to deliver to Seller such computation; and, within six calendar days after such delivery, either Seller (if the Closing Value is less than the Assumed Value) or Buyer (if the Closing Value exceeds the Assumed Value) shall make payment to the other in an amount equal to the difference between the actual Closing Value so computed and the Assumed Value, by wire transfer of immediately available funds, together with interest thereon at the Interest Rate for each day after the Closing Date to the date of such payment, to an account to be designated in writing by the party entitled to such payment. Any dispute concerning the amount of such difference shall be determined by the Accountants in the same manner as a dispute concerning the computation of Net Working Capital in accordance with Section 1.04(c) hereof.

Section 1.06 Carbochloro and DS Chile. Notwithstanding any other provision of this Article I, the parties hereto shall take the actions, if any, set forth in Exhibits 1.06(a) and 1.06(b) with respect to Carbo-

cloro S.A. Industrias Quimicas ("Carbocloro") and Diamond Shamrock de Chile S.A.I. ("DS Chile"), respectively.

ARTICLE II

Representations and Warranties of Seller

Seller hereby represents and warrants to Buyer, Oxy-Chem and OPC as follows:

Section 2.01 Organization of Seller. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Seller has the requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

Section 2.02 Organization of DSCC.

(a) Each of DSCC and each Significant Subsidiary (as hereinafter defined) is a corporation or other organization duly organized, validly existing and, if applicable, in good standing under the laws of its jurisdiction of incorporation or organization. Each of DSCC and each Significant Subsidiary has the requisite corporate or similar power and authority to own, operate and lease its properties and to carry on its business as now being conducted. Each of the DSCC Companies is duly licensed or qualified to do business as a foreign corpo-

ration and, if applicable, is in good standing, in all jurisdictions in which the character of the properties owned or leased by it or the nature of the business conducted by it requires it to be so licensed or qualified, other than such jurisdictions in which the failure to be so licensed or qualified or in good standing would not have a material adverse effect on the business, financial condition or results of operations of the Chemicals Business or of any Business Unit (as hereinafter defined).

(b) For purposes of this Agreement:

(i) the "DSCC Companies" shall mean DSCC and the Subsidiaries; (ii) the "Diamond Companies" shall mean Seller and its subsidiaries (including, without limitation, prior to the Closing, the DSCC Companies; but, following the Closing, excluding the DSCC Companies); (iii) the "Chemicals Business" shall mean the DSCC Companies taken as a whole and the Business Units taken as a whole, and the business being conducted by them in the aggregate as of the date of this Agreement, after giving effect to the changes up to the Closing Date permitted or contemplated by this Agreement (except for the consummation of the transactions contemplated by the Cogeneration Assets Purchase Agreement, in the form set forth in Exhibit 2.02 (the "Cogeneration Purchase Agreement")); (iv) the "Busi-

ness Units" of the Chemicals Business shall be deemed to consist of the principal lines of business of the Chemicals Business relating to each of the following:

(A) Chlor-alkali, (B) Soda Products other than Chrome, (C) Process Chemicals, (D) Chrome, and (E) Cogeneration;

(v) an "Entity" shall mean any person, firm, corporation, joint venture, general or limited partnership or other entity; (vi) "Subsidiary" shall mean an Entity other than an Excluded Asset (as defined in Section 8.09 hereof), 49% or more of the equity interests of which DSCC is, directly or indirectly, the record or beneficial owner; (vii) "Significant Subsidiary" shall mean each Subsidiary designated as such on Schedule 2.03; and (viii) the "Cogeneration Business Unit" shall mean the business and assets defined as such in the Cogeneration Purchase Agreement. Prior to the date of this Agreement, Seller has delivered to Buyer copies of the Certificate of Incorporation and By-laws, or comparable governing documents, of each of DSCC and each Significant Subsidiary as presently in effect. For the purpose of clarification but not limitation, a summary description of each Business Unit is set forth in Schedule 2.02.

Section 2.03 Subsidiaries. Schedule 2.03 lists the name and jurisdiction of incorporation or organization of each Subsidiary. Schedule 2.03 also sets forth, as to each Subsidiary, (a) whether it is active or inactive, (b) certain financial information as of June 30, 1986 and (c) the Business Units to which it relates, if active. DSCC has no Subsidiary, other than Carbochloro, which is material to the business, financial condition or results of operations of the Chemicals Business or of any Business Unit.

Section 2.04 Ownership of Shares.

(a) Seller owns the Shares, which constitute all the issued and outstanding shares of capital stock of DSCC, and DSCC owns directly or through another Subsidiary, or owns beneficially as to nominee qualifying shares identified on Schedule 2.03, the number of shares of capital stock of, or other equity interests in, each Subsidiary as set forth in Schedule 2.03 (the "Subsidiaries' Shares"). The Subsidiaries' Shares constitute the percentage equity interest so owned by DSCC in each Subsidiary as set forth in Schedule 2.03. Except as set forth in Schedule 2.03, the Shares and the Subsidiaries' Shares are so owned free and clear of all liens, mortgages, charges, security interests, encumbrances (includ-

ing, but not limited to, adverse claims), options or other restrictions or limitations of any kind whatsoever (individually and collectively, "Liens").

(b) Except as set forth on Schedule 2.03, upon delivery of and payment for the Shares as provided for in this Agreement, (i) if and to the extent Buyer is a bona fide purchaser with respect to the Shares, Buyer will acquire good and marketable title to the Shares, free and clear of all Liens, (ii) the DSCC Companies collectively have and, on the Closing Date will have, good and marketable title to the Subsidiaries' Shares, free and clear of all Liens, in each case other than Liens created, directly or indirectly by Buyer or OPC or any of their respective subsidiaries or affiliates, (iii) the Shares and the Subsidiaries' Shares are validly issued, fully paid and nonassessable, and (iv) there are no outstanding convertible or exchangeable securities, subscriptions, calls, commitments, preemptive rights, preferential rights, options, warrants, rights (contractual or arising by operation of law, including, without limitation, rights of first refusal) or other agreements relating to the purchase, other acquisition or voting (pursuant to a voting agreement or trust or otherwise) by any Entity of any shares of capital stock or

other equity or ownership interest in DSCC or any Significant Subsidiary (other than any such shares of capital stock or other equity or ownership interests which are owned by an Entity other than a Diamond Company).

(c) Except (i) for the Subsidiaries' Shares, (ii) as set forth in Schedule 2.04, and (iii) for the interests in the Excluded Assets (as defined in Section 8.09(a) hereof), DSCC does not own, directly or indirectly, any outstanding capital stock of, or other equity or ownership interest (or securities, rights or other interests convertible into capital stock or other equity or ownership interest) in any other Entity.

(d) Schedule 2.03 sets forth a list of all officers and directors of DSCC and of each Significant Subsidiary as of the date hereof.

Section 2.05 Corporate Power. Seller has the requisite corporate power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. Each Diamond Company has the requisite corporate power and authority to execute, deliver and perform all other agreements and instruments described in this Agreement and to be executed and delivered by it at or prior to the Closing, if any, as described in Schedule 2.05, in connection with the

transactions contemplated hereby (the "Related Documents"), and to consummate the transactions contemplated thereby. All corporate action on the part of each Diamond Company necessary to approve or to authorize the execution, delivery and performance of this Agreement and the Related Documents, and the consummation of the transactions contemplated hereby and thereby has been duly taken. This Agreement is a valid and binding obligation of, enforceable in accordance with its terms against, Seller. Each of the Related Documents is, or upon execution and delivery thereof will be, a valid and binding obligation of, enforceable in accordance with its terms against, each Diamond Company which is a party to such Related Document.

Section 2.06 No Conflicts. Except (a) for applicable requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (b) for the receipt of an administrative consent order (the "ACO") under the New Jersey Environmental Cleanup Responsibility Act, N.J. Stat. Ann. § 8 13.1K-6 to 13.1K14 ("ECRA"), with respect to DSCC's plants and facilities located in the State of New Jersey, and (c) as set forth in Schedule 2.06, neither the execution, delivery or performance by Seller of this Agreement or by any

Diamond Company of any Related Document to which it is or will be a party, nor the consummation by Seller of the transactions contemplated hereby or by any Diamond Company of the transactions contemplated thereby, will:

(i) conflict with or result in a breach of any provision of the Certificate of Incorporation or By-laws, or comparable governing documents, of Seller or any DSCC Company;

(ii) violate, constitute an event of default under, permit the termination of, give rise to a right to accelerate any indebtedness under, or otherwise breach or conflict with, any of the Assumed Obligations, any Contract (as defined in Section 2.16 hereof) listed or required to be listed in Schedule 2.16 hereto, any Lease (as defined in Section 2.11 hereof) listed or required to be listed in Schedule 2.11, 2.12 or 2.16 hereto or any governmental permit to which any of Seller or any DSCC Company is a party, is maker or guarantor, or by which any of them or any of their respective properties is bound, or result in the creation of any Lien upon the securities, prop-

erties, assets or businesses of Seller, DSCC or any Significant Subsidiary other than Permitted Liens (as defined in Section 2.11 hereof) and such Liens that may be imposed by or as a result of any action of Buyer, OPC, Oxy-Chem or any of their respective subsidiaries or affiliates;

(iii) violate any order, writ, injunction, decree, judgment, ruling, law, statute, rule or regulation of any governmental, judicial, legislative, executive, administrative or regulatory authority of the United States, or of any state, local or foreign government or any subdivision thereof, or of any Governmental Agency (as defined in Section 2.07 hereof) (individually and collectively "Laws"), applicable to Seller (to the extent applicable to the Chemicals Business) or any DSCC Company or by which Seller (to the extent applicable to the Chemicals Business) or any DSCC Company or any of their respective properties is bound; or

(iv) require any consent, approval, authorization or other order or action of, or notice to, or declaration, filing or registration with, any third party or any Governmental Agency;

in each case other than such of the foregoing matters which, or the absence of which, would not, either individually or when taken together with all other related matters, have a material adverse effect on the business, financial condition or results of operations of Seller, the Chemicals Business or of any Business Unit. Notwithstanding any other provision of this Agreement (including, without limitation, this Section 2.06 or Section 2.07 hereof), no representation is made by Seller with respect to the effect of the HSR Act or any other anti-trust or similar Law on the consummation of the transactions contemplated by this Agreement or any of the Related Documents.

Section 2.07 Litigation; Compliance with Laws.

(a) Except as set forth in Schedule 2.07, no DSCC Company is in violation of any applicable Law, other than Environmental Laws (as hereinafter defined) for which provision is made in Section 2.07(e) hereof, or any permits, licenses, franchises or

other governmental authorizations issued or required to be obtained thereunder, where the penalty for, or any other effect of, any such violation would, either individually or when taken together with the effects and penalties of all related violations, have a material adverse effect on the business, financial condition or results of operations of the Chemicals Business, of the Cogeneration Business Unit or of any other Business Unit.

(b) Except as set forth in Schedule 2.07, there is no Litigation (as hereinafter defined) by or before any (i) court, (ii) governmental body or other regulatory or administrative agency or commission, domestic or foreign ("Governmental Agency"), or (iii) arbitrator, in each case pending or, to the knowledge of Seller, threatened, to which any DSCC Company or (to the extent relating to the Chemicals Business) Seller, is a party or by which any of its assets or properties may be bound or affected, other than (x) Litigation involving claims for money damages alone of less than \$50,000 with respect to any single claim, or \$500,000 in the aggregate with respect to any related claims, and (y) any and all other Litigation (none of which exists to the knowledge of Seller), none of which if adversely decided, either individually or when taken together with all related Litiga-

tion, would have a material adverse effect on the business, financial condition or results of operations of the Chemicals Business or of any Business Unit. For purposes of this Agreement, "Litigation" shall mean any action, suit, claim, proceeding, investigation or written governmental inquiry.

(c) There is no Litigation by or before any (i) court, (ii) Governmental Agency, or (iii) arbitrator, in each case pending or, to the knowledge of Seller, threatened, which seeks to restrain, enjoin, prevent the consummation of, or otherwise challenge this Agreement, any of the Related Documents, or any of the transactions contemplated hereby or thereby; subject, however, to the last sentence of Section 2.06 hereof or any Litigation commenced by a federal Governmental Agency related thereto.

(d) Except as set forth in Schedule 2.07, no DSCC Company is bound by any judgment, ruling, order or decree applicable to its business where the effect, either individually or when taken together with all others, would have a material adverse effect on the business, financial condition or results of operations of the Chemicals Business or of any Business Unit, or, as to any matter involving any Environmental Law, of any Active

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Site (as defined in Section 10.01 hereof) designated with an asterisk on Schedule 10.01.

(e) Except as set forth in Schedule 2.07, each DSCC Company is in substantial compliance with all applicable Environmental Laws and has obtained and is in compliance with all permits, licenses and other authorizations ("Environmental Permits") required under any such Environmental Laws, except where failure to comply with such Environmental Laws or to obtain and comply with any Environmental Permit would not have any material adverse effect on the business, financial condition or results of operations of the Chemicals Business or of any Business Unit or of any Active Site. Except as set forth in Schedule 2.07, to the knowledge of Seller, after making the type of inquiry contemplated by Section 2.25 hereof including, without limitation, inquiry of any employee of any of the Diamond Companies (i) as to domestic sites, who has environmental compliance management responsibility over environmental matters for any Active Site, and (ii) as to foreign sites, whose principal responsibility is the management of environmental compliance, there is no past or present event, condition or circumstance that is likely to interfere substantially with any DSCC Company's compliance or continued compli-

ance with the Environmental Laws or constitute a violation thereof, except where any such interference with compliance, or any such violation, would not have any material adverse effect on the business, financial condition or results of operation of the Chemicals Business or of any Business Unit or of any Active Site. Notwithstanding any other provision of this Agreement, no Diamond Company shall have any liability or obligation under any provision of this Agreement, other than Article X hereof, relating to, resulting from or arising out of any matter the costs and expenses with regard to which would constitute Environmental Costs (as defined in Section 10.01(c) hereof), by reason of Seller's representations and warranties contained in this Section 2.07(e); provided, however, that nothing contained in this sentence shall affect Seller's obligations, if any, under Sections 9.03(a)(ii) through (ix) hereof, inclusive.

(f) For purposes of this Agreement other than Article X hereof, "Environmental Laws" shall mean existing Laws relating to pollution or protection of the environment (including ambient air, surface water, groundwater, land surface and subsurface strata), including without limitation the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as

amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and other Laws relating to (i) emissions, discharges or releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes (collectively "Polluting Substances") or (ii) the manufacture, processing, distribution, use, treatment, handling, storage, disposal or transportation of Polluting Substances.

(g) Schedule 2.07(g) sets forth a list, as of the date hereof, of (i) all Inactive Sites and other properties covered by Section 9.03(a)(iii) hereof which are included on the "national priority list" under CERCLA ("Superfund Sites") and (ii) all Inactive Sites as to which, to the knowledge of Seller, any DSCC Company is subject to a proceeding under any federal or state Environmental Law which imposes financial obligations substantially similar to CERCLA with respect to any release, storage, disposal or clean-up of Polluting Substances.

Section 2.08 Financial Statements.

(a) Schedule 2.08 sets forth the pro forma consolidated balance sheets of the Chemicals Business as at December 31, 1984 (the "1984 Balance Sheet"), December 31, 1985 (the "1985 Balance Sheet") and March 31, 1986 (the "Interim Balance Sheet"), and the related pro forma consolidated statements of income for the periods ended December 31, 1985 and March 31, 1986 and changes in financial position for the periods ended December 31, 1985 and March 31, 1986, including footnotes for the 1985 Balance Sheet and the Interim Balance Sheet and related pro forma consolidated statements of income and changes in financial position (collectively, with the balance sheets, the "Financial Statements"). Certain assets of the Chemicals Business identified in the footnotes for the 1985 Balance Sheet are excluded from the Financial Statements. The Financial Statements as at, and for the period ending on, December 31, 1985 are sometimes referred to herein as the "1985 Financial Statements", and the Financial Statements as at and for the period ending on March 31, 1986 are sometimes referred to herein as the "Interim Financial Statements." The 1984 Balance Sheet and the 1985 Financial Statements have been audited by Price Waterhouse, which firm's opinion thereon

is included in Schedule 2.08. In the opinion of Seller the accounting and control systems of DSCC are adequate to provide reasonable assurance that there are no material errors in the Financial Statements. The Financial Statements present fairly the pro forma consolidated financial position of the Chemicals Business as of the respective dates, and the results of operations for the periods then ending, and changes in financial position for the periods ending December 31, 1985 and March 31, 1986, in conformity with GAAP.

(b) To the knowledge of Seller, no DSCC Company has any liabilities (whether absolute or contingent) which are not reflected in the 1985 Financial Statements, except (i) matters expressly identified or referred to in any Exhibit or Schedule, (ii) matters which are not required to be expressly so identified or referred to in any such Exhibit or Schedule by reason of any express limitation or exclusion in any representations, warranty, covenant, agreement or undertaking contained in this Agreement, (iii) contingent liabilities or obligations arising after December 31, 1985 in the ordinary course of business of the Chemicals Business, and (iv) such liabilities or obligations which individually, or with respect to a series of related matters, would not

have a material adverse effect on the business, financial condition or results of operations of the Chemicals Business.

Section 2.09 Conduct of Business; No Material Adverse Change.

(a) Except as expressly permitted or contemplated by this Agreement and except as set forth in Schedule 2.09, since December 31, 1985, the business of each of DSCC and each Significant Subsidiary, and each of the businesses deemed included in each of the Business Units, has been conducted only in the ordinary course consistent with past practice.

(b) Except (i) as set forth in Schedule 2.09, (ii) as expressly permitted or contemplated by this Agreement, or (iii) for changes in general economic conditions, since June 30, 1986, there has not been any material adverse change in or effect on the business, results of operations or financial condition of the Chemicals Business or of any Business Unit.

Section 2.10 Material Assets. Except as set forth in Schedule 8.09(b), the DSCC Companies collectively have good and marketable title to, a leasehold interest in or the right to use all of the assets which are material to the business, financial condition or results

of operation of the Chemicals Business or of any Business Unit (other than interests in real property for which provision is made in Section 2.11 hereof) free and clear of all Liens other than Permitted Liens. The DSCC Companies prior to the Closing collectively will have good and marketable title to all of the assets to be transferred to the DSCC Companies prior to or concurrently with the Closing which are listed on Schedule 8.09(b) free and clear of all Liens other than Permitted Liens. All of the tangible assets owned, leased or used by any DSCC Company which are material to the business, financial condition or results of operations of the Chemicals Business or of any Business Unit, are, in the aggregate, in good and serviceable condition in accordance with industry practice, normal wear and tear excepted, and as such are adequate in the aggregate to conduct the businesses of the Chemicals Business and of each Business Unit as presently conducted. As of the Closing, except with respect to, and to the extent of, the transfers contemplated by Sections 8.09 and 8.17 hereof and subject to the transactions contemplated by the Cogeneration Purchase Agreement, the rights, properties and other assets owned, leased or licensed by each DSCC Company will include all rights, properties and other assets used in or

necessary to permit the DSCC Companies to conduct their businesses in all material respects in the same manner as their businesses are being conducted prior to the date hereof.

Section 2.11 Real Property Interests.

(a) Schedule 2.11 contains a brief description of all real property owned by any DSCC Company or owned by any Diamond Company and to be transferred to a DSCC Company prior to or concurrently with the Closing, and a brief description of each interest in real property held under a Lease (as hereinafter defined) to which any DSCC Company is a party, or to which any Diamond Company is a party and which is to be assigned to a DSCC Company prior to or concurrently with the Closing (including as to each Lease the annual amount payable, a brief summary of or reference to any other financial obligations, the expiration date and any renewal options and the location of the property covered), in each case excluding such interests which do not have a value or require annual payments in excess of \$100,000. Each Lease listed or required to be listed in Schedule 2.11 constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforcement against third parties may be limited by bankruptcy, insolvency or

other similar Laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies against third parties, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought.

(b) No Diamond Company or, to the knowledge of Seller, any other party, is in default in any material respect under any such Lease, or related guarantee; no event has occurred, and no condition exists, which with the passage of time or giving of notice, or both, would constitute such a default by any Diamond Company or, to the knowledge of Seller, any other party which has not been cured; and, to the knowledge of Seller, no condemnation proceedings have been instituted with respect to any real property owned or leased by any DSCC Company or by any Diamond Company and to be transferred to any DSCC Company prior to or concurrently with the Closing.

(c) Except as set forth in Schedule 2.11, one of the DSCC Companies has good and marketable title to the real property described in Schedule 2.11 as being owned by such DSCC Company, free and clear of all Liens except for Permitted Liens.

(d) For purposes of this Agreement, the term "Permitted Liens" shall mean with respect to any properties or assets (i) Liens shown in the Financial Statements as securing specified liabilities or obligations with respect to which no default exists, (ii) minor imperfections of title, if any, none of which materially detracts from the value, impairs the marketability of title or materially impairs the use or operation of the property or asset subject thereto, or materially impairs the business, financial condition or results of operations of the Chemicals Business or of any Business Unit, (iii) Liens for current Taxes (as defined in Section 2.14 hereof), assessments and other governmental charges not yet due, or which may thereafter be paid without penalty, or which are being contested in good faith by Seller or a DSCC Company, (iv) mechanics', carriers', workers', repairmen's or other like liens (inchoate or otherwise) or Liens on leasehold interests with respect to equipment leases listed on Schedule 2.12 or which are not required to be so listed because they do not require annual rental payments to the lessor in excess of \$100,000, in each case arising or incurred in the ordinary course of business in respect of obligations which are not overdue or which are being contested in good faith by Seller or a

DSCC Company, (v) easements, covenants, rights of way, mineral reservations and other similar restrictions or conditions of record, if any, none of which impairs the use or operation of the property as it is presently being used or operated, (vi) zoning and other restrictions as a matter of law, (vii) Liens listed in Schedule 2.11, (viii) Liens for which the liabilities and obligations related thereto have been fully discharged, satisfied and performed and (ix) Liens against any of the Cogeneration Assets (as defined in the Cogeneration Purchase Agreement) which are created or imposed as a result of the consummation of the transactions contemplated by the Cogeneration Purchase Agreement.

(e) For purposes of this Agreement, "Lease" shall mean any lease, sublease, sub-sublease, prime lease, easement (other than a Permitted Lien), license, right-of-way or similar interest in real or personal property under which any DSCC Company is a party or holds or operates such property, or under which any Diamond Company is a party or holds or operates such property and which is to be assigned to a DSCC Company prior to or concurrently with the Closing.

Section 2.12 Leases of Personal Property.

Schedule 2.12 contains a list of all Leases pursuant to which any DSCC Company leases personal property, or pursuant to which any Diamond Company leases personal property and which are to be assigned to a DSCC Company prior to or concurrently with the Closing, and, in each case, which require annual rental and other payments to the Lessor in excess of \$100,000. Except as set forth in Schedule 2.12, (a) each such Lease constitutes a valid and binding obligation enforceable in accordance with its terms, except as enforcement against third parties may be limited by bankruptcy, insolvency or other similar Laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies against third parties, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought, (b) each such Lease is in full force and effect, (c) there are no existing material defaults by any Diamond Company, or to the knowledge of Seller, any other party, thereunder, and (d) no event has occurred nor does there exist any condition, which with the passage of time or giving of notice, or both, would constitute such a material default by any Diamond Company or, to the knowledge of Seller, any other

party. Except as set forth in Schedule 2.12, no DSCC Company has assigned any of its rights or interests under any such Lease.

Section 2.13 Bank Accounts. Except as indicated thereon, Schedule 2.13 sets forth the names and locations of all banks, trust companies, savings and loan associations and other financial institutions at which DSCC or any Significant Subsidiary maintains safe deposit boxes, lock boxes or bank accounts of any nature and the names of all persons authorized to draw thereon, make withdrawals therefrom or have access thereto.

Section 2.14 Taxes.

(a) Except as to taxing jurisdictions (other than the federal government of the United States) in which no license or qualification is required (as contemplated by the representation as to licenses and qualifications set forth in Section 2.02 hereof), all Tax (as hereinafter defined) reports and returns required to be filed by or on behalf of each DSCC Company have been duly filed, and all Taxes required to be paid by each DSCC Company have been duly paid, except to the extent of (i) reserves reflected in the Interim Balance Sheet (including reserves for current Taxes not yet due) and in the respective balance sheets of the Equity Companies,

(ii) Taxes that have become due (and are not overdue) since the dates of the Interim Balance Sheet and of the respective balance sheets of the Equity Companies, and (iii) Taxes that are being contested in good faith by Seller or a DSCC Company as described on Schedule 2.14. The reserves for accrued liabilities for Taxes reflected in the Interim Balance Sheet and the respective balance sheets of the Equity Companies were adequate in the aggregate for the payment of all unpaid Taxes, whether or not disputed, for the period ended as of the date thereof or for any period or year prior thereto, and for which any DSCC Company may be liable in its own right, as a withholding agent or as transferee of the assets of, or successor to, any Entity.

(b) The tax returns of each DSCC Company have been examined by the Internal Revenue Service ("IRS") and by each such domestic state and local taxing authority that routinely conducts periodic audits in respect of income and franchise tax returns, for all periods to and including those set forth with respect to each such Entity in Schedule 2.14. Except to the extent shown in Schedule 2.14, all deficiencies asserted as a result of such examinations have been paid or finally settled, and no issue relating to DSCC or any Significant

Subsidiary has been raised by the IRS or any such state or local taxing authority with respect to any tax year in any such examination which, to the knowledge of Seller, by application of the same or substantially similar principles, reasonably could be expected to result in a material tax deficiency for any other period not so examined.

(c) Except to the extent set forth in Schedule 2.14, there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any return of any DSCC Company for any period in respect of any income or franchise tax requirement of the United States or any state thereof. All such income and franchise tax returns for such DSCC Companies in respect of all years not barred by the statute of limitations are listed in Schedule 2.14. Seller will provide to Buyer copies of income and franchise tax returns not barred by statute, as listed on Schedule 2.14, on or before Closing.

(d) Neither Seller nor any DSCC Company has, with regard to any assets or property held, acquired or to be acquired by any of them, filed a consent to the application of Section 341(f)(2) of the Internal Revenue Code of 1954, as amended (the "Code").

(e) Prior to September, 1983, DSCC as the parent of a consolidated return group (the "Consolidated Group") and together with each of its subsidiaries includible within such Consolidated Group (the "Includible Subsidiaries") filed consolidated federal income tax returns. In 1983, Seller, without terminating the prior Consolidated Group, replaced DSCC as the parent of the Consolidated Group pursuant to the Reorganization (as defined in Section 2.23 hereof), and continued to file consolidated federal income tax returns which included DSCC and the Includible Subsidiaries.

(f) For purposes of this Agreement, "Taxes" shall mean all taxes, charges, fees, levies or other assessments imposed by any federal, state, local or foreign taxing authority, including without limitation, income, excise, property, sales, occupation, use, service, service use, leasing, leasing use, value added, transfer, payroll and franchise taxes and all other similar taxes (including any interest, penalties or additions to tax attributable to or imposed on or with respect to any such assessment).

(g) All representations and warranties in this Section 2.14 with respect to any Equity Company are made to the knowledge of Seller.

Section 2.15 Employee Matters.

(a) For purposes of this Agreement, "Plan" shall mean any bonus, deferred compensation, incentive compensation, severance or termination pay, hospitalization or other medical, stock purchase, stock option, pension, life or other insurance, S.U.B., profit sharing or retirement plan or agreement or policy or other arrangement providing employment-related benefits (including, without limitation, "employee-pension benefit plans" and "employee welfare benefit plans" as defined in the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder ("ERISA")). Schedule 2.15 contains a list of each Plan established in the United States maintained by or contributed to, or with respect to which costs are incurred or liabilities accrued by, any Diamond Company, for the benefit of any employees of any DSCC Company on the Closing Date, including any employees of Seller whose functions relate to the operations of any DSCC Company and who are transferred to a DSCC Company prior to the Closing Date, and including such employees who are on the

Closing Date on short-term disability, sick leave or other leave of absence, but excluding such employees who are on the Closing Date on long-term disability and excluding employees who retire from or otherwise terminate employment with any DSCC Company before the Closing Date (collectively, the "Employees") (such Plans are hereinafter called "Seller's Plans"). No DSCC Company has any announced plan or legally binding commitment to create any additional Seller's Plans or to modify or change any existing Seller's Plans except as described in Schedule 2.15. Each of Seller's Plans that is not sponsored by Seller, but is instead sponsored by a DSCC Company, is designated as such on Schedule 2.15 and such Seller's Plans are collectively called herein the "DSCC Plans."

(b) Except as set forth in Schedule 2.15, (i) none of the Seller's Plans which is an "employee pension benefit plan," as such term is defined in Section 3 of ERISA (collectively, the "ERISA Plans"), is a "multiemployer pension plan" as that term is defined in Section 3(37) of ERISA, or a "multiple employer pension plan" described in Section 4063 of ERISA, (ii) to the knowledge of Seller, neither any DSCC Company nor any of the ERISA Plans, nor any trust created thereunder, nor any trustee or administrator thereof, has engaged in a

transaction in connection with which any DSCC Company is subject to the lawful imposition of either a civil penalty assessed pursuant to Section 502(i) of ERISA, or a tax imposed pursuant to Section 4975 of the Code, (iii) to the knowledge of Seller, no liability under Title IV of ERISA has been incurred by any DSCC Company or ERISA Plan since the effective date of ERISA which has not been satisfied in full, other than liability for premiums that are not yet due and payable to the Pension Benefit Guaranty Corporation ("PBGC"), and there exists no fact or circumstance which is expected to result in such liability, (iv) neither any Diamond Company nor the PBGC has instituted proceedings to terminate any of the ERISA Plans that are single employer plans subject to Title IV of ERISA, (v) full payment has been made, or will be made in accordance with Section 404(a)(6) of the Code, of all amounts which any DSCC Company is required to pay under the terms of each of the ERISA Plans as a contribution to the ERISA Plans, and none of the ERISA Plans nor any trust established thereunder has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, (vi) Seller has delivered to Buyer a true and complete copy of the most recent actuarial report for

each of the Seller's Pension Plans (as defined in Section 4.02(a)) and, to the knowledge of Seller, such actuarial reports are accurate and complete as of the date thereof, (vii) Seller has delivered to Buyer a copy of Seller's Employee Shareholding and Investment Plan, Pension Plan for Employees of Process Chemicals Division Represented by Collective Bargaining Agents ("Process Plan") and Pension Plan for Hourly-Rated Employees ("Hourly Plan") as currently in effect and of the most recent determination letter for each of said plans, and, to the knowledge of Seller, there exists no fact or circumstance that would adversely affect the qualified status of said plans, (viii) with respect to those ERISA Plans which are "multiemployer pension plans", (A) no DSCC Company has, since September 26, 1980, made or suffered a "complete withdrawal" or a "partial withdrawal", as such terms are respectively defined in Sections 4203 and 4205 of ERISA, (B) to the knowledge of Seller, no event has occurred which presents a material risk of a "partial withdrawal" under Section 4205(a)(1) of ERISA, and (C) Seller has provided Buyer with a copy of the estimated withdrawal liability worksheet and the contribution history transmitted by the applicable Plan administrator by a letter dated July 24, 1986, and (ix) there is no material pend-

ing or, to the knowledge of Seller, threatened Litigation by or on behalf of any of Seller's Plans, by any Employee or beneficiary covered under any of Seller's Plans, or otherwise involving any of Seller's Plans (other than routine claims for benefits).

(c) With respect to each Plan established outside the United States, maintained by or contributed to, or with respect to which costs are incurred by, any Diamond Company for the benefit of any Employees, to the knowledge of Seller, each majority owned Diamond Company is in compliance with all applicable Laws and with all its obligations under such Plans.

Section 2.16 Contracts. Schedule 2.16 lists all notes, bonds, mortgages, indentures, deeds of trust, licenses, franchises, contracts, agreements, instruments and guarantees (individually or collectively, "Contracts") to which any DSCC Company is a party or by which any of them or any of their respective assets is bound, or to which any Diamond Company is a party or any of them or any of their respective properties is bound and which is to be assigned to a DSCC Company prior to or concurrently with the Closing, which (a) by their terms call for payments to be made or received in any one year from and after the date hereof of more than \$1,000,000, or

have a term of over one year from and after the date hereof and by their terms call for payments to be made or received in any one year from and after the date hereof of more than \$250,000, (b) are with any Employee and provide for compensation in any year of more than \$50,000, including, without limitation, employment contracts of the foregoing nature (not terminable at will) with any Employee, but not including any item listed on Schedule 2.15, (c) contain any covenants limiting the freedom of any DSCC Company to compete in any line of business or with any Entity in any geographical area which is in either case material to the business of the Chemicals Business or of any Business Unit, (d) relate to the proposed purchase or sale of any property (other than in the ordinary course of business) for an aggregate price of more than \$1,000,000, (e) require the provision of capital or funds by way of a loan or advance of funds or capital contribution to, or other investment in, or guaranty of, the obligations of any Entity in excess of \$1,000,000, or (f) constitute or secure any of the Assumed Obligations. Except as set forth in Schedule 2.16, (i) all such Contracts listed or required to be listed pursuant to subparagraphs (a), (d), (e) and (f) above are valid and binding obligations enforceable in accordance

with their respective terms, and (ii) all such Contracts listed or required to be listed pursuant to subparagraphs (b) and (c) above are, to the knowledge of Seller, valid and binding obligations enforceable in accordance with their respective terms, and in the case of clauses (i) and (ii) above, except as enforcement against third parties may be limited by bankruptcy, insolvency or other similar Laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies against third parties, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought. Except as set forth in Schedule 2.16, no Diamond Company is in default in any material respect under any such Contract; nor, to the knowledge of Seller, is any other party to any such Contract in default in any material respect thereunder; nor does there exist any event or condition which, with the passage of time or giving of notice, or both, would constitute such a default by any Diamond Company or, to the knowledge of Seller, any other party thereto.

Section 2.17 Intellectual Property.

(a) Schedule 2.17 lists those trademarks, trade names, licenses, service marks, copyrights, patents and patent applications which Seller reasonably deems to be material to the Chemicals Business or any Business Unit. The DSCC Companies collectively own, are licensed or otherwise have the right to use each item of technology, know-how and processes, and each trademark or service mark or application therefor, trade name, copyright, patent or application therefor, and any license relating thereto and any machines, articles of manufacture, composition of matter, processes and other inventions (collectively, "Inventions") covered thereby, free and clear of all Liens except Permitted Liens, which are material to the business, financial condition or results of operations of the Chemicals Business or of any Business Unit as presently conducted. Except as otherwise set forth in Schedule 2.17 hereto, neither Seller nor any DSCC Company has been notified in writing that the conduct of the businesses of the DSCC Companies infringes upon any trademark, service mark, trade name, copyright, patent, or rights in technology, know-how or processes, of any nonaffiliated Entity.

(b) All patents, patent applications, trademarks, service marks, trademark applications and service mark applications listed in Schedule 2.17, if any, have been duly issued, registered or filed (as the case may be) in the United States Patent and Trademark Office or, as to other countries, in the corresponding offices of such other countries and have been properly maintained and renewed in all material respects in accordance with all applicable legal requirements. Except as set forth in Schedule 2.17, the DSCC Companies have the right to use, without the payment of royalties, the names and marks, if any, listed in Schedule 2.17 in the geographic areas in which they are presently being used.

(c) No claims have been asserted which are presently pending against any Diamond Company in any Litigation by any Entity of an adverse right to the use of any such patented and unpatented Inventions listed in Schedule 2.17, or challenging or questioning the validity of any such patent or the validity or effectiveness of any such license or agreement listed in Schedule 2.17; and, to the knowledge of Seller, there is no valid basis for any such claim and the use of such Inventions by any DSCC Company does not infringe on the patent, trademark, service mark or proprietary information rights or other

rights of any other Entity, in each case other than such claims which would not, individually or when taken together with all other related matters, have a material adverse effect on the business, financial condition or results of operations of the Chemicals Business or of any Business Unit.

Section 2.18 Insurance. Schedule 2.18 sets forth a description (specifying the insurer, the policy number or covering note number with respect to binders) of all Current Policies (as hereinafter defined), if any, of fire, liability, product liability, worker's compensation, vehicular, directors' and officers' liability, crime, fiduciary, builders' risk, boiler and machinery, property (including business interruption), marine (including hull and machinery, protection/indemnity, war risk, water pollution, warfingers and charterers' liability), cargo (both inland and marine), errors and omissions, aviation, contractor's liabilities, seepage and pollution, performance and surety bonds and letters of credit and other insurance held by or on behalf of, or providing coverage for, any DSCC Company. For purposes of this Agreement "Current Policy" shall mean any policy or binder (other than binders which have been replaced by subsequently received policies) which covers events or

occurrences or requires payment of any premiums on or after the date of this Agreement. Schedule 2.18 also sets forth a similar description of all policies and binders providing coverage for any of the DSCC Companies other than Current Policies which Seller, after a diligent search of the records maintained by the appropriate Diamond Company relating to the DSCC Companies and after appropriate inquiry of its insurance brokers, has been able to locate. Except as set forth on Schedule 2.18, all such policies and binders are, as of the date of this Agreement, in full force and effect.

Section 2.19 Labor Relations. No DSCC Company is a party to any collective bargaining agreement or published personnel policy generally applicable to domestic Employees other than those listed on Schedule 2.19, copies of which have heretofore been delivered to Buyer. Except to the extent set forth in Schedule 2.19, (a) there is no unfair labor practice charge or complaint against any DSCC Company pending before the National Labor Relations Board ("NLRB"), (b) there is no labor strike, or organized dispute, slowdown or work stoppage actually pending or, to the knowledge of Seller, threatened against or affecting any DSCC Company which would have a material adverse effect on the business, financial

condition or results of operations of the Chemicals Business or of any Business Unit, (c) there is no union representation claim or petition pending before the NLRB with respect to Employees of any DSCC Company, (d) no grievance or arbitration proceeding arising out of or under a collective bargaining agreement is pending and, to the knowledge of Seller, no claim therefor exists, which in either event would have a material and adverse effect on the business, financial condition or results of operations of the Chemicals Business or of any Business Unit, and (e) no DSCC Company has experienced any organized work stoppage in excess of ten working days in the past five years.

Section 2.20 Brokers. No Diamond Company has retained any broker or finder, and no broker or finder has acted on behalf of any Diamond Company, in connection with this Agreement or any of the Related Documents or the transactions provided for hereby or thereby, except that Seller has retained and agreed to pay the fees of The First Boston Corporation in connection with this Agreement and the transactions contemplated hereby.

Section 2.21 SEC Reports. Each of Seller and DSCC has previously filed with the Securities and Exchange Commission all reports required to be filed by it pursuant to the Securities Exchange Act of 1934, as amended ("1934 Act Reports"). None of the 1934 Act Reports (including financial statements contained or incorporated therein) contains an untrue statement of a material fact or omits to state any material fact necessary, in light of the circumstances under which it was made, in order to make the statements therein not misleading. Since December 31, 1985, there has been no material adverse change in the business, financial condition or results of operation of the Diamond Companies (not taking into account the DSCC Companies, provision for which is made elsewhere herein), taken as a whole, except for changes generally affecting the industries in which the Diamond Companies are engaged in business and for matters which have been disclosed publicly by Seller.

Section 2.22 Cogeneration.

(a) The Cogeneration Agreement between DSCC and Houston Lighting & Power Company ("HLP"), dated August 6, 1984 (the "Cogeneration Agreement"), is a valid and binding obligation, enforceable in accordance with its terms, except as enforcement against third parties

may be limited by bankruptcy, insolvency or other similar Laws affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies against third parties, including specific performance, is subject to the discretion of the court before which any proceeding therefor may be brought. DSCC is not in default under the Cogeneration Agreement in any material respect; nor, to the knowledge of Seller, is HLP in material default thereunder; nor does there exist any event or condition, which upon the giving of notice or the lapse of time or both, would constitute a material default or event of default on the part of either DSCC or HLP. Except as set forth in Schedule 2.22, neither Seller nor DSCC is a party to any legally binding agreement, letter, memorandum of understanding or other document that amends or clarifies the Cogeneration Agreement or any provision therein.

(b) Schedule 2.22 lists all Contracts, legally binding arrangements and understandings, leases or rental agreements, substantially relating to the facilities located at DSCC's Deer Park Plant at 1101 Tidal Road, Deer Park, Texas and at DSCC's Battleground Plant at 2800 Battleground Road, La Porte, Texas (the "Cogeneration Facilities") to which any ^{of} Diamond Company is a

party or by which any of its properties is bound and which are material to the Cogeneration Business Unit (collectively, the "Related Cogeneration Contracts"). No Diamond Company is in default under any of the Related Cogeneration Contracts in any material respect, nor does there exist any event or condition, which upon the giving of notice or the lapse of time or both, would constitute a material default or event of default by any Diamond Company under any of the Related Cogeneration Contracts. Except as disclosed in Schedule 2.22, no Diamond Company is a party to any legally binding agreement, letter, memorandum of understanding or other document that amends or clarifies any Related Cogeneration Contract or any provisions therein in any material respect.

(c) Schedule 2.22 sets forth a copy of the self-qualifying certificates filed in respect of each of the Cogeneration Facilities with the Federal Energy Regulatory Commission under the Public Utility Regulatory Policies Act of 1978, as amended, and the regulations thereunder, which certificates are not the subject of any pending or, to the knowledge of Seller, threatened litigation. No response was received from the Federal Energy Regulatory Commission within 90 calendar days after the filing of such certificates. Each of the Cogeneration

Facilities is a "qualified cogeneration facility" within the meaning of (i) the Texas Public Utility Regulatory Act, (ii) the rules of the Public Utility Commission of Texas and (iii) the Public Utility Regulatory Policies Act of 1978, as amended.

(d) Each of the Cogeneration Facilities is free from the requirements of the Powerplant and Industrial Fuel Use Act of 1978 (the "Fuel Use Act") because each Cogeneration Facility is not now an "electric powerplant" as that term is defined in the Fuel Use Act.

Section 2.23 The Reorganization.

(a) Seller has advised Buyer that during 1983 and 1984 Seller, DSCC and certain other of the Diamond Companies consummated a corporate reorganization, one of the results of which was that DSCC became a wholly owned subsidiary of Seller (the "Reorganization") and that, prior to the Reorganization, DSCC was engaged, directly or through one or more subsidiaries or other Entities, in various businesses in addition to the Chemicals Business.

(b) For purposes of this Agreement, "Historical Obligations" shall mean those obligations, liabilities, guarantees and contingent liabilities of the DSCC Companies, or any of them, which arose prior to or

in connection with the Reorganization and which relate to any business, asset or property other than those of the Chemicals Business. Schedule 2.23 sets forth a description of certain specific Historical Obligations and describes by category all other Historical Obligations. Except as so described in Schedule 2.23, to the knowledge of Seller, there are no other Historical Obligations of the DSCC Companies, except for obligations, liabilities, guarantees or contingent liabilities which are not material to the business, financial condition or results of operations of the Chemicals Business or of any Business Unit.

Section 2.24 Governmental Regulations. No DSCC Company is (a) an investment company within the meaning of the Investment Company Act of 1940, as amended, (b) a public utility company or a holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended, (c) a public utility within the meaning of the Federal Power Act, or (d) a common carrier within the meaning of the Interstate Commerce Act.

Section 2.25 Effect of Certain Representations
and Warranties.

(a) For purposes of this Agreement, references to the "knowledge of Seller" shall constitute only references to (i) the actual knowledge of any executive officer (as defined in Rule 402 of Regulation S-K promulgated under the Securities Exchange Act of 1934, as amended ("Rule 402")) of Seller; (ii) information made available to any such executive officer as a result of his making due inquiry of responsible officials of Seller and the appropriate Diamond Companies in connection with this Agreement and the transactions contemplated hereby; provided, however, that the appropriate executive officer shall be deemed hereby to be required to make a reasonable due inquiry of the applicable subject matter; or (iii) the information which would have been made reasonably available to any such executive officer had he made such reasonable due inquiry.

(b) No liability, loss contingency, obligation, asset, right, condition, event or occurrence shall be deemed material to or otherwise affect any Business Unit except to the extent that such liability, loss contingency, obligation, asset, right, condition, event or occurrence or its effect relates to the business,

financial condition or results of operations of such Business Unit. In determining the standard by which materiality with respect to any Business Unit shall be judged, the business, financial condition, results of operation and value of the assets of such Business Unit as of the Closing shall control.

ARTICLE III

Representations and Warranties

of Buyer, Oxy-Chem and OPC

Section 3.01. Organization of Buyer, Oxy-Chem and OPC. Each of Buyer, Oxy-Chem and OPC represents and warrants to Seller that each of them is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has the requisite corporate power and authority to own, operate and lease its properties and to carry on its business as now being conducted.

Section 3.02 Corporate Power. Each of Buyer, Oxy-Chem and OPC represents and warrants to Seller as follows: (a) each of them has the requisite corporate power and authority to execute, deliver and perform this Agreement and the Related Documents to which it is or will be a party and to consummate the transactions con-

templated hereby and thereby, (b) all corporate action on its part necessary to approve or to authorize the execution, delivery and performance of this Agreement and any of the Related Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby has been duly taken, (c) this Agreement is a valid and binding obligation of, enforceable in accordance with its terms against, each of Buyer, OPC and Oxy-Chem and (d) each of the Related Documents is, or upon execution and delivery thereof will be, a valid and binding obligation of, enforceable in accordance with its terms against, each of Buyer, OPC, Oxy-Chem and each of their respective subsidiaries which is a party to any of the Related Documents.

Section 3.03 No Conflicts. Each of Buyer, Oxy-Chem and OPC represents and warrants to Seller as follows: Except for applicable requirements of the HSR Act, neither the execution, delivery or performance by Buyer, Oxy-Chem or OPC of this Agreement or the Related Documents nor the consummation by any of them of the transactions contemplated hereby or thereby, will:

(i) conflict with or result in a breach of any provision of the Certificate of Incorporation or By-laws of Buyer, Oxy-Chem or OPC;

(ii) violate, constitute an event of default under, permit the termination of, give rise to a right to accelerate any indebtedness under, or otherwise breach or conflict with, any contract, lease, or governmental permit to which Buyer or Oxy-Chem is a party, is maker or guarantor, or by which either of them is bound, or result in the creation of any Lien upon the securities, properties, assets or businesses of Buyer or Oxy-Chem other than Permitted Liens and such Liens that may be imposed by or as a result of any action of any Diamond Company;

(iii) violate any order, writ, injunction, decree, judgment, ruling or Law applicable to Buyer or Oxy-Chem or by which Buyer or Oxy-Chem or any of their respective properties is bound; or

(iv) require any consent, approval, authorization or other order or action of, or notice to, or declaration, filing or registration with, any third party or any Governmental Agency;

in each case other than such of the foregoing matters which, or the absence of which, would not, individually or when taken together with all other such related matters, have a material adverse effect on the business, financial condition or results of operations of Buyer or Oxy-Chem. Notwithstanding any other provision of this Agreement (including, without limitation, this Section 3.03 or Section 3.04 hereof), no representation is made by Buyer, Oxy-Chem or OPC with respect to the effect of the HSR Act or any other antitrust or similar Law on the consummation of the transactions contemplated by this Agreement or any of the Related Documents.

Section 3.04 Litigation. Each of Buyer and OPC represents and warrants to Seller as follows: there is no Litigation by or before any (i) court, (ii) Governmental Agency, or (iii) arbitrator, in each case pending or, to the knowledge of Buyer and OPC, threatened, which seeks to restrain, enjoin, prevent the consummation of, or otherwise challenge this Agreement, any of the Related

Documents, or any of the transactions contemplated hereby or thereby; subject, however, to the last sentence of Section 3.03 hereof or any Litigation commenced by a federal Governmental Agency related thereto.

Section 3.05 Brokers. Each of Buyer, Oxy-Chem and OPC represents and warrants to Seller as follows: none of them or any of their subsidiaries has retained any broker or finder, and no broker or finder has acted on behalf of any of them, in connection with this Agreement or any of the Related Documents or the transactions provided for hereby or thereby, except that OPC has retained, and Seller shall have no responsibility for any fees that may be payable to, Drexel Burnham Lambert Incorporated in connection with this Agreement and the transactions contemplated hereby.

Section 3.06 OPC Savings Plan. OPC represents and warrants to Seller that it has delivered to Seller a copy of the Occidental Petroleum Corporation Savings Plan (the "OPC Savings Plan") as currently in effect and of the most recent determination letter for said plan.

Section 3.07 Buyer's Financial Capacity. OPC represents and warrants to Seller that, on the Closing Date, Buyer shall have the financial capacity to pay the Cash Portion of the Purchase Price and to perform its

obligations, if any, under Sections 1.04, 1.05 and 1.06 hereof.

Section 3.08 Oxy-Chem Net Worth. OPC represents and warrants to Seller that OPC owns directly or indirectly 100% of the issued and outstanding capital stock of Oxy-Chem, and that on the Closing Date Oxy-Chem will have a net worth determined in accordance with GAAP of not less than \$800,000,000.

Section 3.09 Effect of Certain Representations and Warranties. For purposes of this Agreement, references to the "knowledge" of Buyer, OPC or Oxy-Chem shall constitute only references to (i) the actual knowledge of any executive officer (as defined in Rule 402) of Buyer, OPC or Oxy-Chem; (ii) information made available to any such executive officer as a result of his making due inquiry of responsible officials of Buyer, OPC or Oxy-Chem in connection with this Agreement and the transactions contemplated hereby; provided, however, that the appropriate executive officer shall be deemed to be required to make a reasonable due inquiry of the applicable subject matter; or (iii) the information which would have been made reasonably available to any such executive officer had he made such reasonable due inquiry.

Section 3.10 Acquisition Purposes. Each of Buyer and OPC represents and warrants to Seller as follows: Buyer is not acquiring the Shares with a view to the distribution or resale thereof, except in compliance with the Securities Act of 1933, as amended.

ARTICLE IV

Personnel and Benefit Plans

Section 4.01 Basic Employment Matters.

(a) The employment of any of the Employees by any of the DSCC Companies shall not terminate on, or as of, the Closing Date by virtue of the sale of the Shares.

(b) Effective as of the Closing and except as otherwise provided in this Article IV, (i) OPC shall permit all Employees, other than Employees represented by a union and covered by a collective bargaining agreement ("Represented Employees"), to participate in the Plans and personnel policies which apply to similarly situated employees of OPC and its subsidiaries and affiliates (collectively, "OPC Plans"), and (ii) OPC shall cause each of the OPC Plans to recognize, for purposes of eligibility and vesting but not for purposes of benefit calculations (other than for purposes of vacation policy

and short-term disability), the respective period of employment of each of such Employees that was recognized as of the Closing Date in the analogous Seller's Plans and personnel policies.

Section 4.02 Pension Plans.

(a) Employees who participate in Seller's Retirement Income Plan for Chemical Company Employees ("RIP"), Process Plan or Hourly Plan (collectively, "Seller's Pension Plans") shall, as of the Closing Date, cease accruing benefits under such Seller's Pension Plans.

(b) Subject to the provisions of Section 4.04(c), Seller shall be responsible for the RIP on and after the Closing Date, and shall amend the RIP to provide that service (by Employees who are, on the Closing Date, participants under the RIP) with any DSCC Company or Pass-Through Purchaser on and after the Closing Date shall be recognized for purposes of: (i) meeting the vesting requirements, (ii) qualification for Early Retirement Income versus Vested Retirement Income (or Deferred Vested Retirement Income) and (iii) qualification for Pre-Benefit Commencement Death Benefit to Spouse for Deaths after August 22, 1984. Seller shall also amend the RIP to provide that, for purposes of eligibil-

ity to commence payment of benefits, a participating Employee shall not be deemed to have terminated employment with Seller until such Employee terminates employment with any DSCC Company or any Pass-Through Purchaser.

(c) OPC and Buyer shall cause DSCC (and shall use their best efforts to cause any Pass-Through Purchaser) to:

(i) provide and/or verify such pre-Closing Date information which is required for the calculation of the accrued benefit in accordance with Seller's standard procedures, including, but not limited to, work history (including hours and months of service) salary history and properly documented proof of birth date; and

(ii) deliver monthly to Seller such post-Closing Date service information so that Seller may properly fulfill its responsibility under this Section.

Section 4.03 Savings Plan. As of the Closing Date, Seller shall cause each Employee who is a participant to be fully vested in his account balance under Seller's Employee Shareholding and Investment Plan ("ESIP"). OPC shall permit participation by Employees,

other than Represented Employees in the OPC Savings Plan, to commence on the Closing Date. Both the ESIP and the OPC Savings Plan shall permit a direct trustee to trustee transfer of assets in cash (and transfer of applicable loan accounts) from the ESIP to the OPC Savings Plan. Both Seller and OPC shall permit each of the Employees who are participants in the ESIP on the Closing Date individually to elect, at such time as Seller and DSCC shall agree, but in any event within 30 calendar days of the Closing Date, to direct the trustee of the ESIP to (a) transfer the value of such Employee's accounts under the ESIP in cash, and the outstanding balance of any Loan Account of such Employee under the ESIP, to the trustee of the OPC Savings Plan or (b) pay to such Employee the vested amount of his account balance in the ESIP as a voluntary in-service distribution under applicable provisions of the ESIP (except that the amount subject to Section 401(k) of the Code shall be available only as permitted under the applicable provisions of the ESIP and the Code). Seller, Buyer and OPC shall each use its best efforts, including but not limited to the filing of Form 5310 within 30 calendar days after the Closing Date, so that such transfers may occur as soon as practicable after the Closing. In no event shall such transfer be

made sooner than 30 calendar days after the filing of both Forms 5310, or later than December 31, 1986, or 90 calendar days after the Closing Date, whichever occurs later. If such transfer is not made by the later of December 31, 1986, or 90 calendar days after the Closing Date, Buyer shall pay to Seller the amounts set forth on Schedule 4.03.

Section 4.04 Represented Employees.

(a) Buyer shall assume, or shall cause or, in the case of less than majority-owned Entities, shall use its best efforts to cause, the appropriate DSCC Company to continue to perform, as of the Closing Date all obligations of Seller or any DSCC Company under the collective bargaining agreements listed in Schedule 2.19, including but not limited to obligations to provide benefits that are substantially identical to those currently being provided under any one or more of Seller's Plans. Buyer's responsibility under the immediately preceding sentence shall include but not be limited to the establishment of Plans that are substantially identical to those of Seller's Plans that are identified in such collective bargaining agreements, unless Buyer successfully negotiates substitution for such Seller's Plans or removal of such obligations. In order to facilitate the pro-

vision of the benefits described in this Section 4.04(a) to Represented Employees, Seller shall permit Buyer, throughout the period prior to the Closing Date, to meet with Represented Employees or their duly recognized collective bargaining representatives for the purpose of (i) notifying the Represented Employees of the terms and conditions of employment being offered by Buyer and (ii) entering into such agreements between Buyer and the collective bargaining representatives as may be deemed necessary or desirable; provided that Seller shall receive reasonable prior notice of such meeting and shall be entitled to attend and participate therein.

(b) If Buyer elects to establish an employee thrift plan similar to the ESIP for, or makes an existing thrift plan applicable to, the Represented Employees (in either case, "Buyer's Savings Plan"), Seller and Buyer shall cause a trustee to trustee transfer of assets on behalf of Represented Employees from the ESIP to Buyer's Savings Plan on the same terms and conditions specified in Section 4.03 hereof. If a Buyer's Savings Plan is not established or made available to a Represented Employee, Seller shall treat the sale of the Shares as a termination of employment of such Represented Employee for purposes of distributing his accounts under the ESIP.

(c) Pursuant to Section 4.04(a) hereof, Buyer shall establish Plans which are substantially identical to the Process Plan and the Hourly Plan (Buyer's substantially identical Plans are hereinafter called "Buyer's Process Plan" and "Buyer's Hourly Plan," respectively) which in the aggregate shall cover all Represented Employees, and Seller and Buyer shall cause a transfer of assets and liabilities from the Process Plan and the Hourly Plans follows: Buyer's Process Plan and Buyer's Hourly Plan (collectively "Buyer's Pension Plans") shall be effective as of the Closing Date and shall be identical in their substantive terms to the Process Plan and the Hourly Plan respectively (collectively, the "DSCC Pension Plans"); the Represented Employees shall be given credit in Buyer's Pension Plans for past service for all purposes (including, but not limited to, eligibility, vesting and benefit accrual) to the same extent that such past service credit was recognized under the DSCC Pension Plans; Seller shall cause to be transferred, and Buyer shall cause to be received, from the DSCC Pension Plans to the Buyer's Pension Plans the liability for all accrued benefits of the Represented Employees under the DSCC Pension Plans as of the Closing Date. Seller shall cause to be transferred, and Buyer shall cause to be

received, from the trustee of the DSCC Pension Plans to the trustee of the Buyer's Pension Plans, an amount in cash attributable to such accrued benefits of the Represented Employees as of the Closing Date as required under Section 414(1) of the Code as determined by the Buyer's and Seller's actuary. Seller and Buyer shall each use its best efforts, including but not limited to the filing of Forms 5310 within 30 calendar days after the Closing Date, so that such transfers may occur as soon as practicable after the Closing. Such transfers shall occur on such date as Seller and Buyer shall agree; provided, however, that in no event shall such transfers be made sooner than 30 calendar days after the later of the filing of both Forms 5310 or Seller's receipt of a copy of determination letters indicating that Buyer's Pension Plans are qualified Plans under the Code (or a written opinion of Buyers' counsel, reasonably satisfactory to Seller, to the same effect). The amount of such transfers shall be based on all the actuarial assumptions, used for the DSCC Pension Plans, as set forth in the actuarial reports for such DSCC Pension Plans as of December 31, 1985 except that the assumed interest rate shall be 8% per annum. The amount of such transfers shall also include interest at the rate earned by the

RepublicBank Dallas Short-Term Securities Trust Fund (or its successor) from the date as of which the asset value of the accrued benefits are determined hereunder to the date of transfer.

Section 4.05 Other Plans.

(a) Seller shall cause the accounts of Employees under Seller's Employee Stock Ownership Plan to be maintained as of the Closing Date and to be distributed to Employees in the time and manner permitted by applicable law and provisions of the plan; provided, however, that contributions to such plan on behalf of the Employees shall cease as of the Closing Date.

(b) As of the Closing Date, no additional amounts shall be deducted from a participating Employee's compensation or credited to a participating Employee's accounts under Seller's Resource Account Plan (the "Resource Plan"). Subject to the immediately preceding sentence, from and after the Closing Date, Seller shall honor and pay, pursuant to the terms of the Resource Plan and on behalf of Seller, claims by Employees for benefits relating to qualifying expenses incurred by Employees at any time during 1986, whether before or after the Closing Date.

(c) Except as otherwise provided in this Article IV, all of Seller's Plans that are not DSCC Plans shall cease to apply to the Employees, and the Employees shall not accrue benefits under such Plans, on and after the Closing Date. All of Seller's Plans that are DSCC Plans shall be the responsibility of Buyer, through DSCC or the applicable Subsidiary, on and after the Closing Date.

(d) Notwithstanding any provision herein to the contrary, Seller shall be responsible for payment of any claim for retiree medical benefits or retiree life insurance by any employee of any Diamond Company who is not an Employee and Buyer shall be responsible for payment of any claim for retiree medical benefits or retiree life insurance by any Employee.

(e) Buyer shall be responsible for payment of all salary or wages and vacation pay that become payable to Employees on or after the Closing Date, regardless whether all or any portion of such amounts accrued or relate the period before the Closing Date.

(f) Except as otherwise provided in this Article IV, Seller shall honor or cause its insurance carriers or other agents to honor all claims for benefits under each of Seller's Plans that (i) are not

DSCC Plans and (ii) are employee welfare benefit plans as defined in ERISA, relating to events which have occurred prior to the Closing Date (regardless of whether such claims are filed before or after the Closing Date, but provided that such claims are filed timely under the terms of the respective plans), in accordance with the terms of such plans. For purposes of the immediately preceding sentence, as applied to medical, dental and other Plans that reimburse expenses of Employees, the date of the relevant event shall be the date on which such expenses were incurred by the Employee. Buyer shall cause or, in the case of less than majority-owned Entities, shall use its best efforts to cause, DSCC personnel to furnish to Employees, and to process, claim forms for such plans as reasonably directed by Seller.

(g) Buyer shall be responsible for payment of all sick pay and short-term disability pay that becomes payable after the Closing Date to an Employee whose period of absence from work includes the Closing Date; provided, however, that if the period of absence of any such Employee continues for more than 60 calendar days after the Closing Date, Seller shall reimburse Buyer for the amount of sick pay or short-term disability pay paid to such employee for the period of absence beginning

on the sixty-first calendar day following the Closing Date and ending with the one hundred eightieth calendar day following the Closing Date; provided, further, that no such Employee shall receive sick pay or short-term disability pay for a total period (before and after the Closing Date) exceeding six months. If the total period of absence (before and after the Closing Date) of any such Employee exceeds six months, his eligibility for benefits under Seller's Long-Term Disability Plan shall not be adversely affected by virtue of the sale of the Shares.

Section 4.06 Separation Benefits. For a period commencing on the Closing Date and ending 12 months thereafter, (a) all salaried Employees and (b) all Employees who are not Represented Employees at the plant locations set forth in Exhibit 4.06 shall be covered by the severance benefits policy set forth in Exhibit 4.06. For purposes of calculating benefits of any Employee under said severance benefit policy, the period of employment of such Employee that was recognized by the analogous Seller's Plan as of the Closing Date shall be included. Seller shall be responsible for provision of, and payment for, severance benefits to any employees of any DSCC Company whose employment is terminated prior to

the Closing Date. Buyer shall be responsible for provision of, and payment for, all severance benefits to Employees whose employment is terminated on or after the Closing Date.

ARTICLE V

Closing

Section 5.01 The Closing.

(a) The closing of the transactions contemplated by this Agreement (the "Closing") shall be held on such date (the "Closing Date"), and at such time as may mutually be agreed upon by the parties hereto at the offices of OPC, or at such other place as may mutually be agreed upon by the parties hereto.

(b) At the Closing, (i) Seller shall deliver to Buyer certificates representing all of the Shares, which certificates shall be duly endorsed for transfer or accompanied by duly executed stock powers, (ii) Buyer shall deliver to Seller the Cash Portion of the Purchase Price pursuant to Article I hereof, (iii) Seller shall deliver to Buyer resignations, dated as of the Closing Date or a date prior thereto, executed by such of the directors and officers of DSCC and, to the extent that they have been designated or appointed, di-

rectly or indirectly by DSCC, of each Significant Subsidiary, as Buyer shall request in writing prior to the Closing, or an instrument duly removing such persons from office, and (iv) the appropriate parties shall take all other actions not previously taken but required to be taken hereunder on or prior to the Closing Date.

ARTICLE VI

Conditions to Obligations of Buyer, OPC and Oxy-Chem to Consummate the Transaction

The obligations of each of Buyer, OPC and Oxy-Chem to be performed at the Closing shall be subject to the satisfaction, or the waiver in writing by Buyer, OPC and Oxy-Chem, on or prior to the Closing of the following conditions:

Section 6.01 Opinion of Counsel. Buyer and OPC shall have received the written opinion of W.E. No-testine, Deputy General Counsel of Seller, or other legal counsel for Seller acceptable to Buyer, dated the Closing Date, in the form of Exhibit 6.01.

Section 6.02 Accuracy of Representations and Warranties; Compliance with Covenants. The representations and warranties of Seller contained in this Agreement shall be correct in all material respects on and as of the Closing Date with the same force and effect as

though such representations and warranties were made at the Closing except for changes expressly permitted or contemplated by this Agreement; each and all of the covenants required to be performed by Seller on or prior to the Closing pursuant to the terms of this Agreement shall have been duly performed in all material respects; and Seller shall deliver a certificate executed by an executive officer of Seller, addressed to Buyer, OPC and Oxy-Chem and dated the Closing Date, certifying to all of the foregoing and to the effect set forth in Section 6.03 hereof.

Section 6.03 Material Change. Except with respect to the transactions contemplated by the Cogeneration Purchase Agreement, as set forth in Schedule 2.09 as of the date hereof, or for changes in general economic conditions, from June 30, 1986 to the Closing Date, neither the Chemicals Business nor any of the Business Units shall have suffered any material adverse change (whether or not such change is referred to or described in any supplement to any Schedule or Exhibit hereto) in its business, financial condition or results of operations.

Section 6.04 No Injunction. No judgment, order or decree shall have been rendered in any Litigation which has the effect of (a) enjoining the consummation of the transactions contemplated by this Agreement, or (b) subject to compliance with Section 8.01 hereof, enjoining the transfer of any stock, assets or businesses of any DSCC Company by Buyer or OPC, or directly by Seller or DSCC, to Buyer or OPC or any subsidiary or affiliate of Buyer or OPC, or requiring DSCC, OPC, or Buyer or any subsidiary or affiliate of OPC or Buyer to hold any of such stock, assets or businesses separately from others owned or operated by any such party.

Section 6.05 Approvals and Consents. All applicable waiting periods under the HSR Act shall have expired or been terminated. The consents and approvals identified (by marking with an appropriate mark and footnote) as being required on Schedules 2.06, 2.11, 2.12 and 2.16, if any, to permit the consummation of the transactions contemplated hereby (including, but not limited to, the ECRA ACO identified in Section 8.19 hereof and the Environmental Permits required, if any, to be reissued or transferred prior to the Closing Date), shall have been obtained.

Section 6.06 Accounts Receivable Free of Liens. All accounts receivable of any DSCC Company assigned to Citibank, N.A. or any of its affiliates or any other Entity shall be reassigned to the applicable DSCC Company and shall be unencumbered by any Lien with respect to any obligation, duty or indebtedness of any Diamond Company (other than one of the DSCC Companies).

Section 6.07 Cogeneration Purchase Agreement Closing. The Cogen Closing (as defined in the Cogeneration Purchase Agreement) shall have occurred immediately prior to or simultaneously with the Closing.

Section 6.08 Insurance. Each of the Current Policies described in Schedule 2.18, or adequate replacements therefor with substantially the same deductibles, coverages and limits, shall have been in full force and effect without any interruption in coverage; and all premiums with respect thereto shall have been fully paid or caused to be paid by Seller and DSCC for all periods up to and including the Closing Date.

Section 6.09 No Events of Default. No default or event of default or event or condition which with the passage of time or giving of notice, or both, would constitute such a default or event of default, shall have occurred, or, as a result of the consummation of the

transactions contemplated by this Agreement or any of the Related Documents, will occur with respect to the Assumed Obligations or other debt instruments (a) to which any DSCC Company is a party, maker or guarantor, (b) by which any of them or any of their respective properties is bound or (c) to which, to the extent relating to the Chemicals Business or the Assumed Obligations, Seller is a party, maker guarantor, or by which it or its properties is bound, other than such defaults or events of default (i) under the Carbocloro Credit Agreement or the DS Chile Credit Agreement (as such terms are defined in Exhibits 1.06 (a) and 1.06 (b), respectively), (ii) as described in Schedule 6.09, (iii) as a result of the consummation of the transactions contemplated by the Cogeneration Purchase Agreement, (iv) as may result from the business or legal or regulatory status of OPC or any of its subsidiaries, or (v) which have been cured and with respect to which requisite waivers have been obtained.

ARTICLE VII

Conditions to Obligations of Seller
to Consummate the Transaction

The obligations of Seller to be performed at the Closing shall be subject to the satisfaction, or the waiver in writing by Seller, on or prior to the Closing of the following conditions:

Section 7.01 Opinion of Counsel. Seller shall have received the written opinion of Raymond Gill, Associate General Counsel of OPC, or other legal counsel acceptable to Seller, dated the Closing Date, in the form of Exhibit 7.01.

Section 7.02 Accuracy of Representations and Warranties; Compliance with Covenants. The representations and warranties of Buyer, Oxy-Chem, and OPC contained in this Agreement shall be correct in all material respects on and as of the Closing Date with the same force and effect as though such representations and warranties were made at the Closing except for changes expressly permitted or contemplated by this Agreement; each and all of the covenants to be performed by Buyer, Oxy-Chem and OPC on or prior to the Closing pursuant to the terms of this Agreement shall have been duly performed in all material respects; and each of Buyer, Oxy-Chem and OPC shall deliver a certificate executed by an executive

officer of each of Buyer, Oxy-Chem and OPC, addressed to Seller and dated the Closing Date, certifying to all of the foregoing.

Section 7.03 No Injunction. No judgment, order or decree shall have been rendered in any Litigation which has the effect of enjoining the consummation of the transactions contemplated by this Agreement.

Section 7.04 Approvals and Consents. All applicable waiting periods under the HSR Act shall have expired or been terminated. The consents and approvals identified (by marking with an appropriate mark and footnote) as being required on Schedules 2.06, 2.11, 2.12 and 2.16, if any, to permit the consummation of the transactions contemplated hereby (including, without limitation, the ECRA ACO identified in Section 8.19 hereof and the Environmental Permits required, if any, to be reissued or transferred prior to the Closing Date), shall have been obtained.

Section 7.05 Cogeneration Purchase Agreement Closing. The Cogen Closing shall have occurred immediately prior to or simultaneously with the Closing.

ARTICLE VIII

Covenants

Section 8.01 Compliance with HSR Act.

(a) Each of Seller and OPC has heretofore made all initial filings with the appropriate Governmental Agencies of the information and documents required by the HSR Act with respect to the transactions contemplated by this Agreement. Each of Seller and OPC shall (i) use its best efforts to comply as expeditiously as possible with all lawful requests of the Governmental Agencies for additional information and documents pursuant to the HSR Act, (ii) not (A) extend any waiting period under the HSR Act or (B) enter into any agreement with any Governmental Agency not to consummate the transactions contemplated by this Agreement, except with the prior consent of both Seller and OPC, and (iii) cooperate with each other and use its best efforts to cause the lifting or removal of any temporary restraining order or preliminary injunction which may be entered in connection with the transactions contemplated by this Agreement, including the execution, delivery and performance by the appropriate Entity of such divestiture agreements or other actions, as the case may be, with regard to the Chemicals Business as may be necessary to secure the

expiration or termination of the applicable waiting periods under the HSR Act or the removal, dissolution, stay or dismissal of any injunction, restraining order or other judicial or administrative order which prevents the consummation of the transactions contemplated hereby or requires as a condition thereto that all or any part of the business and assets of DSCC be held separate.

(b) Notwithstanding anything to the contrary contained in this Agreement: (i) none of Seller, Buyer, Oxy-Chem, DSCC or OPC shall be required pursuant to this Section 8.01 or otherwise (A) to accept any such hold-separate order as a condition to the consummation of such transactions, or (B) to agree to any divestiture; and (ii) nothing contained in this Section 8.01 shall limit the respective rights of the parties to terminate this Agreement pursuant to Section 11.01, or limit or otherwise affect the respective conditions to the obligations of the parties set forth in Articles VI and VII hereof.

Section 8.02 Injunctions. In addition to actions required by Section 8.01 and 8.12 hereof, if any federal, state, local or foreign court having jurisdiction over Seller, any DSCC Company, Buyer, Oxy-Chem or OPC, issues or otherwise promulgates any restraining

order, injunction, decree or similar order (other than as contemplated by Section 8.01 hereof) which prohibits the consummation of any of the transactions contemplated hereby, the parties hereto shall use their respective best efforts to have such restraining order, injunction, decree or similar order dissolved or otherwise eliminated as promptly as possible and to pursue the underlying Litigation diligently and in good faith. Notwithstanding anything to the contrary contained in this Agreement, nothing contained in this Section 8.02 shall limit the respective rights of the parties to terminate this Agreement pursuant to Section 11.01 or shall limit or otherwise affect the respective conditions to the obligations of the parties set forth in Articles VI and VII hereof.

Section 8.03 Access to Information.

(a) Between the date of this Agreement and the Closing Date, Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each DSCC Company, upon reasonable request by Buyer, to (i) provide Buyer, OPC and Oxy-Chem and their respective accountants, counsel and other authorized representatives full access, during normal business hours and under reasonable circumstances, to any and all premises, properties, Contracts, commit-

ments, books, records and other information (including Tax returns filed and those in preparation) of each DSCC Company and (ii) cause their officers to furnish to Buyer, OPC and Oxy-Chem and their respective authorized representatives any and all financial, technical and operating data and other information pertaining to the business of each DSCC Company, as Buyer, OPC or Oxy-Chem shall from time to time reasonably request; provided, however, that (A) such access may be limited to the location at which the relevant information is normally maintained and shall not unreasonably interfere with the businesses of Seller or any DSCC Company, (B) such access shall be only with prior notice to Seller, (C) in the reasonable opinion of Seller, the providing of such information will not cause Seller to be in violation of any Law, and (D) no classified or technical information, nor information subject to a requirement of confidentiality on the part of Seller or any DSCC Company, shall be provided to Buyer, OPC or Oxy-Chem except in a manner which complies with applicable Laws or agreements. Notwithstanding the foregoing, no Diamond Company may withhold any information pursuant to Sections 8.03(a)(C) and (D) which would be materially adverse to the business, financial condition or results of operations of the Chemicals

Business or of any Business Unit. Information withheld pursuant to Sections 8.03(a)(C) and (D) is described by category in Schedule 8.03.

(b) Each of the parties hereto will, and will instruct its affiliates, employees, agents and representatives to, hold in strict confidence, all Confidential Information (as hereinafter defined), and not disclose the same to any person without the prior consent of the other parties hereto, unless compelled to disclose any such Confidential Information by judicial or administrative process or, in a written opinion of its counsel a copy of which is delivered to the other parties hereto, by other requirements of any Law, except to the extent contained in a private offering memorandum circulated in accordance with the customary practices of Drexel Burnham Lambert Incorporated as may be reasonably required in connection with obtaining any of the financing required to consummate the transactions contemplated by the Cogeneration Purchase Agreement. Upon consummation of the Closing, any Confidential Information relating to the Chemicals Business may be retained by Buyer, OPC and Oxy-Chem and may be used as they deem fit. If this Agreement is terminated, each party hereto shall promptly return to the other parties hereto all documents (including all

copies thereof) furnished to such other parties and their respective affiliates, employees, agents and representatives in connection with the transactions contemplated by this Agreement containing such Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean all information of any kind concerning any party hereto, wherever obtained, except information (i) ascertainable or obtained from public or published information, (ii) received from a third party not known to the party receiving such information to be under an obligation to any other party hereto to keep such information confidential, (iii) which is or becomes known to the public (other than through a breach of this Agreement), (iv) which the party in possession of such information can demonstrate was in its possession prior to disclosure thereof to such party in connection with this Agreement or the Related Documents and the consummation of the transactions contemplated hereby and thereby, or (v) which the party in possession of such information can demonstrate was independently developed by it.

Section 8.04 No Extraordinary Actions by Seller. In each case except as (a) otherwise contemplated by Sections 2.09, 8.07, 8.08, 8.09, 8.17 and 8.20 hereof, (b) set forth on Schedule 8.04, (c) otherwise consented to or approved by Buyer in writing, or (d) required by this Agreement or the Related Documents, from the date hereof until the Closing, Seller shall (but only with respect to paragraphs (vi), (ix) and (x) set forth below), and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each DSCC Company to:

(i) conduct its business, operations, activities and practices only in the usual and ordinary course of business and consistent with past practice and use its best efforts to (A) preserve intact its present business organization, (B) keep available the services of its present management and employees, and (C) preserve its relationships with customers, suppliers and others having business dealings with it so that its goodwill and ongoing business shall not be materially impaired;

(ii) with respect to each DSCC Company, not amend its Certificate of Incorporation or By-laws, or comparable governing documents as in effect on the date hereof;

(iii) with respect to DSCC, not declare, pay or set aside for payment any dividends on or make other distributions in respect of its capital stock, except for cash dividends which do not reduce Net Working Capital below \$90 million as of the Closing Date and except as a result of Seller's cash management program applicable to the Chemicals Business;

(iv) not, directly or indirectly, sell, pledge, dispose of or encumber any of its material assets (including, without limitation, forgiving or transferring any indebtedness owed to DSCC or any Significant Subsidiary or any claims held by DSCC or any Significant Subsidiary);

(v) not, directly or indirectly, issue, grant or sell, or authorize or propose the issuance of, or split, combine, reclassify or redeem, purchase or otherwise

acquire or propose the purchase of, any shares of any class of its capital stock or issue any securities convertible into, or rights to subscribe to, or warrants or options (including employee stock options) to acquire, or enter into any contract with respect to the issuance of, any such shares or other convertible securities, or make any other changes in its equity capital structure;

(vi) except as contemplated by the Cogeneration Purchase Agreement, not, directly or indirectly, solicit or initiate discussions or negotiations with, or provide any information to, any Entity (other than Buyer, OPC, Oxy-Chem or any affiliate or associate of any of the foregoing or an officer, partner, employee or other authorized representative of any of the foregoing or such affiliate or associate) ("Third Party") concerning any proposed merger, reorganization, sale of a substantial portion of assets, sale of any shares of capital stock or other equity interest or other business combination or similar transaction to which any DSCC Company would be

a party and involving a substantial part of the Chemicals Business (all such transactions being referred to herein as "Acquisition Transactions") and instruct its officers, employees, representatives and agents that (A) no such person shall, directly or indirectly, solicit or initiate any discussions or negotiations with, or provide any information to, a Third Party concerning an Acquisition Transaction and (B) any such person shall promptly communicate to Seller (and Seller shall, in turn, communicate to Buyer and OPC) the terms of any proposal which such person may receive or learn of in respect of an Acquisition Transaction;

(vii) not acquire or agree to acquire by merging or consolidating with or into, purchasing substantially all of the assets or stock of, or otherwise, any business or any corporation, partnership, association or other business organization or division thereof;

(viii) not (A) make capital expenditures or legally binding commitments with respect thereto, except for capital expen-

ditures committed to prior to the date of this Agreement which have been previously disclosed to Buyer in writing and except as contemplated by the 1986 Capital Budget, a copy of which is set forth in Schedule 8.04 or (B) incur, assume or guarantee (x) any long-term indebtedness (as hereinafter defined) or (y) except in the ordinary course of business and consistent with past practice, any short-term indebtedness (as hereinafter defined). For purposes of this Agreement, "long-term indebtedness" shall mean any indebtedness for money borrowed maturing more than one year after the date of the incurrence, assumption or guarantee thereof, and "short-term indebtedness" shall mean any indebtedness for money borrowed maturing one year or less after the date of the incurrence, assumption or guarantee thereof (including, without limitation, the current portion of long-term indebtedness) and which is included in Net Working Capital;

(ix) not adopt or amend in any material respect any collective bargaining, employee pension, profit-sharing, retirement,

insurance, incentive compensation, severance, vacation or other plan, agreement, trust, fund or written policy of general application to categories of Employees except as contemplated by Article IV hereof; or

(x) enter into a legally binding commitment to do any of the matters referred to in subparagraphs (ii) through (ix) above.

Section 8.05 Best Efforts.

(a) Upon the terms and subject to the conditions hereof, each of the parties hereto agrees to take or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective the transactions contemplated by this Agreement and the Related Documents.

(b) Except as otherwise expressly provided for in this Agreement, (i) each of Buyer, Oxy-Chem and Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each of their respective subsidiaries to, use its and their best efforts to obtain at the earliest practicable date, whether before or after the Closing Date, all consents required to be obtained by it for the

consummation of the transactions contemplated by this Agreement and the Related Documents, and (ii) Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each of the appropriate other Diamond Companies to, use its and their best efforts to obtain, whether before or after the Closing Date, any amendments, novations, releases, waivers, consents or approvals with respect to all outstanding debt instruments, guarantees and other Contracts or Leases of Seller or any DSCC Company which are necessary (A) to cure any defaults thereunder existing immediately prior to the Closing Date and (B) for the consummation of the transactions contemplated by this Agreement and the Related Documents; provided, however, that (x) in obtaining any such amendments, novations, releases, waivers, consents or approvals, no party hereto shall, or shall permit any of its subsidiaries to, agree to any amendment of any such instrument which imposes any obligation or liability on another party without the prior written consent of such other party, and (y) except as otherwise expressly provided by this Agreement, no party hereto shall be obligated to execute any guarantees or undertakings or otherwise incur or assume any liability in connection with obtaining any such re-

lease, novation, approval, consent, authorization or waiver.

(c) Each of Buyer, OPC, Oxy-Chem and Seller shall provide such information and cooperate fully with each other party hereto and each Diamond Company in making such applications, filings, and other submissions which may be required or reasonably necessary in order to obtain all approvals, consents, authorizations and waivers as may be required from any Governmental Agency and others in connection with the transactions contemplated by this Agreement and the Related Documents.

(d) Except as otherwise expressly provided for in this Agreement, each of Buyer, OPC, Oxy-Chem and Seller shall promptly take all actions necessary to make each filing, including without limitation, any supplemental filing, which any of them may be required to make with any Governmental Agency as a condition to or consequence of the consummation of the transactions contemplated by this Agreement or any Related Document, and each of the other parties hereto shall use its best efforts to assist in making such required filings.

(e) Subject to the terms and conditions hereof, Oxy-Chem shall cause Buyer to perform the obliga-

tions set forth in this Agreement to be performed by Buyer at or prior to the Closing.

Section 8.06 Notice of Failure of Condition.

Each party hereto shall as promptly as reasonably practicable notify the others in writing of the occurrence of any event of which it obtains knowledge which will result in the failure to satisfy the conditions specified in Article VI hereof in the case of events relating to Seller and Article VII hereof in the case of events relating to Buyer, Oxy-Chem or OPC.

Section 8.07 Intercompany Accounts. Immedi-

ately prior to the Closing, Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each DSCC Company to, settle all intercompany accounts as of the Closing Date between or among each of the Diamond Companies (other than the DSCC Companies) and each of the DSCC Companies by netting intercompany receivable accounts against intercompany payable accounts and closing the net amount to the equity account, with the result that all of the liabilities and obligations reflected in such intercompany receivable and payable accounts as of the Closing Date shall be fully discharged and satisfied without any actual disbursement of funds and shall be disregarded in

the computation of Net Working Capital. Goods and services sold or furnished by a Diamond Company to a DSCC Company, or vice versa, after the Closing Date shall not be affected by this Section 8.07.

Section 8.08 Assumed Obligations.

(a) Between the date of this Agreement and the Closing, Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each of the other Diamond Companies to, be and remain in compliance with its and their respective obligations under and related to all of the Assumed Obligations and, following the Closing, Seller shall and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each of the other Diamond Companies to remain in compliance with its and their respective obligations under and related to each of the Assumed Obligations to the extent any of them has any obligations thereon or relating thereto and under the Assumption Instruments (as hereinafter defined).

(b) On or prior to the Closing Date, Seller shall, or shall cause the appropriate Diamond Company to, and shall cause DSCC to, execute an instrument or instruments of assignment and assumption substan-

tially in the form or forms set forth in Exhibit 8.08 (the "Assumption Instruments").

(c) From and after the Closing Date, Oxy-Chem shall cause DSCC to remain in compliance with all of its obligations under the Assumed Obligations and the Assumption Instruments, and if any direct or indirect subsidiary of OPC becomes a Pass-Through Purchaser (as defined in Section 9.05 hereof) of any Business Unit, Oxy-Chem shall cause such subsidiary to assume and remain in compliance with all of DSCC's obligations under such of the Assumed Obligations and the Assumption Instruments that pertain to such Business Unit.

(d) Each of Buyer and Oxy-Chem shall cooperate fully with Seller, whether before or after the Closing Date, in Seller's efforts to obtain any amendments, novations, releases, waivers, consents or approvals necessary to make DSCC the primary obligor on each of the Assumed Obligations and to have each of the Diamond Companies released from any obligations and liabilities under the Assumed Obligations; provided, however, that, except as otherwise expressly set forth in this Agreement, neither of Buyer or Oxy-Chem shall be obligated to execute any guarantees or undertakings or otherwise incur or assume any liability in connection with obtaining any

such amendments, novations, releases, waivers, consents or approvals.

Section 8.09 Transfer of Property. Prior to the Closing,

(a) Seller shall, all without any adverse financial consequences to the Chemicals Business as reflected in the Financial Statements: (i) cause the appropriate DSCC Company to transfer to Seller or to the subsidiaries listed on Schedule 8.09(a) ("Seller's Designee"), and Seller or Seller's Designee shall accept and acquire from such DSCC Company the properties, securities, assets, rights and entitlements owned by the DSCC Companies and set forth in Schedule 8.09(a) (collectively, the "Excluded Assets"), (ii) cause the appropriate DSCC Company to assign to Seller or Seller's Designee, and Seller or Seller's Designee shall assume from the appropriate DSCC Company, all obligations and liabilities associated with the Excluded Assets (the "Excluded Liabilities"), and (iii) cause the appropriate DSCC Company to enter into the agreements and take the other actions described in Schedule 8.09(b). Notwithstanding any other provision hereof, the purchase price payable to DSCC pursuant to the Cogeneration Purchase Agreement shall be

paid to Seller as a dividend to Seller as the sole stockholder of DSCC immediately prior to the Closing.

(b) Notwithstanding anything to the contrary contained in Section 8.09(a) hereof, if any consents, licenses or permits are required to so transfer any Excluded Asset and such consents, licenses or permits have not been obtained on or prior to the Closing Date, then the legal title to such Excluded Asset shall be retained by the appropriate DSCC Company for the account of Seller, and Seller shall cause the business operation or activity of such Excluded Asset, to the extent lawful, to be continued and carried out by a Diamond Company with all costs, expenses, liabilities, Taxes and other financial obligations and operating profits or losses being for the account of, and payable by or to (as the case may be), such Diamond Company until all such required consents, licenses and permits are obtained, at which time Buyer shall cause such DSCC Company to transfer, without additional consideration and at Seller's cost and expense, such Excluded Asset to Seller or Seller's Designee, along with any amounts with respect to such Excluded Assets held for the account of such Diamond Company which had not been previously paid to such Diamond Company or upon payment of any amounts with respect to such Excluded

Assets owed by Seller (as the case may be), it being understood that Seller shall be fully responsible for the performance by any such Diamond Company of its obligations hereunder. If any co-owner of any Excluded Asset purchases the interest therein of any DSCC Company, the net purchase price paid to the DSCC Company (less any and all costs and expenses incurred by it related thereto) shall be paid to Seller. In connection with any such transfer of the Excluded Assets and Excluded Liabilities, Seller or Seller's Designee shall, and Seller shall cause the appropriate subsidiary (including DSCC prior to the Closing Date) to execute an instrument of assignment and assumption in a form reasonably acceptable to Buyer.

Section 8.10 Schedules and Exhibits. As promptly as practical following the end of each calendar month after the date of this Agreement and immediately prior to the Closing, Seller shall supplement or amend all Schedules and Exhibits to this Agreement with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in a Schedule or Exhibit to this Agreement. Any such supplement or amendment of any Schedule or Exhibit to this Agreement made pursuant to this Section 8.10 which purports to correct

any prior representation or cure the breach of any prior warranty made in this Agreement shall, but only if consented to in writing by Buyer and OPC, be deemed to correct such representation and cure the breach of such warranty for purposes of Section 6.02 and Article IX of this Agreement.

Section 8.11 Audited Financial Statements.

Prior to the Closing Date, Seller shall deliver to Buyer and OPC (i) audited pro forma consolidated balance sheets of the Chemicals Business as at December 31, 1984 and December 31, 1985 (the "Audited Balance Sheets"), (ii) as to the fiscal year ended December 31, 1985, the related audited pro forma consolidated statements of operations, and changes in financial position for the year then ended (together with the December 31, 1985 Audited Balance Sheet, the "Audited 1985 Financial Statements"), all audited by Price Waterhouse, in accordance with generally accepted auditing standards, together with their unqualified opinion on the Audited 1985 Financial Statements other than qualifications referred to in Schedule 8.11, and (iii) unaudited consolidated pro forma balance sheets of the Chemicals Business for each fiscal quarter beginning with the fiscal quarter ended on March 31, 1986 through the Closing Date and the related unaudited state-

ments of operations, and changes in financial position for the fiscal quarters then ended. The Audited Balance Sheets and the Audited 1985 Financial Statements shall be prepared in conformity with GAAP. The unaudited financial statements referred to in this Section 8.11 shall be prepared in conformity with the standards applicable to Interim Financial Statements set forth in Section 2.08 hereof. Seller shall also deliver to Buyer as promptly as practicable following the end of each calendar month following the date hereof copies of the internal statements of monthly results prepared for DSCC which shall be derived from the books and records of DSCC and prepared in the ordinary course of the business of DSCC.

Section 8.12 Post-Closing Antitrust Litigation. If, following the Closing, (a) the consummation of the transactions contemplated by this Agreement or by any of the Related Documents is challenged, or (b) the transfer subsequent to the Closing by Buyer of any of the securities, business or assets of Buyer or any DSCC Company to (i) OPC or any subsidiary or affiliate of OPC or (ii) any third party (with respect to which Seller has no independent liability) is challenged, in each case on antitrust grounds, through Litigation in which any Diamond Company is named as a party defendant, the parties

hereto agree to contest diligently such Litigation through the available levels of appeal up to the United States Court of Appeals (or, if such Litigation is being maintained by a party other than the Federal Trade Commission, the comparable level of appeal); provided, however, that (A) OPC or its designated subsidiary shall assume the lead role in any such Litigation and Oxy-Chem shall bear all reasonable expenses thereof incurred by any Diamond Company, (B) if a Governmental Agency is the complaining party in such Litigation, Oxy-Chem shall bear all liabilities resulting therefrom and (C) if a party other than a Governmental Agency is the complaining party in such Litigation, each party will bear its own liabilities resulting therefrom.

Section 8.13 Insurance.

(a) Seller shall use its best efforts to renew the Current Policies (or to procure replacement policies and binders of substantially the same cost and nature) and maintain all such policies and binders in full force and effect at all times up to and including the Closing Date and to pay all premiums, deductibles and retro-adjustment billings with respect thereto covering all periods, and ensuring coverage of the DSCC Companies, up to and including the Closing Date. Seller shall re-

tain custody of all insurance policies which provide coverage for the Diamond Companies (or separate coverage for any one or more of the DSCC Companies) for all periods up to and including the Closing Date. Prior to the Closing, Seller shall furnish to Buyer microfilm copies of all Existing Policies (as hereinafter defined) located prior to Closing and, following the Closing, shall furnish to Buyer promptly microfilm copies of all Existing Policies located after the Closing. For purposes of this Agreement, "Existing Policies" shall mean (i) those policies and binders providing coverage for any one or more of the Diamond Companies listed on Schedule 2.18 and (ii) other of such policies and binders as are obtained or located by Seller or any DSCC Company after the date hereof. Subject to the last sentence of this Section 8.13(a), Seller shall, with respect to the Existing Policies, provide continuing policy administration, pay all policy premiums, deductibles and retro-adjustment billings and shall maintain policy endorsements and conditions as in effect at the Closing. Except as provided in Section 8.14 hereof, DSCC shall be responsible for filing and pursuing claims under any Existing Policy with respect to any matter which becomes or remains the responsibility of DSCC, Buyer, OPC, Oxy-Chem or any Pass-

Through Purchaser pursuant to this Agreement after the Closing. DSCC shall promptly deliver to Seller a copy of any notice or other document sent to, or received from, any of the insurance carriers providing coverage under the Existing Policies (the "Current Carriers") with respect to any such claim. Each of Seller and each of the DSCC Companies shall each bear and be responsible for any deductible or retention relating to any claims for which it is responsible for indemnification under this Agreement; and DSCC shall promptly reimburse Seller for any amount paid to any Current Carrier by Seller for the account of any DSCC Company with its approval (which shall not be unreasonably withheld), in connection with any such deductible or retention.

(b) Whenever Seller becomes aware that a claim against any Current Carrier under any of the Existing Policies exists, with respect to a matter for which Seller has liability directly or pursuant to the provisions of this Agreement, then Seller shall be entitled to pursue such claim in any reasonable manner which it deems expedient (including Litigation) in the name of any one or more of the parties, including any DSCC Company, which are provided coverage under such Existing Policy ("Insured Parties"), as Seller may elect; provided,

however, that Seller shall keep all of the Insured Parties on whose behalf such claim is being pursued reasonably apprised on an ongoing basis of the status of such claim. Any amount paid by any such Current Carrier (as a result of any claim filed by any Insured Party whether before or after the Closing Date), to any Entity other than the Entity responsible under the provisions of this Agreement for the liability to which the claim relates, shall be paid over promptly by the recipient of such amount to the Entity responsible therefor, or as to matters contemplated by Article X hereof, shall be distributed to the parties in accordance therewith.

(c) Buyer shall, and shall cause DSCC to, (i) furnish Seller a power of attorney in substantially the form of Exhibit 8.13 at the Closing, and thereafter each DSCC Company shall provide Seller such other powers of attorney or authorizations as Seller may reasonably request to permit Seller to perform all acts and to execute all documents relating to the maintenance and administration of the Existing Policies and the prosecution of such claims and Litigation, (ii) furnish any information and documents required for this purpose, and (iii) cooperate fully and promptly (at Seller's expense) with Seller in the prosecution of any claims and Litiga-

tion pursued by Seller including, without limitation, the provision of witnesses as necessary or appropriate. DSCC shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, the appropriate DSCC Company upon request to assign to Seller the applicable claims under Existing Policies with respect to a matter for which Seller has liability directly or pursuant to the provisions of this Agreement.

(d) Seller shall (i) cooperate fully and promptly (at DSCC's expense) with DSCC, in the prosecution of any claims and Litigation pursued by DSCC including, without limitation, the provision of witnesses as necessary or appropriate, and Seller shall, upon request, assign to DSCC the applicable claims under Existing Policies with respect to a matter for which DSCC has liability directly or DSCC, Buyer, OPC, Oxy-Chem or any Pass-Through Purchaser has liability pursuant to the provisions of this Agreement or the Related Documents and (ii) furnish any information and documents required for this purpose.

Section 8.14 Claims Against Current Carriers.

Seller shall have the right, and DSCC shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, the appropriate DSCC Company to cooperate fully in the exercise of such right, to continue or to settle pending Litigation or claims filed against any of the Current Carriers prior to the Closing (including, without limitation, Diamond Shamrock Chemicals Company vs. The Aetna Casualty and Surety Company, No. C-3939-84, now pending in the Superior Court of New Jersey, Chancery Division, Morris County, New Jersey) ("Existing Claims") for the payment of amounts allegedly due to any Diamond Company on account of losses suffered by any Diamond Company as a result of its products or damage to the environment or persons caused by the operation of any DSCC Company's production facilities prior to the Closing Date. As to claims which cover insurable occurrences, events or accidents, both before and after the Closing Date, Seller and DSCC shall cooperate and exercise a right of joint control with respect to any resulting Litigation. Seller will keep Buyer apprised of the status of all settlement negotiations as to Existing Claims. Any insurance proceeds paid in respect of the matters contemplated by Article IX hereof shall be dis-

tributed to the Indemnifying Party (as defined in Article IX) to the extent of the Indemnity Payment on account of any Indemnifiable Loss (as defined in Article IX) paid by such Indemnifying Party under and in accordance with Article IX. Any such insurance proceeds paid in respect of the Environmental Costs (as defined in Article X hereof) shall be distributed to the parties under and in accordance with Article X. From and after the Closing Date, DSCC authorizes Seller to act in the name and on behalf of DSCC and each other DSCC Company, in releasing such Existing Claims; provided, however, that such release does not include an agreement to the termination of further coverage under the Existing Policies in connection with any such settlement (other than in respect of the Existing Claim to which the settlement relates or a release which does not adversely affect a DSCC Company) unless made with Buyer's approval, which approval shall not be unreasonably withheld.

Section 8.15 Replacement of Surety Bonds; Guaranties; Letters of Credit; Comfort Letters. Schedule 8.15 sets forth a list of all outstanding performance and surety bonds, letter of credit obligations, guarantees and comfort letters issued by Seller and relating to the Chemicals Business. Buyer and Oxy-Chem each shall use

its respective best efforts to obtain and have issued replacements for each such bond, letter of credit obligation, guarantee and comfort letter, each of which shall be substantially similar to that being so replaced and to obtain any amendments, novations, releases, waivers, consents or approvals necessary to release each of the Diamond Companies (other than the DSCC Companies) thereunder. If reasonably necessary in the circumstances, the obligation of each of Buyer and Oxy-Chem to use its best efforts shall include, without limitation, providing its guarantee in consideration for the granting or obtaining of any such amendments, novations, releases, waivers, consents or approvals. DSCC shall be responsible for any costs or liabilities arising out of acts or omissions attributable to any DSCC Company subsequent to the Closing Date with respect thereto until all bonds, letters of credit, guarantees and comfort letters have been replaced and all obligations thereunder have been released.

Section 8.16 Taxes

(a) Seller shall have sole responsibility for, and shall pay or cause to be paid, all (i) Taxes arising out of (A) the consummation of the transactions contemplated by the Cogeneration Purchase Agreement, except for any state and local transfer and excise taxes

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("Transfer Taxes") incurred as a result of such consummation, which Transfer Taxes Buyer shall pay or cause to be paid, (B) the transfers contemplated by Sections 8.09 and 8.17 hereof, (C) the deemed sale of the assets of the DSCC Companies pursuant to an H-10 Election (as hereinafter defined), and (D) any other transaction permitted or contemplated by this Agreement and the Related Documents to which any Diamond Company is a party, and (ii) Taxes, other than foreign Taxes which are dealt with under subparagraph (c) of this Section 8.16, for which any DSCC Company is liable (A) for periods ending with, or on the Closing Date, or (B) with respect to the operations conducted by, and the transactions of, any DSCC Company up to and including the Closing Date. Any payment made by Seller under this Section 8.16 (a) shall be treated as a reduction in the Purchase Price by Buyer and Seller, unless such treatment is clearly contrary to the Law of the applicable jurisdiction.

(b) Buyer and Seller shall make a joint election under Section 338(h)(10) of Code and the regulations thereunder (the "Regulations") and any similar state, local or other Law ("H-10 Election"). Pursuant to the Regulations, Buyer and Seller shall jointly execute and file IRS Form 8023 and the separate H-10 Election

statement pursuant to Section 1.338(h)(10)-1T(d)(6) of the Regulations, and shall take any and all other action necessary to effectuate such election within the time prescribed by such Section 338(h)(10) and the Regulations. Pursuant to such H-10 Election, Seller shall include the deemed purchase and sale of the assets of DSCC and "affiliated subsidiaries" (as defined in Section 1504(a) of the Code) in Seller's consolidated federal income tax return for 1986. There shall be attached to IRS Form 8023 a regular exclusion election for excludible foreign target affiliates pursuant to Section 1.338-5T(c)(2)(v) of the Regulations. Seller shall elect the MADSP formula for determining the price at which the assets of DSCC and its affiliated subsidiaries are sold pursuant to Section 1.338(h)(10)-1T(f)(2) of the Regulations. Seller shall deliver to Buyer within 30 calendar days after the Closing (i) a fully executed Form 8023, (ii) a separate H-10 Election statement and (iii) any other documents necessary in order to effectuate the elections referred to in this Section 8.16(b) or reasonably requested by Buyer, OPC or Oxy-Chem in connection therewith, and take any and all action necessary to effectuate such elections or reasonably requested by Buyer, OPC or Oxy-Chem in connection therewith (including, with-

out limitation, executing, delivering or filing any documents, whether before or after the Closing), in a timely and reasonably appropriate manner.

(c) Seller shall prepare and file all federal, state or local Tax reports and returns for Tax periods applicable to the DSCC Companies other than the Equity Companies up to and through the Closing Date, and Seller shall use its best efforts to ensure the preparation and filing of such returns for the Equity Companies. In the event the Tax laws of any jurisdiction prohibit Seller from filing any such return for a Tax period ending at the close of business on the Closing Date, Seller shall assist Buyer, DSCC, OPC or Oxy-Chem, as appropriate, in preparing returns which include periods prior to the Closing Date and Seller shall promptly pay its share of any unpaid federal, state and local Taxes for such periods within ten calendar days of receipt of written notice from Buyer or OPC. Buyer shall, or shall cause the appropriate foreign Subsidiaries of DSCC to, prepare and file all foreign Tax returns or reports for Tax periods that include the Closing Date or periods prior to the Closing Date and that have not been filed as of the Closing Date. In the event the accrued liability for foreign Taxes included in the computation of Net

Working Capital is less than the foreign Taxes due in the aggregate for periods up to and through the Closing Date, and with respect to the operations conducted by, and the transactions of, any such Subsidiary up to and including the Closing Date, then Seller shall promptly pay any excess of foreign Taxes due over such accrued liability for such periods within 10 calendar days of receipt of written notice from Buyer or OPC. Taxes based on the ownership of property (i.e., property taxes, franchise taxes, business license taxes) shall be prorated through the Closing Date. All other Taxes for periods including the Closing Date shall be fairly apportioned.

(d) Any overpayments of federal, state or local Taxes by any DSCC Company for periods ending on or before the Closing Date (including refunds, estimated Taxes and prepaid Taxes paid by Seller or any such DSCC Company) shall be paid over to Seller by OPC, Oxy-Chem, Buyer or the appropriate DSCC Company promptly and in any event within ten calendar days after notice from Seller. Seller shall have the right to control audits of any DSCC Company that is a majority owned Subsidiary of DSCC by Taxing authorities with respect to periods ending on or prior to the Closing Date and Buyer shall have the right to participate in any such audit. Seller shall have the

right to participate in any tax audit of any DSCC Company that is a majority owned Subsidiary of DSCC with respect to periods ending after the Closing Date, but reflecting Taxes levied on transactions occurring prior to the Closing Date or ownership of property prior to the Closing Date, and any issues raised with respect to items occurring prior to the Closing Date in such audits shall be litigated or settled by Seller with the consent of OPC, which consent shall not be unreasonably withheld.

(e) The allocation of the Purchase Price shall be as set forth in Schedule 8.16 and for all purposes the parties hereto shall treat the transactions contemplated hereby in a manner consistent with such allocation.

(f) Seller shall indemnify and hold harmless each of Buyer, each DSCC Company, Oxy-Chem, OPC and each member of the "affiliated group" (within the meaning of Section 1504 of the Code) of which OPC is the common parent from any and all claims, demands or liability for payment of any of the Taxes described in or contemplated by Sections 8.16(a), (b) and (c) hereof as being the responsibility of Seller and from any Taxes imposed on Buyer as a result of its receipt of any payments from the Seller pursuant to this Section 8.16.

Oxy-Chem shall indemnify each of Seller and each member of Seller's "affiliated group" from and against all Taxes described in Section 8.16(d) hereof as being the responsibility of OPC, Oxy-Chem, Buyer or the appropriate DSCC Company, as the case may be.

(g) In connection with (i) the preparation of any Tax returns required to be filed by Seller or Buyer on behalf of each DSCC Company and (ii) any audit examinations of each DSCC Company by any governmental taxing authority, Seller, each DSCC Company, Buyer, OPC and Oxy-Chem will cooperate fully with each other, including but not limited to the furnishing or making available of records, books of account, powers of attorney or other materials reasonably necessary for the preparation of returns or defense against the assertion of any taxing authority as to the imposition of any Taxes for such periods.

(h) All the obligations and liabilities of DSCC or Seller under that certain agreement dated as of November 9, 1981 (the "Tax Lease") between Convent Chemical Corporation, a New York corporation ("Convent"), and International Business Machines Corporation, a New York corporation ("IBM"), to which DSCC and Seller are subject by virtue of that certain Consent and Indemnifi-

cation Agreement dated as of November 27, 1985 by and among IBM, Convent, The B.F. Goodrich Company, a New York corporation ("BFG"), DSCC and Seller shall remain the obligations and liabilities of Seller to the extent that any claim under any such obligation or liability arises under or is attributable to any facts or circumstances related to, or any act or omission of (i) BFG, (ii) Seller, including, without limitation, the inaccuracy or insufficiency for its intended purpose of the Transferee's Statement (as hereinafter defined) or (iii) any DSCC Company, in each case at any time prior to the Closing Date. Within ten calendar days after receipt of the Transferee's Statement from DSCC pursuant to this Section 8.16(h), Seller shall (A) furnish to the tax lessor named in the Tax Lease the appropriate Transferee's Statement theretofore executed by DSCC as transferee, and (B) provide evidence to DSCC that such action has been taken by Seller in a timely manner. Upon the Closing, DSCC will take title to any assets described in the Tax Lease subject to the obligations and liabilities of the Tax Lease to the extent that any claim under any such obligations and liabilities arises under or is attributable to any facts or circumstances related to, or any act or omission of, any DSCC Company occurring after the Closing Date.

DSCC shall (x) within 30 calendar days after the Closing, complete, execute and deliver to Seller, for furnishing to the tax lessor pursuant to this Section 8.16(h) the forms (the "Transferee's Statements") included in Schedule 8.16, and (y) file the Transferee's Statements with the timely filed federal income tax return which includes DSCC for the taxable year in which the transfer contemplated by this Agreement occurs.

Section 8.17 Carbochloro and DS Chile. The parties shall take the actions specified, if any, in Exhibits 1.06(a) and 1.06 (b) with respect to Carbochloro and DS Chile, respectively.

Section 8.18 Change and Use of Names.

(a) As soon as reasonably practicable after the Closing, Buyer shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, the charter documents of each DSCC Company to be amended to change the name of each DSCC Company to a name which does not include (i) the word "Shamrock" or (ii) the word "Diamond" unless used in combination with the word "Alkali," and Buyer shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each DSCC Company to cease using any written materials, including without

limitation, labels, packing materials, letterhead, advertising materials and forms, which include (A) the word "Shamrock", (B) the word "Diamond" unless used in combination with the word "Alkali" and (C) Seller's corporate logotype, in the case of:

(1) Subsidiaries incorporated in any United States jurisdiction, within 45 calendar days after the Closing Date;

(2) Subsidiaries incorporated in foreign jurisdictions, within 120 calendar days after the Closing Date; and

(3) Subsidiaries which are partnerships, joint ventures or other entities, within 120 calendar days after the Closing Date, subject, however, to the agreements to which they are subject;

provided, however, that the DSCC Companies may, without modification, use inventory, product literature and sales literature (but not including letterhead, business cards, invoices or the like) in existence as of the Closing Date until the earlier of the exhaustion of such materials or a date six months from the Closing Date.

(b) The DSCC Companies may use and, effective as of the Closing, Seller, on behalf of itself and the other Diamond Companies (other than the DSCC Companies), hereby assigns to DSCC, all rights they or any of them may have in the name "Diamond Alkali," the related corporate logotype previously used by the DSCC Companies and not now used by Seller, and all related trademarks, trade names and brand names.

Section 8.19 Compliance with ECRA.

(a) With respect to the facilities located at Berry Avenue and Route 17N, Carlstadt, Bergen County, New Jersey; Essex and First Street, Harrison, Hudson County, New Jersey; 651 Tonnele Avenue, Jersey City, Hudson County, New Jersey; and 350 Mt. Kemble Avenue, Morris, Morris County, New Jersey (the "New Jersey Facilities"), DSCC has entered into the ECRA ACO with the New Jersey Department of Environmental Protection (the "DEP"), naming DSCC as the respondent, and has provided to the DEP, at Seller's expense, such financial assurances, if any, as were required by the ACO. All costs and expenses incurred in connection with the ACO by DSCC following the Closing Date shall be deemed Environmental Costs and shall be shared as provided in Article X hereof.

(b) Following the Closing, DSCC shall (i) take such steps, if any, as may then be required with regard to the initial ECRA notice, (ii) prepare the ECRA sampling plan, (iii) obtain the DEP's approval of the sampling plan, (iv) through DSCC's agents, contractors, or representatives, conduct the approved sampling plan, (v) prepare the ECRA cleanup plan, (vi) obtain DEP approval of the cleanup plan, and (vii) otherwise comply with the provisions of ECRA and the ACO. The approval and carrying out of the cleanup plan shall be implemented or caused to be implemented by DSCC following the Closing Date. Seller shall provide Buyer copies of all filings and other materials submitted to the DEP by Seller or, prior to the Closing, DSCC upon filing or submittal thereof to the DEP. Seller shall also provide Buyer promptly with copies of all correspondence received by Seller or, prior to the Closing, DSCC from the DEP relating to ECRA or the ACO. Following the Closing, Seller shall cooperate with DSCC its efforts to complete the actions required by the ACO and the DEP.

Section 8.20 Transfer or Reissuance of Environmental Permits. Prior to the Closing, Seller shall commence and continue until the Closing the actions required (i) to effect the reissuance to the appropriate DSCC Company or to the owner or operator of the Cogeneration Business Unit of all permits, licenses and other authorizations that were issued to any Diamond Company other than a DSCC Company prior to the Closing Date pursuant to any Environmental Law ("Environmental Permits"), and (ii) for each said DSCC Company to obtain any Environmental Permit, to the extent necessary for the continued operation of the assets and the business of any DSCC Company after the Closing Date. Following the Closing, Seller shall cooperate with Buyer in its efforts to complete the actions required to obtain such Environmental Permits.

Section 8.21 Waste Removal. Seller, at its sole expense, shall remove or cause to be removed from each of the Active Sites located in the United States all hazardous waste generated prior to the Closing that have been designated for off-site disposal, or would be designated for off-site disposal, in either case in the ordinary course of business, by Seller or any DSCC Company.

Such hazardous waste will be treated, for purposes of this Agreement, in two categories: (a) the hazardous waste described in Schedule 8.21 (the "Scheduled Waste") and (b) all other such hazardous waste (the "Miscellaneous Waste"). All of the Scheduled Waste shall be so removed not later than 30 calendar days following the Closing Date; and all of the Miscellaneous Waste shall be so removed not later than 10 calendar days following the later of (i) the Closing Date and (ii) the receipt of the required approvals, if any, from the appropriate Governmental Agency. Seller shall use its best efforts before and after the Closing to obtain any such approvals as promptly as practicable and DSCC shall cooperate with Seller in such efforts. Effective as of the Closing, all right, title and interest of any DSCC Company in and to all hazardous waste which is the subject matter of this Section 8.21 shall pass to and become the sole property and responsibility of Seller. Prior to the Closing Seller shall cause all Scheduled Waste, if stored in drums or other containers, to be marked "Property of Diamond Shamrock Corporation"; and, if not so stored, to be isolated to the extent practicable by fencing or barricades and marked with similarly worded signs in appropriate places. For the purpose of this Section 8.21, "hazardous waste"

shall have the meaning given to such term by RCRA, the regulations implementing RCRA and all applicable Laws governing hazardous waste management. Seller shall cause such hazardous waste to be removed from the relevant Active Site and transported, treated, stored, handled or disposed of in substantial compliance with all applicable Laws.

ARTICLE IX

Survival and Indemnification

Section 9.01 Survival of Representations and Warranties.

(a) Each of the representations and warranties contained in Articles II and III hereof shall survive and remain in full force and effect after the Closing for the periods set forth in Schedule 9.01, or shall terminate and be of no further force and effect after the Closing, in each case as set forth in Schedule 9.01.

(b) Unless a specific period is set forth in this Agreement (in which event such specified period shall control), all covenants contained in this Agreement shall survive the Closing and remain in effect indefinitely.

Section 9.02 Limitations on Indemnification.

(a) Except as specifically provided in Section 8.16 hereof, (i) no Indemnitee shall be entitled to make a claim against an Indemnifying Party for an Indemnity Payment in respect of an Indemnifiable Loss (as

all of those terms are defined in Section 9.03 hereof) pursuant to this Article IX unless the aggregate amount of Indemnifiable Loss, for a single claim or a group of related claims, exceeds \$20,000, (ii) except for any claim against Seller which an Indemnitee may have in its capacity as a Pass-Through Purchaser, no Indemnitee shall be entitled to assert any claim against an Indemnifying Party for an Indemnity Payment in respect of an Indemnifiable Loss pursuant to this Article IX unless and until (A) in the case of Seller as the Indemnifying Party, the aggregate amount of claims which may be asserted against Seller under Section 9.03(a) hereof for Indemnifiable Losses ("Seller Indemnifiable Losses") exceeds \$3,000,000, or (B) in the case of Buyer, DSCC, OPC or Oxy-Chem or any of them as the Indemnifying Party, the aggregate amount of claims which may be asserted against Buyer, DSCC, OPC and Oxy-Chem or any of them under Sections 9.03(b), (c), (d), (e) and (f) hereof for Indemnifiable Losses exceeds \$3,000,000, in which event any Indemnitee may assert its rights hereunder to the full extent of its aggregate Indemnifiable Losses, and (iii) no Pass-Through Purchaser (in its capacity as a Pass-Through Purchaser) shall be entitled to assert any claim against Seller for an Indemnity Payment in respect of an

Indemnifiable Loss pursuant to this Article IX unless and until (A) the aggregate amount of Indemnifiable Losses which have been incurred by such Pass-Through Purchaser (in its capacity as a Pass-Through Purchaser) exceeds \$1,000,000, or (B) the aggregate amount of claims which may be asserted for Seller Indemnifiable Losses exceeds \$3,000,000, in which event such Pass-Through Purchaser may assert its rights hereunder to the full extent of its aggregate Indemnifiable Losses. Seller shall have no liability to any Indemnitee in respect of any Third Party Claim (as defined in Section 9.04 hereof) for an Indemnifiable Loss asserted against such Indemnitee by any Pass-Through Purchaser to the extent that Seller would not have any liability hereunder to either any Indemnitee or such Pass-Through Purchaser if it were to assert a Direct Claim (as defined in Section 9.04 hereof) against Seller hereunder or otherwise for such Indemnifiable Loss.

(b) The amount of any Indemnity Payment payable by Seller in respect of any Indemnifiable Loss shall be reduced by the amount of any unused reserves for current liabilities of the category involved in such Indemnifiable Loss included in the computation of Net Working Capital as of the Closing Date in accordance with Section 1.04 hereof and the amount of such reserve shall

likewise be deemed to be reduced, in each case until the amount of such reserves is reduced to zero.

(c) Except as otherwise expressly provided in this Agreement, Article IX shall be exclusive with respect to any of the matters covered thereby. Nothing in this Article IX shall be deemed to limit or supercede any insurance coverage available to or provided on behalf of any party hereto by any of the Existing Policies.

Section 9.03 Indemnification. Subject to the terms and limitations set forth in Sections 9.01, 9.02, 9.04 and 9.05 hereof:

(a) Seller shall indemnify, defend and hold harmless each of OPC, Oxy-Chem, Buyer, each of the DSCC Companies and each Pass-Through Purchaser, each of their respective subsidiaries and affiliates and each of their respective directors, officers, agents and representatives, from and against any and all claims, demands or suits (by any Entity, including, without limitation, any Governmental Agency), losses, liabilities, damages, obligations, payments, costs and expenses, paid or incurred, whether or not relating to, resulting from or arising out of any Third Party Claim (including, without limitation, the reasonable cost and expenses of any and

all actions, suits, proceedings, demands, assessments, judgments, settlements and compromises relating thereto and reasonable attorneys' fees in connection therewith), and whether for property damage, natural resource damage, bodily injury (including, without limitation, damage and injury related to products and injury to any person living or dead on the date hereof or born hereafter), governmental fines or penalties (including, without limitation, for the violation of permits), pollution, threat to the environment, environmental remediation, or otherwise (individually and collectively "Indemnifiable Losses") relating to, resulting from or arising out of any of the following:

(i) any material breach of any of the representations or warranties of any Diamond Company (including, without limitation, any DSCC Company) contained in this Agreement or any Related Document as of the Closing Date but excluding matters expressly covered by Article X hereof;

(ii) any Litigation, whether commenced before or after the Closing Date but prior to the expiration of 12 years following the Closing Date, relating to any actions or

omissions of any Diamond Company (including, without limitation, any DSCC Company) or any predecessor-in-interest thereof prior to the Closing Date, or any occurrences, accidents, incidents or events prior to the Closing Date, relating to the business or activity of any Diamond Company (including, without limitation, any DSCC Company) or any predecessor-in-interest thereof, including, without limitation, the Litigation identified in Schedule 2.07, but excluding (A) matters expressly covered by Section 9.03(a)(i) which do not involve Third Party Claims, Section 9.03(a)(iii) or Article X hereof and (B) all matters with respect to which Litigation is commenced after the expiration of 12 years following the Closing Date;

(iii) any (A) Superfund Site and (B) any Litigation commenced after the Closing pursuant to the provisions of CERCLA or RCRA with respect to any release, storage or disposal of Polluting Substances at any commercial waste disposal facility ("Federal Superfund Litigation") to the extent, but only to

the extent, that such Federal Superfund Litigation relates to, results from or arises out of the actions or omissions of any Diamond Company (including, without limitation, any DSCC Company) or any predecessor-in-interest thereof prior to the Closing, but excluding matters expressly covered by Article X hereof;

(iv) the "Inactive Sites" (which for purposes of this Agreement, shall mean those former chemical plants and commercial waste disposal sites listed on Schedule 9.03(a)(iv) and all other properties which were previously, but which, as of the Closing Date, are not, owned, leased, operated or used in connection with the business or operations of any Diamond Company, including, without limitation, any DSCC Company, or any predecessor-in-interest thereof), including, without limitation, any matter relating to any of the Inactive Sites for which (A) any Diamond Company (including, without limitation, any DSCC Company) on or prior to the Closing Date agreed to indemnify, defend or hold harmless any Entity,

or (B) any Diamond Company may otherwise be held liable;

(v) any of the Excluded

Assets;

(vi) any of the Excluded

Liabilities;

(vii) any indebtedness for

borrowed money assumed, incurred or guaranteed by any Diamond Company (including, without limitation, any DSCC Company prior to the Closing) other than (A) the Assumed Obligations, (B) indebtedness which is otherwise expressly assumed by any DSCC Company, Buyer, OPC or Oxy-Chem under this Agreement or under any Related Document or (C) indebtedness which is reflected in Net Working Capital;

(viii) the Historical Obligations and any other obligations or liabilities

(absolute or contingent) of any Diamond Company (including, without limitation, any DSCC Company prior to the Closing) or any predecessor-in-interest thereof or of any DSCC Company unrelated to the Chemicals Business, including, without limitation, obligations and liabilities

arising out of, resulting from or incurred in connection with, any ownership, use or operation of the business or assets of any Diamond Company other than a DSCC Company, whether before or after the Closing Date; and

(ix) any Third Party Claim in which it is asserted that there has been a failure by any Diamond Company prior to the Closing to maintain insurance coverage which is sufficient for compliance (A) with the requirements of any Law applicable to the DSCC Companies, (B) in all material respects with any Contract or Lease to which any DSCC Company is a party or by which any of them or their respective properties is bound, and (C) with any agreement relating to the Assumed Obligations; provided, however, that the relevant DSCC Company shall use all reasonable efforts to resist the assertion of any claim that any such non-compliance exists; and provided further that, except with respect to the Assumed Obligations relating to the Convent Plant, any such Third Party Claim shall have been asserted prior to the second anniversary of the Closing Date.

(b) Buyer shall indemnify, defend and hold harmless each of the Diamond Companies (other than the DSCC Companies) and each of their respective subsidiaries and affiliates, and each of their respective directors, officers, agents and representatives, from and against any and all Indemnifiable Losses relating to, resulting from or arising out of any of the following:

(i) any material breach of any of the representations or warranties of Buyer contained in this Agreement or any Related Document but excluding matters expressly covered by Article X hereof;

(ii) any obligations or liabilities of Buyer or any subsidiary of Buyer (other than any DSCC Company) prior to the Closing Date; and

(iii) any liabilities or obligations of Buyer resulting from the existence of withdrawal liability under Part 1 of Subtitle E of Part IV of ERISA with respect to any multiemployer plan to the extent that any such liability or obligation shall have accrued by reason of some act or omission of Buyer subsequent to the Closing Date or shall have

resulted from the voluntary partial or complete withdrawal of Buyer from such multiemployer plan subsequent to the Closing Date.

(c) OPC shall indemnify, defend and hold harmless each of the Diamond Companies (other than the DSCC Companies) and each of their respective subsidiaries and affiliates and each of their respective directors, officers, agents and representatives, from and against any and all Indemnifiable Losses relating to, resulting from or arising out of any of the following:

(i) any material breach of any of the representations or warranties of OPC contained in this Agreement or any Related Document but excluding matters specifically covered by Article X hereof; and

(ii) any obligations or liabilities of OPC or any subsidiary of OPC (other than any DSCC Company) prior to the Closing Date.

(d) Oxy-Chem shall indemnify, defend and hold harmless each of the Diamond Companies (other than the DSCC Companies) and each of their respective subsidiaries and affiliates and each of their respective directors, officers, agents and representatives, from and

against any and all Indemnifiable Losses relating to, resulting from or arising out of any material breach of any of the representations or warranties of Oxy-Chem contained in this Agreement or any Related Document but excluding matters specifically covered by Article X hereof.

(e) DSCC shall indemnify, defend and hold harmless each of the Diamond Companies (other than the DSCC Companies) and each of their respective subsidiaries and affiliates and each of their respective directors, officers, agents and representatives, from and against any and all Indemnifiable Losses relating to, resulting from or arising out of any of the following:

(i) any of the Assumed Obligations or any other indebtedness for borrowed money expressly assumed by any DSCC Company, Buyer, OPC or Oxy-Chem under this Agreement or under any Related Document or which is reflected in Net Working Capital, other than any liabilities or obligations arising from any breach, default or any other noncompliance with the terms of any such Assumed Obligation or indebtedness by any Diamond Company (including, without limitation, any DSCC Company prior to

the Closing) occurring before or after the Closing, but excluding matters, if any, specifically covered by Section 1.06 hereof or listed in Schedule 6.09; and

(ii) any liabilities or obligations of any DSCC Company resulting from the existence of withdrawal liability under Part 1 of Subtitle E of Part IV of ERISA with respect to any multiemployer plan to the extent that any such liability or obligation shall have accrued by reason of some act or omission of any DSCC Company subsequent to the Closing Date or shall have resulted from the voluntary partial or complete withdrawal of any DSCC Company from such multiemployer plan subsequent to the Closing Date.

Oxy-Chem hereby agrees to guarantee the performance by DSCC of its obligations under this subparagraph (e).

(f) DSCC shall indemnify, defend and hold harmless Seller from and against all reasonable costs and expenses (including reasonable attorney's fees) paid or incurred in connection with any Litigation commenced at any time within 12 years following the Closing Date, relating to any actions or omissions of any DSCC

Company subsequent to the Closing Date, or any occurrences, accidents, incidents or events subsequent to the Closing Date relating to the business of or activity of any DSCC Company in which Seller is involved by reason of its having owned or operated the Chemicals Business prior to the Closing but excluding matters expressly covered by Article X hereof. Oxy-Chem hereby agrees to guarantee the performance by DSCC of its obligations under this Subparagraph (f).

(g) For purposes of this Agreement, "Indemnity Payment" shall mean any amounts of Indemnifiable Losses required to be paid pursuant to this Section 9.03.

(h) For purposes of this Agreement, "Indemnitee" shall mean any Entity entitled to indemnification under this Agreement.

(i) For purposes of this Agreement, "Indemnifying Party" shall mean any Entity required to provide indemnification under this Agreement.

Section 9.04 Defense of Claims.

(a) If an Indemnitee receives notice of the assertion of any claim or of the commencement of any action or proceeding by any Entity who is not a party to this Agreement (a "Third Party Claim") against such In-

demnitee, with respect to which an Indemnifying Party is obligated to provide indemnification under Section 9.03 of this Agreement, the Indemnitee shall give such Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 30 calendar days after receipt of such notice of such Third Party Claim. Such notice shall describe the Third Party Claim in reasonable detail, and shall indicate the estimated amount, if practicable, of the Indemnifiable Loss that has been or may be sustained by the Indemnitee. The Indemnifying Party shall have the right to participate in or, by giving written notice to the Indemnitee, to elect to assume the defense of any Third Party Claim at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel (reasonably satisfactory to the Indemnitee), and the Indemnitee shall cooperate in good faith in such defense.

(b) If within 10 calendar days after an Indemnitee receives written notice from an Indemnifying Party that such Indemnifying Party has elected to assume the defense of any Third Party Claim as provided in the last sentence of Section 9.04(a) hereof, the Indemnifying Party shall not be liable for any legal expenses subsequently incurred by the Indemnitee in connection with the

defense thereof; provided, however, that if the Indemnifying Party fails to take reasonable steps necessary to defend diligently such Third Party Claim within 10 calendar days after receiving notice from the Indemnitee that the Indemnitee believes the Indemnifying Party has failed to take such steps, the Indemnitee may assume its own defense, and the Indemnifying Party shall be liable for any reasonable expenses therefor. Without the prior written consent of the Indemnitee, the Indemnifying Party shall not enter into any settlement of any Third Party Claim which would lead to liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to reimbursement hereunder. If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to reimbursement hereunder and the Indemnifying Party desires to accept and agree to such offer, the Indemnifying Party shall give written notice to the Indemnitee to that effect. If the Indemnitee fails to consent to such firm offer within 10 calendar days after its receipt of such notice, the Indemnitee may continue to contest or defend such Third Party Claim and, in such event, the maximum

liability of the Indemnifying Party as to such Third Party Claim shall be limited to and shall not exceed the amount of such settlement offer, plus reasonable costs and expenses paid or incurred by the Indemnitee up to the date of such notice.

(c) Any claim by an Indemnitee on account of an Indemnifiable Loss which does not result from a Third Party Claim (a "Direct Claim") shall be asserted by giving the Indemnifying Party reasonably prompt written notice thereof, but in any event not later than 30 calendar days after the Indemnitee becomes aware of such Direct Claim, and the Indemnifying Party shall have a period of 30 calendar days within which to respond to such Direct Claim. If the Indemnifying Party does not so respond within such 30 calendar day period, the Indemnifying Party shall be deemed to have rejected such claim, in which event the Indemnitee shall be free to pursue such remedies as may be available to the Indemnitee under any applicable Laws, subject to the terms of this Agreement, including, without limitation, the enforcement of the Indemnitee's rights under this Agreement.

(d) A failure to give timely notice as provided in this Section 9.04 shall not affect the rights or obligations of any party hereunder except and only to the extent that, as a result of such failure, any party which was entitled to receive such notice was deprived of its right to recover any payment under its applicable insurance coverage or incurred an obligation or liability which otherwise would have been avoided.

(e) If the amount of any Indemnifiable Loss, at any time subsequent to the making of an Indemnity Payment, shall be reduced by recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Entity, the amount of such reduction, less any costs, expenses or premiums incurred in connection therewith (together with interest thereon from the date of payment thereof at the Interest Rate), shall promptly be repaid by the Indemnitee to the Indemnifying Party. Upon making any Indemnity Payment the Indemnifying Party shall, to the extent of such Indemnity Payment, be subrogated to all rights of the Indemnitee against any third party in respect of the Indemnifiable Loss to which the Indemnity Payment relates; provided, however, that (i) the Indemnifying Party shall then be in compliance

with its obligations under this Agreement in respect of such Indemnifiable Loss, and (ii) until the Indemnitee recovers full payment of its Indemnifiable Loss, any and all claims of the Indemnifying Party against any such third party on account of said Indemnity Payment is hereby made expressly subordinated and subjected in right of payment to the Indemnitee's rights against such third party. Without limiting the generality of any other provision hereof, each such Indemnitee and Indemnifying party shall duly execute upon request all instruments reasonably necessary to evidence and perfect the above-described subrogation and subordination rights.

Section 9.05 Pass-Through Purchasers.

(a) Upon the delivery by Buyer or OPC to Seller at any time prior to the second anniversary of the Closing Date of (i) notice that (A) Buyer or any DSCC Company has entered into a definitive agreement with any Entity for the purchase by such Entity, through the transfer of assets or stock, from Buyer or a DSCC Company of substantially all (but not less than substantially all) of the business and assets, and to assume among other things the Pass-Through Obligations (as hereinafter defined) for which Oxy-Chem and DSCC shall have no further liability following such purchase pursuant to Sec-

tion 9.05(c) to the extent related thereto, of the lines of business of the Chemicals Business comprising any one or more of the Business Units (individually, or collectively a "Pass-Through Unit"), and (B) such Entity (1) has, or its obligations in connection with such purchase are guaranteed by some other Entity which has, publicly traded equity securities having an aggregate market value greater than \$250,000,000 or (2) if not so publicly traded or guaranteed, has, or its obligations in connection with such purchase are guaranteed by some other Entity which has, a verifiable net worth determined in accordance with GAAP greater than \$90,000,000 after giving effect to such purchase, and (ii) evidence in form and substance reasonably satisfactory to Seller of the transfer to such Entity of the business and assets of a Pass-Through Unit and the assumption by such Entity of the Pass-Through Obligations, such Entity (but not its successors-in-interest, whether by sale, other transfer, operation of law or otherwise) shall be deemed, for purposes of this Agreement, a "Pass-Through Purchaser" with respect to such Pass-Through Unit.

(b) Each Pass-Through Purchaser

(i) shall be entitled to rely on the representations, warranties and covenants of Seller contained in this Agreement to the extent related to such Pass-Through Unit and (ii) shall have the benefit of all rights to Indemnity Payments for Indemnifiable Losses and, subject to any allocation made pursuant to Section 10.01(d)(ii) hereof, reimbursement of Environmental Costs by Seller contained in Articles IX and X hereof to the same extent (except as otherwise expressly provided herein) as if such Pass-Through Purchaser were a party hereto.

(c) Notwithstanding any assumption of any liability hereunder or otherwise by any Pass-Through Purchaser, each of Buyer, Oxy-Chem and OPC shall remain liable under this Agreement and under each Related Document for all of its respective obligations and liabilities under this Agreement and the Related Documents (to the extent herein provided), including, without limitation, those applicable to the related Pass-Through Unit in the event of a breach thereof by any Pass-Through Purchaser; provided, however, that upon the assumption by a Pass-Through Purchaser of the obligations and liabilities provided for in Section 9.03(f) (the "Pass-Through Obligations") relating to its Pass-Through Unit, Oxy-Chem

and DSCC shall have no further liability with respect to such Pass-Through Obligations. No Diamond Company shall have any liability under this Section 9.05 to any Entity other than a Pass-Through Purchaser.

ARTICLE X

Environmental Costs Sharing

Section 10.01 Environmental Costs.

(a) Subject to Section 10.01(d) hereof, Seller shall reimburse each DSCC Company and each of OPC, Oxy-Chem, Buyer and each Pass-Through Purchaser (individually and collectively, the "Reimbursable Parties") for 50% of each and every amount of Environmental Costs (as hereinafter defined) paid by them or any of them at any time following the Closing Date ("Seller's Share").

(b) For purposes of this Agreement, "Active Site" shall mean: (a) any Chemical Plant Site (as hereinafter defined) and (b) any other property owned, leased, operated or used by any DSCC Company in the conduct of the Chemicals Business as of the Closing Date and which is used by any DSCC Company for any period of time following the Closing Date (except solely pursuant to Section 8.21 hereof) (i) for the production, manufacture, sale or distribution of products in the Chemical

Business, or (ii) for the release, storage or disposal of Polluting Substances. For the purposes of this Agreement, "Chemical Plant Site" shall mean the real property contained within the physical boundary or boundaries (whether or not individual parcels within such boundary or boundaries are separated by public or private roads, easements, access ways or similar interests) of each of DSCC's chemical plants including, without limitation, those chemical plants listed (together with other Active Sites) on Schedule 10.01.

(c) For purposes of this Agreement, "Environmental Costs" shall mean any and all costs and expenses paid or incurred by any of the Reimbursable Parties by reason of, relating to, resulting from or arising out of any damage to a natural resource, threat to the environment, pollution or the presence of hazardous wastes or other Polluting Substances on, under or over the surface of any Active Site, or emanating therefrom by reason of, or caused in whole or in part by, any event, condition or circumstance occurring or existing at any Active Site at any time before or after the Closing. Environmental Costs shall include, without limitation, all costs, expenses, governmental fines or penalties relating to: (i) environmental remediation (including,

without limitation, the removal, clean-up, disposal, restraint of migration, encapsulation and ground water remediation of Polluting Substances), and (ii) actions, equipment, systems, process additions or revisions (including, without limitation, engineering or other studies, construction and installation) reasonably required to bring any Active Site or any area damaged by emanations of Polluting Substances from any Active Site into and to maintain compliance with any Environmental Law, or to mitigate future claims, losses, liabilities, costs, or governmental fines or penalties as contemplated by any Environmental Law.

(d) Seller's obligations under this Article X shall apply to all Environmental Costs relating to, resulting from or arising out of conditions, events or circumstances acknowledged in writing by Seller or discovered by any Reimbursable Party and as to which Seller is provided written notice by such Reimbursable Party prior to the expiration of ten years following the Closing Date; provided, however, that (i) Seller's Share shall be limited in the aggregate to \$75,000,000, and (ii) either Buyer or OPC, at its sole election and discretion, may allocate all or any portion of said \$75,000,000 which has not been previously reimbursed by

Seller pursuant to Section 10.02 hereof to any one or more of the Pass-Through Purchasers; provided further, however, that either OPC or Buyer shall give Seller written notice of each such allocation not later than the second anniversary of the Closing Date.

(e) For purposes of this Article X, the term "Environmental Laws" shall mean Environmental Laws as defined in Section 2.07(f) hereof including changes made to such Environmental Laws after the date of this Agreement and changes made to such Environmental Laws but as to which compliance periods have not yet expired at the expiration of the ten-year period following the Closing Date.

Section 10.02 Payment.

(a) Within 30 calendar days after receiving written notice from a Reimbursable Party to the effect that any Environmental Costs have been paid by or on behalf of the Reimbursable Party, accompanied by appropriate documentation evidencing the payment thereof, certified as being true and correct by the Reimbursable Party, Seller shall reimburse such Reimbursable Party for Seller's Share of any Environmental Costs paid by or on behalf of such Reimbursable Party.

(b) Each Reimbursable Party shall provide Seller and its agents the right of reasonable access to its facilities and records and audit of any engineering or other technical studies and accounting or other records in such Reimbursable Party's possession that are reasonably necessary for Seller to verify the amount of any Environmental Costs for which such Reimbursable Party has claimed payment. Any payment made by Seller pursuant to this Section 10.02 shall be made without prejudice to Seller's right to protest the propriety of such payment. If Seller shall not make any reimbursement due hereunder within such 30 calendar day period and Seller subsequently makes such reimbursement or is found to be responsible therefor, Seller shall pay to the Reimbursable Party interest at the Interest Rate on the amount of such reimbursement from the expiration of such period until the date of reimbursement.

Section 10.03 Application of Insurance Proceeds.

Any amount paid by any Current Carrier (as a result of any claim filed by any Insured Party whether before or after the Closing Date) with respect to any Environmental Costs paid at any time following the Clos-

ing shall be paid over promptly by the recipient of such amount to DSCC and Seller in equal amounts.

ARTICLE XI

Termination and Amendment

Section 11.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by mutual consent of the parties hereto;

(b) upon written notice by any party hereto, if (i) any court of competent jurisdiction in the United States or any other United States Governmental Agency shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement or any of the Related Documents and (ii) such order, decree, ruling or other action shall have become final and nonappealable; and

(c) upon written notice at any time on or after October 31, 1986 by any party hereto, if the Closing has not occurred by October 31, 1986; provided, however, that the failure to close is not the result of a breach of this Agreement by the terminating party.

Section 11.02 Obligations Shall Cease. In the event that this Agreement shall be terminated pursuant to Section 11.01 hereof, all obligations of the parties hereto under this Agreement shall terminate and there shall be no liability of any party hereto to any other party except (a) for the obligations with respect to confidentiality contained in Section 8.03 hereof, (b) as set forth in Section 11.03 hereof, and (c) with respect to terminations pursuant to Section 11.01(c) hereof, as to any party whose breach of this Agreement resulted in the failure to close.

Section 11.03 Fees and Expenses. Each party hereto shall pay all of the fees and expenses incurred by it in connection herewith.

ARTICLE XII

Miscellaneous

Section 12.01 Headings. The descriptive headings of the several Articles and Sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

Section 12.02 Notices. Any notices or other communications required or permitted hereunder shall be given in writing and shall be delivered or sent by next day delivery service, personal delivery or certified or registered mail, postage prepaid, addressed as follows:

If to OPC, to:

Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024
Attention: Gerald M. Stern, Esq.

If to Oxy-Chem, to:

Occidental Chemical Holding Corporation
c/o Occidental Chemical Corporation
800 Connecticut Avenue
Norwalk, Connecticut 06850
Attention: President

With copy to OPC

If to Buyer, to:

Oxy-Diamond Alkali Corporation
c/o Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024
Attention: Gerald M. Stern, Esq.

If to DSCC following the Closing, to:

Diamond Shamrock Chemicals Company
c/o Occidental Chemical Corporation
800 Connecticut Avenue
Norwalk, Connecticut 06850
Attention: President

With copy to OPC

If to OPC, Oxy-Chem or Buyer, or if to DSCC following the Closing, copies to:

Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022
Attention: Jeffrey W. Tindell, Esq.

and

Skadden, Arps, Slate, Meagher & Flom
515 S. Figueroa Street
Los Angeles, California 90071
Attention: Jerome L. Coben, Esq.

If to Seller, to:

Diamond Shamrock Corporation
717 North Harwood Street
Dallas, Texas 75201
Attention: James F. Kelley, Esq.

Copy to:

Jones, Day, Reavis & Pogue
2300 LTV Center
2001 Ross Avenue
Dallas, Texas 75201
Attention: Robert A. Profusek, Esq.

or to such other address as shall be furnished in writing by such party, and any such notice or communication shall be effective and be deemed to have been given as of the date so dispatched, delivered or mailed; provided, that, any notice or communications changing any of the addresses set forth above shall be effective and deemed given only upon its receipt.

Section 12.03 Successors. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties, except (a) that without any such prior written consent, Buyer may assign any or all of its rights, interests and obligations hereunder to any directly or indirectly wholly owned subsidiary of OPC, provided, however, that, any such subsidiary agrees in writing to be bound by all of the terms, conditions and provisions contained herein and that each of Buyer, OPC and Oxy Chem shall remain liable under its respective obligations set forth in this Agreement notwithstanding any such assignment; and (b) as contemplated by Articles IX and X hereto.

Section 12.04 Other Action. Consistent with the terms and conditions hereof and subject to the limitations set forth in Section 8.05(b) hereof, each party hereto will execute and deliver such instruments, certificates and other documents and take such other action as any other party hereto may reasonably require in order to

carry out this Agreement or any of the Related Documents and the transactions contemplated hereby and thereby. As to all cases in which DSCC has a post-Closing obligation set forth in this Agreement or any Related Document, at the Closing Buyer shall cause DSCC to execute an undertaking in the form set forth in Exhibit 12.04 to perform such obligation. After the Closing Date, Seller and Buyer shall cooperate in good faith to determine whether any assets held by any of the DSCC Companies immediately after the Closing are not related to the Chemicals Business, in which event Buyer shall cause DSCC at Seller's expense to transfer such assets to the Diamond Company designated by Seller.

Section 12.05 Entire Agreement. Each of the Schedules and Exhibits referred to herein, whether or not attached hereto, are hereby incorporated in and made a part of this Agreement as if set forth in full herein. This Agreement and the Related Documents constitute the sole and entire agreement among the parties hereto and thereto with respect to the subject matter hereof and thereof, and supersede all prior arrangements or understandings with respect thereto; and there are no express or implied restrictions, agreements, promises, representations, warranties, covenants or undertakings other than

those expressly set forth herein or therein. Notwithstanding any other provision of this Agreement, this Agreement shall not affect the rights and obligations of the parties to each other which existed prior to March 12, 1986, except as set forth in this Section 12.05.

Section 12.06 Third Parties. Except as specifically set forth or referred to herein (including, without limitation, Articles IX and X and Section 12.03 hereof), nothing herein expressed or implied is intended or shall be construed to confer upon or give any Entity, other than the parties hereto and their successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

Section 12.07 Right of Seller to Proceed Against Certain Parties. In the event of any breach of this Agreement, for which breach two or more of Buyer, OPC, Oxy-Chem and DSCC are responsible, Seller may proceed against any such responsible party without first or simultaneously proceeding against any other responsible party.

Section 12.08 Counterparts. This Agreement may be executed in two or more counterparts all of which shall be considered one and the same agreement and each of which shall be deemed an original.

Section 12.09 Governing Law. This Agreement shall be governed by the laws of the State of Delaware (regardless of the laws that might be applicable under principles of conflict of laws) as to all matters, including, but not limited to, matters of validity, construction, effect and performance.

Section 12.10 Other Matters.

(a) The parties hereto agree that for a period of twelve years following the Closing Date they will or, in the case of less than majority owned Entities, will use their best efforts to, take all necessary action to ensure that all corporate books and records of the DSCC Companies with respect to periods ending on or before the Closing Date in the possession or control of any of them shall be open for inspection by representatives of each other party at any time during regular business hours and that each other party may during such period at its expense make such excerpts therefrom as it may reasonably request.

(b) For a period of twelve years following the Closing Date (or for such longer period as may be required by law or governmental regulation), no party hereto shall destroy or give up possession of any original or final copy of any of the books and records relating to environmental matters at any facility of any DSCC Company without first offering Seller the opportunity, at its expense, to obtain such original or final copy or a copy thereof. During such period, each party shall use its best efforts to cooperate with each other party and make available such books and records to the employees of such other party, its subsidiaries and the DSCC Companies to the extent that such other party may reasonably require for its corporate and other business purposes (including, without limitation, attendance at depositions or legal proceedings, or audits requested by such other party to be performed by such other party's independent accountants for any period through the Closing Date).

Section 12.11 Historical Obligations.

(a) Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each of the other Diamond Companies to, use its and their best efforts to obtain at the earliest practicable date, whether before or after

the Closing Date, any amendments, novations, releases, waivers, consents or approvals necessary to have each of the DSCC Companies released from its obligations and liabilities under the Historical Obligations. Seller shall, and shall cause or, in the case of less than majority owned Entities, shall use its best efforts to cause, each of the other Diamond Companies to, remain in compliance with its and their respective obligations under each of the Historical Obligations to the extent any Diamond Company remains obligated or has any liabilities thereon.

(b) If reasonably necessary in the circumstances, Seller's obligations to use its best efforts shall include, without limitation, providing its guarantee or the guarantee of any of the other appropriate Diamond Companies (other than the DSCC Companies) in consideration for the granting or obtaining of any such amendments, novations, releases, waivers, consents or approvals.

(c) Each of Buyer and Oxy-Chem shall provide such information and cooperate fully with each Diamond Company in obtaining any such amendments, novations, releases, waivers, consents or approvals to effect any release of a DSCC Company as provided in Section

12.11(a) hereof; provided, however, that neither of Buyer or Oxy-Chem shall be obligated to execute any guarantees or undertakings or otherwise incur or assume any liability in connection with obtaining any such amendments, novations, releases, waivers, consents or approvals.

Section 12.12 Rules of Construction. Unless the context otherwise requires (a) each term defined in this Agreement has the meaning assigned to it, (b) each accounting term not otherwise defined in this Agreement has the meaning assigned to it in accordance with GAAP, (c) "or" is disjunctive but not necessarily exclusive, and (d) words in the singular include the plural and in the plural include the singular. No provision of this Agreement shall be construed in favor of, or against, any of the parties hereto by reason of the extent to which any such party or its counsel participated in its drafting or by reason of the extent to which this Agreement or

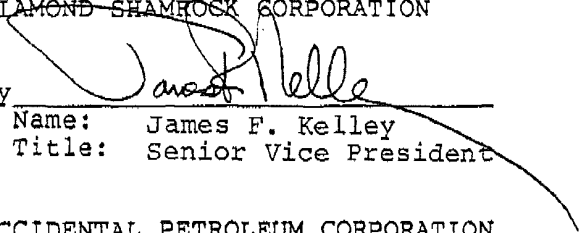
any such provision hereof is inconsistent with any prior draft hereof or thereof.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officers as of the day and year first above written.

Seller:

DIAMOND SHAMROCK CORPORATION

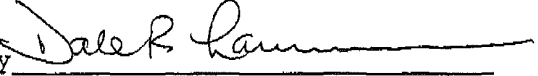
By


Name: James F. Kelley
Title: Senior Vice President

OPC:

OCCIDENTAL PETROLEUM CORPORATION

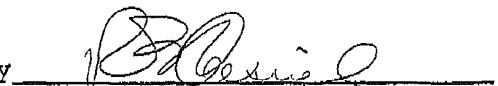
By


Name: Dale R. Laurance
Title: Executive Vice President

Buyer:

OXY-DIAMOND ALKALI CORPORATION


By


Name: R. B. Casriel
Title: Vice President & Treasurer

Oxy-Chem:

OCCIDENTAL CHEMICAL HOLDING CORPORATION

By


Name: R. B. Casriel
Title: Vice President & Treasurer